

Stock No.:2850

**ShinKong Insurance Co., Ltd.**

**2020**

# **Annual report**



May 10, 2021

MOPS Website : [mops.twse.com.tw](http://mops.twse.com.tw)

Website : [www.skinsurance.com.tw](http://www.skinsurance.com.tw)

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V. Overseas Securities Exchange Where Securities are Listed and Method of Inquiry: None.

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# One. Message to Shareholders

Greetings to all of our Valued Shareholders,

In 2020, due to the global spread of COVID-19, the financial markets were severely impacted. Although there was a big fall due to panic, market confidence gradually recovered, according to the United Nations report, the global economy still declined by 4.3% in 2020. Domestic production was not significantly affected by the epidemic due to proper control of the epidemic, coupled with the expansion of industrial capacity and increased capital expenditure, policy stimulation in the growth of domestic tourism and consumption, the annual economic growth rate was 3.11%, according to Directorate-General of Budget, Accounting and Statistics

In terms of the property insurance market, the contraction of the foreign travel market has caused a decline in travel-related insurance policies. However, due to the increase in the number of self-driving vehicles driven by the demand for epidemic prevention and car replacement subsidies, the political and trade conflicts that prompted companies to move their production lines, and the domestic green energy wind power projects, the overall general property insurance market still saw a 6.24% growth in premiums from written policies, with total premiums from written policies reaching NT\$187.4 billion.

In the face of the epidemic, ShinKong Insurance carefully evaluates the market situation and plans its business direction, and with the concerted efforts of all employees, its 2020 sales from written policies exceeded the \$20 billion mark, with a growth rate of 7.29% higher than the market average and market share increased to 10.70%. Due to the successful long-term business restructuring and appropriate reinsurance risk diversification, the annual underwriting profit was quite good. In terms of investment, although the Company faced a severe impact on the global financial market caused by COVID-19 in the first quarter, it was able to mitigate the impact due to a stable asset allocation and proper risk management of trading positions, and to improve the stability of investment income by increasing the strategic positions with stable operations, and the overall investment income in 2020 still showed a solid growth compared to the previous year.

ShinKong Insurance's excellent performance is reflected in its management performance. In 2020, the Company was awarded the "First Place in the Compulsory Automobile Liability Insurance Differentiated Management Mechanism" by the FSC, and was awarded the "Excellent Appraisal - Insurance Best Brand Image" award for the 4th time and the Gold Award in the "Trustworthy Brand Survey"..In addition, we have been awarded the "Insurance Quality Award" and the "Insurance Phoenix Award" for our professional and outstanding service quality in surveys conducted by companies and students in colleges and universities.

Looking ahead to 2021, although there is still uncertainty about the Corona virus epidemic, both the global and domestic economies are expected to show a recovery trend, inflation will rebound moderately, the supply chain of industrial production will continue to adjust, and some new technologies will still maintain high growth. ShinKong Insurance will continue to focus on appropriateness of product prices, improvement of loss rate and selection of sales channels, and develop business through professional underwriting technology and strategic reinsurance cooperation to increase market share and stabilize underwriting profits. In terms of corporate governance, we have adopted a sound system and system standardization to control operational errors and maintain a stable operating system. In addition, we have internalized the corporate philosophy of "treating customers fairly" and continue to provide services and products that meet the needs of different groups. We expect to improve service quality and customer satisfaction through professional, specialized, and dedicated organizational division of work, and to create excellent operational performance to achieve the corporate goal of sustainable development.

Chairman: WU, HSIN-HUNG

## **I. The 2020 business report**

### **(I) Business plan implementation results**

The COVID-19 pandemic shadowed the year of 2020; however, it was properly controlled in Taiwan with a minor impact on the economic development. In terms of the property insurance market, although the travel-related insurance business was affected, the demand for cars increased due to the consideration of pandemic prevention and subsidies for car purchases, which drove the auto insurance market to grow for a record of 6.24%. ShinKong Insurance Co., Ltd. maintains a stable business operation and carefully evaluates the impact of the pandemic with corresponding adjustments made. Long-term auto insurance and excellent channels have also grown slightly. The overall insurance premium from written policies exceeded NT\$20 billion in 2020, reaching a new milestone, with a growth rate of 7.29% and market share of 10.7% to show for. In addition, the overall operating performance is excellent due to the optimization of internal operations and the proper financial management. The operation result is outlined as follows:

1. Auto insurance: With the growth in sales of automobiles and motorcycles by 4% and 32% in 2020, respectively, the auto insurance industry continued to build up a customer base in auto dealership and insurance brokerage and agency, and actively increased the renewal rate of valuable customers with the overall insurance premium from written policies increased to NT\$10.644 billion, a growth rate of 6.39%, and a market share of 10.56%, ranking third place in the industry taking as a whole.
2. Fire insurance: The company was actively developing insurance brokerage and agency and banking channels in 2020, developing new customers and securing the existing insurers, while maintaining a rigorous underwriting policy and proper reinsurance management to realize risk diversification and maintain business quality with a fire premium from written policies of NT\$3.37 billion achieved, which represented double-digit 12% of growth, a market share of 11.91%, and ranking third place in the industry taking as a whole.
3. Marine insurance: Through the effort of colleagues in actively developing quality business, marine insurance premiums from written policies reached the record high of NT\$1.283 billion in 2020 with a growth rate of 28.74%, becoming the leader of the market with a market share of 14.94% from 2.32% before, and also greatly improving the loss rate and outperforming anyone in the industry.
4. Liability insurance: Liability insurance business mainly referred to commercial comprehensive insurance, employer liability insurance, and mobile phone insurance in 2020. In spite of the influence of the COVID-19 pandemic, the company managed to generate insurance premium revenue from written policies of NT\$1.5 billion that was a 6.55% growth from the year of 2019, beyond the reach of the competitors in the industry, also, the company's market share increased to 7.16%.
5. Engineering insurance: The large-scale public construction business decreased in 2020, and the overall growth momentum was not what it was in the previous year. However, due to the expansion of private enterprises and the injection of small- and medium-sized engineering insurance, the annual insurance premium from written policies amounted to NT\$1.05 billion with a market share of 14.72% secured, ranking third in the industry.
6. Injury and health insurance: Foreign tourism dropped sharply due to the impact of COVID-19 pandemic; therefore, travel insurance business declined significantly. The overall injury and health insurance market growth rate also declined by 4.12%. In addition

to increasing its valuable business and financial channels, the company retired non-performing businesses to improve the company's underwriting business quality. The insurance premiums from written policies for injury and health insurance amounted to NT\$2.206 billion in 2020 with a growth rate of 1.51%, a market share of 10.22%, and ranking third place in the industry.

In addition to being dedicated to the development of insurance business, based on the "corporate social responsibility", the company has substantiate the principle of "treating customers fairly." The company constantly reviews and refines each operation link to improve service quality for each ethnic group. In addition to strengthening the barrier-free measures at each station and providing bilingual services in 2020, the company also produced a braille version of product introduction to create a friendly financial environment. Based on the belief of "feedback to society," the company continues to participate in various charity activities to provide feedback to society, such as blood donation activities, support for the "feeding the hungry" activities, donations to disadvantaged groups, and insurance coverage; the company also conveys insurance concepts and cultivates insurance talents for the future by participating in insurance forums, holding campus seminars, and providing on-the-job interns, etc.

The company's overall quality performance in 2020 helped ShinKong Insurance Co., Ltd. be recognized by the public in various important indicators. For example, on the survey of public opinions, the company was awarded with the "Excellent Insurance Evaluation – Best Brand Image (Property Insurance Group)" four times and the "Creditable Brand – Gold Award (Property Insurance Group)" for three consecutive years; the company has also been awarded with the "Insurance Quality Award – Excellence" for consecutive years with professional services provided in corporate surveys. The company was awarded the "Mandatory Auto Liability Insurance Differentiation Management – First Prize" by the Financial Supervisory Commission in 2020 to affirm the company's quality operation and management performance.

In the prospect of 2021, ShinKong Insurance Co., Ltd. will continue to focus on the expansion of new business channels, the improvement of quality business, and the development of new products. Furthermore, it will continue to assess the adequacy of product price and the improvement of loss rates in order to address the importance of quality and quantity equally. In addition, the company will continue to implement corporate governance, strengthen compliance with law and regulations, enhance internal audits and internal controls to maintain the company's sound business quality, and continue to improve insurance expertise and service quality in order to increase customer satisfaction and market share; furthermore, it will deepen the concept of "treating customers fairly" into every operation link in order to aim for a sustainable operation and create prominent operational performance.

- (II) Budget implementation: The company did not issue financial forecasts that were audited by the independent auditor in 2020; therefore, there was no budget implementation to be reported.
- (III) Financial income and expenditure: The company's operating income was NT\$16,510,114 thousand in 2020, operating cost was NT\$11,207,473 thousand, operating expense was NT\$3,386,841 thousand, operating profit was NT\$1,915,800 thousand, income tax expense was NT\$299,920 thousand, and net income was NT\$1,629,724 thousand.

(IV) Profitability analysis

Analysis items		2019	2020
Profitability	Return on assets	4.56%	4.35%
	Return on equity	14.03%	13.09%
	Profit ratio of funds	2.26%	2.39%
	Return on investment	2.05%	2.18%
	Combined ratio	91.58%	91.82%
	Retained expense ratio	35.84%	35.47%
	Retained maximum probable loss ratio	55.74%	56.35%
	Earnings per share (NTD)	4.94	5.16

(V) Research & development status

1. Insurance product research & development:

Liability insurance and other property insurances are the two main new products developed this year with the purpose of enhancing market competitiveness and business growth momentum. The company continues to maintain compliance with law and regulations in a competitive market in order to take into account the interests and rights of consumers and the supervision requirements of the competent authority. The existing products are with the flexibility of adjustment at any time in response to the external environment in order to provide customers with prompt protection and stabilize the competitiveness of the existing channels.

2. Financial actuarial research:

The company continues to conduct research, evaluation, and analysis on various issues related to capital reserve this year. It also actively participates in the company's IFRS 17 "inter-departmental task force related meetings and training and education" according to the latest standards issued in accordance with the International Financial Reporting Standards (IFRSs); assists in the trial calculation and evaluation of financial businesses, and review of operating procedures; and plans and constructs the relevant columns of the database in order to meet the supervision purpose of the competent authority in strengthening the capital reserve of the insurance industry and smoothly linking to the international market.

3. Risk evaluation study

The frequency and impact of extreme weather disasters are worsening year after year due to global warming and climate change in recent years. In addition to the "natural disaster risk platform" developed by the company in the last year that was unique in the insurance industry, and the establishment of the 3-D natural disaster risk indicator information platform, the company is still actively developing AI application models, potential flooding models, and other projects, which are expected to be used in daily underwriting and claims management control, as well as natural disaster risk management in response to major events in order to effectively increase the company's risk management and efficiency.



## **II. 2021 Business Plan Summary**

### **(I) Management Policy**

With the management philosophy of "Serving Customers, Creating Profits, and Sustainable Management," the Company will make steady progress toward the goal of corporate sustainability by implementing corporate governance, developing new and innovative products, strengthening the insurance profession, and improving service quality, and has set the following management policies for 2021

1. Implementing fair treatment of customers and creating friendly finance
2. Promoting green management and strengthening corporate environmental protection
3. Enforcing compliance with laws and regulations and strengthening corporate governance
4. Sound risk control mechanism, sustainable and stable operation
5. Developing innovative products and steadily increasing market share
6. Optimizing business structure and improving underwriting profitability
7. Developing diversified customer sources and cultivating quality channels
8. Enhancing professional training to improve the quality of personnel
9. Developing financial technology and strengthening digital services
10. Optimizing asset allocation and enhancing investment efficiency

### **(II) Expected sales volume.**

Although the overall domestic economy was affected by the epidemic in 2020, the overall market for general property insurance continued to grow. In the new year, the Company will consider market factors, business structure, and underwriting profits to formulate business policies, and sales are expected to remain stable.

### **(III) Important production and marketing policies.**

1. Implementing the concept of fair treatment of customers and green management, and developing new products suitable for specific groups and in response to environmental changes.
2. Enhancing the application of AI technology, developing financial technology, reducing carbon and environmental protection, reducing resource waste, and fulfilling corporate social responsibility.
3. Implementing the company's management policy, internalizing it into relevant training courses, and incorporating it into various assessment indicators
4. Strengthening the development of corporate insurance, increasing the market share of corporate insurance, and balancing the business development structure.
5. Improving the renewal rate, protecting the rights of customers, effectively recommending quality insurance, improving customer protection, and increasing market share at the same time.
6. Regularly reviewing the channel profit and loss, screening out the bad personal insurance channel, and improving the personal insurance loss rate and business results.
7. Strengthening online investment services, developing cross-industry cooperation to expand diversified channels, and striving for online business opportunities.
8. From the consumer's point of view, the product sets and DMs are combined with education and training to simplify sales instructions and improve sales performance.
9. Strengthening the centralized operation, underwriting and bill-making with specialty and division of work to improve the quality and timeliness of various operations.
10. Integrating the unified channel marketing operations with dedicated units taking charge efficiently to improve channel services and sales performance.
11. The sales staff streamlined, reviewed and rewarded in parallel to improve recruitment effectiveness and productivity per person.
12. Improving quality retention, speeding up the processing of reinsurance accounts, and expanding underwriting capacity in order to increase underwriting profit.
13. Strengthening the computerization of work management and the standardization of operation in writing to improve the quality of operation, efficiency and experience transmission.
14. Implementing internal operation control system and sound legal compliance.

## **III. Impact by the external competitive environment, regulatory environment and overall business environment**

- (I) External competitive environment (Analysis of the competitive situation of the property insurance industry)
1. The global climate is changing rapidly and the risk of natural disasters is getting more and more serious, so catastrophe assessment and reinsurance arrangements are extremely important.
  2. New competitors or mergers and acquisitions, market reshuffling, increased competition in the market
  3. Financial conglomerates with integrated marketing, rich resources and strong business driving force
  4. Market saturation is high and insurance brokerage and agency are joining the market competition, affecting the market order and rate stability
  5. Consumers have diversified sources of information, increased awareness of insurance needs and claims, high demand for services, and frequent complaints
  6. Financial technology is changing rapidly, product innovation and service process changes need to be accelerated in response
  7. The society is changing rapidly and new risks are emerging one after another, but there is a lack of relevant underwriting, loss experience reference and reinsurance support
  8. Sales behaviors need to be constantly revised and improved in response to social needs and consumer habits

(II) Legal environment

The Company adheres to market discipline and insurance-related regulations to maintain fair competition in the market. Although the regulations established by the competent authorities to stabilize the industry system help to improve the order of the market, internal adjustments, construction, changes in operating procedures and related education and training will increase business costs in order to comply with the regulations. Externally, the requirements of laws and regulations to combat information terrorism, prevent money laundering and treat customers fairly, as well as the increasing complexity of insurance-related documents and verification requirements of relevant external entities, are all pressures that the external regulatory environment should face in the future.

(III) General business environment (analysis of world and domestic economic conditions)

The global economy was hit by the COVID-19 epidemic in 2020. As the epidemic is gradually brought under control, although major international institutions have become more optimistic about global economic growth in 2021, it remains to be seen whether the economy will recover to the epidemic level. With the success of domestic epidemic prevention and the government's many policies to revitalize the economy and alleviate poverty, domestic demand and investment will take effect and the recovery is expected to continue in 2021.

**IV. Future development strategy**

In the face of fierce competition in the market, the Company is still aiming to expand new channels, select quality business and develop new products, and to strengthen our competitiveness in e-commerce. Internally, we aim to improve the effectiveness of our information systems to achieve twice the result with half the effort, and to strengthen the professionalism of our service personnel in underwriting and claims processing. We hope that through a mutually supportive internal and external planning, we can grow and thrive in all aspects, maintain our competitive advantage, and pursue stable operation to create company performance.

## Two. Company Overview

### I. Date of Incorporation: April 26, 1963

### II. Company History:

#### 1. History

The Company held a founding shareholders' meeting on March 20, 1963, and officially started the business on May 1 of the same year, and was initially settled at No. 43 Guanqian Road, Taipei City, and later moved to No. 35, Section 1, Wuchang Street, Taipei City on April 24, 1965 to meet the business expansion, and then moved to No. 34, Baoqing Road, Taipei City on January 30, 1973, and then again moved to the new corporate building at No. 15, Section 2, Jianguo North Road on January 20, 1983 for business expansion and restructuring. Capital: Initially NT\$ 32,000 thousand in 1963, and increased to NT\$ 54,400 thousand in 1977. Through the years of capital increase, as of December 31, 2020, the paid-in capital amounted to NT\$ 3,159,633 thousand.

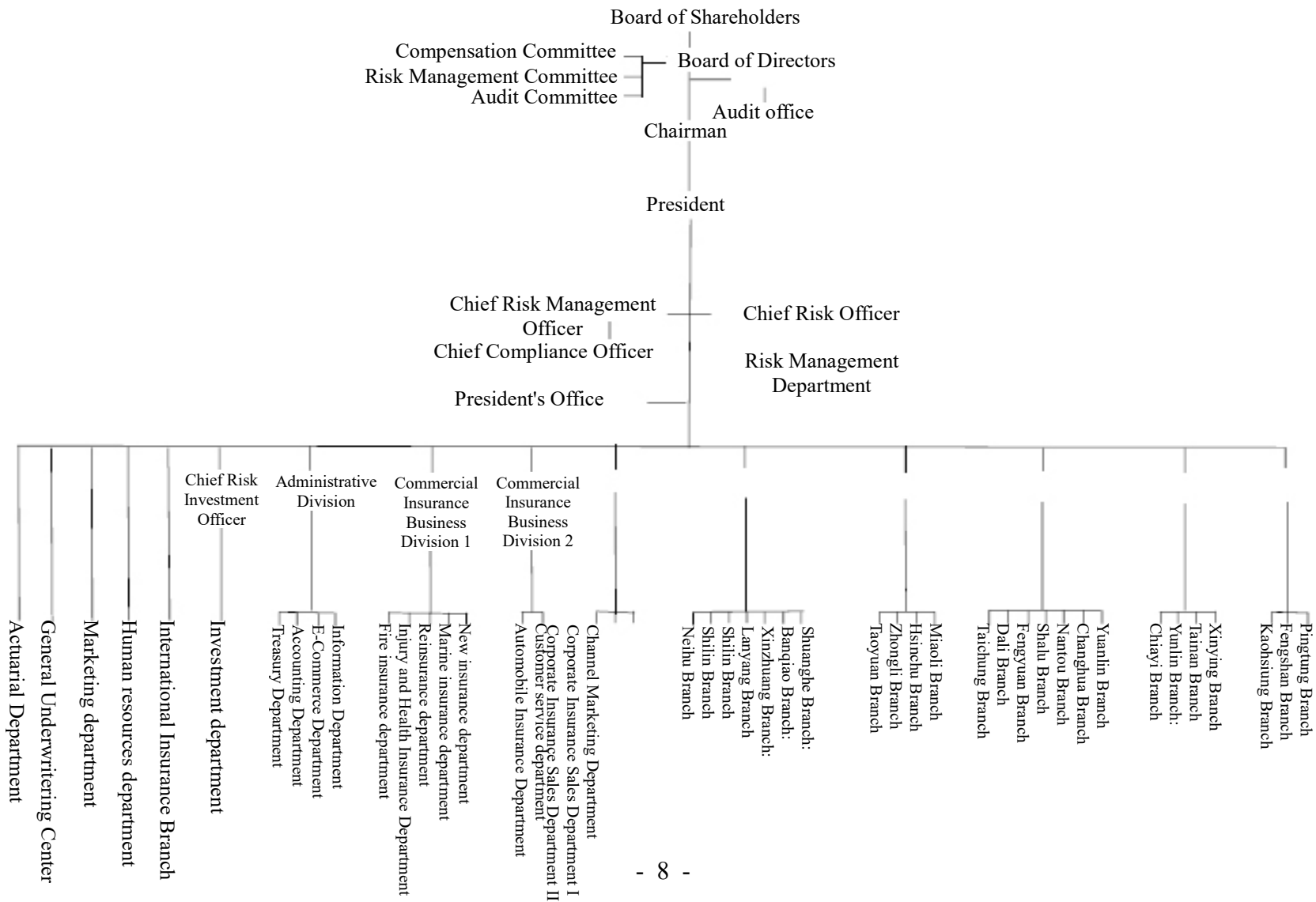
#### 2. Organization:

The Company has a total of 26 branches, including offices in Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Shalu, Changhua, Yunlin, Chiayi, Tainan, Kaohsiung, Pingtung, Shilin, Xinying, Yuanlin, Fengshan, Nantou, Zhongli, Lanyang, Xizhi, Shuanghe, Neihu, Dali, Fengyuan, Xinzhuang, and international insurance businesses. The branches have a total of 6 correspondence offices and 28 service centers, with service posts established all over Taiwan. The Company had 1,687 and 1,707 employees as of December 31, 2020 and 2019, respectively.

# Three. Corporate Governance

## I. Organization System

### 1. Organization Chart (as of March 2021)



## 2. Function of major departments

Key division & department	Responsibility
Corporate Insurance Sales Department I	Responsible for the marketing and development of the brokerage business.
Corporate Insurance Sales Department II	Responsible for general corporate and personal business marketing and development.
Channel Marketing Department	Responsible for the marketing and development of the channel business.
E-Commerce Department	Responsible for the marketing and development of the network insurance business.
Fire insurance department	Responsible for underwriting criteria planning, acceptance, investigation, claims and new product development for fire insurance and management of the aforementioned business.
New insurance department	Responsible for underwriting criteria planning, acceptance, investigation, claims and new product development for liability and engineering insurance and management of the aforementioned business.
Injury and Health Insurance Department	Responsible for underwriting criteria planning, acceptance, investigation, and new product development for injury and health insurance and management of the aforementioned business.
Marine insurance department	Responsible for underwriting criteria planning, acceptance, claims and new product development for Cargo and Vessel insurance and management of the aforementioned business.
Automobile Insurance Department	Responsible for underwriting criteria planning, acceptance, and new product development for automobile insurance and management of the aforementioned business.
Customer service department	Responsible for customer service management, automobile insurance, injury insurance, health insurance, personal travel comprehensive insurance claims and small liability insurance claims.
Underwriting Department	Responsible for underwriting, investigation and management of the aforementioned business of the branch.
Shilin Branch:	In charge of business management and local marketing of the branch.
Xinzhuang Branch	In charge of business management and local marketing of the branch.
Neihu Branch	In charge of business management and local marketing of the branch.
Lanyang Branch	In charge of business management and local marketing of the branch.
Xizhi Branch	In charge of business management and local marketing of the branch.
Banqiao Branch	In charge of business management and local marketing of the branch.
Shuanghe Branch	In charge of business management and local marketing of the branch.
Taoyuan Branch	In charge of business management and local marketing of the branch.
Zhongli Branch	In charge of business management and local marketing of the branch.
Hsinchu Branch	In charge of business management and local marketing of the branch.
Miaoli Branch	In charge of business management and local marketing of the branch.
Taichung Branch	In charge of business management and local marketing of the branch.
Dali Branch	In charge of business management and local marketing of the branch.
Fengyuan Branch	In charge of business management and local marketing of the branch.
Shalu Branch	In charge of business management and local marketing of the branch.
Nantou Branch	In charge of business management and local marketing of the branch.
Changhua Branch	In charge of business management and local marketing of the branch.
Yuanlin Branch	In charge of business management and local marketing of the branch.
Chiayi Branch	In charge of business management and local marketing of the branch.

Key division & department	Responsibility
Yunlin Branch:	In charge of business management and local marketing of the branch.
Tainan Branch	In charge of business management and local marketing of the branch.
Xinying Branch	In charge of business management and local marketing of the branch.
Kaohsiung Branch	In charge of business management and local marketing of the branch.
Fengshan Branch	In charge of business management and local marketing of the branch.
Pingtung Branch	In charge of business management and local marketing of the branch.
International Insurance Branch	Responsible for the handling of offshore foreign-currency-denominated life insurance (injury insurance and health insurance), property insurance, reinsurance and other insurance-related business approved by the competent authorities.
Information Department	Responsible for the planning, development, security maintenance and control of company-wide information systems.
Marketing department	Responsible for company-wide business target planning, performance statistics, performance evaluation, and advertising and promotion.
Actuarial Department	Responsible for market data analysis and statistics, new product rate setting and proposal, reserve deposit, and annual attestation of actuarial report analysis.
Treasury Department	Responsible for the overall management of company-wide capital allocation, premium management, bill payment and stock affairs
Accounting Department	Responsible for company-wide financial analysis and forecasting, accounting operations, handling of reinsurance accounting, tax planning and preparation of financial statements.
Investment department	Responsible for the purchase and sale of securities and real estate, and the lease of real estate not for its own use.
Audit office	In charge of the execution and evaluation of the plan of internal audit operations and is directly under the Board of Directors.
Human resources department	In charge of company-wide personnel affairs, education and training, general administration, and property management and maintenance.
Reinsurance department	Responsible for the arrangement and control of all reinsurance contracts and all insurance policies.
Risk Management Department	In charge of the implementation and evaluation of the company-wide risk management plan and is directly under the president
Legal Compliance Office	In charge of the planning, management and implementation of the company-wide compliance system, formulating annual compliance plans, managing changes in insurance regulations, supervising and evaluating the self-assessment of compliance by each unit, providing education, training and business promotion to the personnel of each unit, and managing the company-wide internal control system, directly under the president
President's Office	Planning and execution of various project business.

## II. Background information of the Director, President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

### (I) Information on directors:

#### Information on directors (I)

April 12, 2021

Title (Note 1)	Nationality/ Country of Registration	Name	Gender	Date Elected (appointed)	Tenure	Date first elected (Note 2)	Shareholding at the time of elected to office		Current Shareholding		Shareholding of spouse and dependents at present		Shareholding in the name of a third party		Major (academic degree) experience (Note 3)	Current position at the Company and other company	Other officer, director or supervisor having relations as spouses or relatives within the second degree of kinship.			Note (Note 4)
							Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio			Job title	Name	Relation	
Chairman	R . O . C .	WU, HSIN-HUNG	Male	2020/6/20	3 years	2000/5/31	143,239	0.05%	143,239	0.05%	0	0	0	0	MBA, Wharton School, University of Pennsylvania	Vice chairman of SHINKONG TEXTILE CO.,LTD Director of TONG HSIN WATER BUSINESS INC. Director, etc. of SHINKONG CO., LTD.	Third-level Specialist	WU, XIN-EN	Brothers	
Director Corporate Shareholder	R . O . C .	Hong En Co., Ltd		2020/6/20	3 years	2000/5/31	4,514,986	1.43%	4,514,986	1.43%	0	0	0	0	None	Chairman, etc of TONG HSIN WATER BUSINESS INC.				
Vice chairman	R . O . C .	SHIEH,MUNG-SHIUNG (Representative of Hong En Co., Ltd.)	Male	2020/6/20	3 years	2000/5/31	2,262,919	0.72%	2,262,919	0.72%	0	0	0	0	Doctor of Medicine, Pennsylvania, USA	Chairman of Shih Chien University Supervisor, etc. of APRICOT GROUP CO., LTD.				
Director	R . O . C .	WU,TONG-SHENG (Representative of Hong En Co., Ltd.)	Male	2020/6/20	3 years	2000/5/31	0	0	0	0	0	0	0	0	Doctor of Laws, Harvard University, USA	Chairman of SHINKONG SYNTHETIC FIBERS CORPORATION Chairman, etc. of TacBright Optronics Corp.				
Director Corporate Shareholder	R . O . C .	Hong pu Co., Ltd.		2020/6/20	3 years	2020/6/20	7,412,900	2.35%	7,412,900	2.35%	0	0	0	0	None	None				
Director	R . O . C .	YANG, CHENG-BIN (Representative of Hong pu Co., Ltd.)	Male	2021/1/1	3 years	2021/1/1	0	0	0	0	0	0	0	0	National Yilan University Advanced Management Master	Chairman of LINK LEGEND CO., LTD. Director, etc. of DIGILIFE TECHNOLOGIES CO., LTD.				
Director Corporate Shareholder	R . O . C .	KONG MIN ENTERPRISES CO., LTD.		2020/6/20	3 years	2020/6/20	6,115,472	1.94%	6,115,472	1.94%	0	0	0	0	None	Chairman, etc. of Cosmos Hotels & Resorts				
Director	R . O . C .	CHANG, MAO-SONG (Representative of KONG MIN ENTERPRISES CO., LTD.)	Male	2020/6/20	3 years	2012/6/20	565,614	0.18%	565,614	0.18%	29,060	0.01%	0	0	Police Academy	Chairman of Cosmos Hotels & Resorts Chairman, etc. of KONG MIN ENTERPRISES CO., LTD.				
Director Corporate Shareholder	R . O . C .	Mao Wei Investment Co., Ltd.		2020/6/20	3 years	2020/6/20	20,000	0.01%	20,000	0.01%	0	0	0	0	None	None				

Director	R . O . C .	WU,TONG-SHANG (Representative of Mao Wei Investment Co., Ltd.)	Male	2020/6/20	3 years	2020/6/20	1,056,511	0.33%	1,056,511	0.33%	0	0	0	0	Department of Business, Tamkang University	Director of SHINKONG CO., LTD. Director, etc. of WANG TIEN WOOLEN TEXTILE CO., LTD.				
Director Corporate Shareholder	R . O . C .	Shin Kong Wu Ho-Su Memorial Hospital		2020/6/20	3 years	2006/6/20	1,428,920	0.45%	1,428,920	0.45%	0	0	0	0		Director, etc. of Taiwan Shin Kong Security Co., Ltd.				
Director	R . O . C .	LIN, PO-FONG	Male	2020/6/20	3 years	2020/6/20	0	0	0	0	0	0	0	0	National Taiwan University Law Department	Chairman. of Taiwan Shin Kong Security Co., Ltd. Chairman. of Taiwan Security Co., Ltd.				
Director	R . O . C .	HO, YING-LAN	Female	2020/6/20	3 years	2020/6/20	169,000	0.05%	240,000	0.08%	0	0	0	0	Department of Labor Relations, Cultural University	President of ShinKong Insurance Co., Ltd.				
Independent Director	R . O . C .	CHOU, HSIEN-TSAI	Male	2020/6/20	3 years	2020/6/20	26	0	26	0	0	0	0	0	Department of Business Administration, Cultural University	None				
Independent Director	R . O . C .	TSAI-SHIH-CHI	Male	2020/6/20	3 years	2020/6/20	0	0	0	0	0	0	0	0	Fu Jen Catholic University Law Institute	President of Katsura International Law Firm Director of Katsura Asset Management Consulting Ltd.				
Independent Director	R . O . C .	CHI, WEI-HSUEN	Male	2020/6/20	3 years	2020/6/20	94,872	0.03%	94,872	0.03%	0	0	0	0	National Taiwan University Law Department	Director, etc. of WONDERLAND CORPORATION				

Note 1: Corporate shareholders should have the name of corporate shareholders and representative illustrated separately (the name of the corporate shareholders should be noted) also, Table 1 should be filled out.

Note 2: Indicate the date of the first-time elected director or supervisor; also, the period of interruption should be noted.

Note 3: Previous work experiences relating to their current roles; if the person works in the auditor's firm or in an affiliated company during the aforementioned time period, the job title and responsibilities must be provided.

Note 4: Where the president and the chairperson of the board of directors or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto. (For instance, more independent directors shall be added, and over half of directors are not concurrently an employee or manager.)

Note 5: The term of office of the 20th directors of the Company is from June 20, 2020 to June 19, 2023. The "Audit Committee" was established on June 20, 2014 to replace the function of the supervisors.



Table 1: Corporate shareholders' main shareholders

March 31, 2021

Name of corporate director (Note 1)	Corporate shareholders' main shareholders (Note 2)
Hong En Co., Ltd	Cheng cheng Co., Ltd. (20.08%) Cheng chien Co., Ltd. (18.29%) Ci Qing Co., Ltd. (19.35%) Ji Chen Co., Ltd. (41.29%)
Hong pu Co., Ltd.	Dong Xian Investment Co., Ltd. (46.88%) Lian Quan Investment Co., Ltd. (17.4%) CHENG KUANG INDUSTRIAL CO., LTD. (17.26%) Xin Fang Co., Ltd. (18.46%)
KONG MIN ENTERPRISES CO., LTD.	TAIPEI FORTUNA DEVELOPMENT COMPANY LIMITED (12.6%) CHANG, MAO-SONG (6.44%) Tian Li Investment Co., Ltd. (24.47%) Gao Zhu Development Co., Ltd. (14%) Tian He International Investment Co., Ltd. (23.69%) Yung An Sheng Co., Ltd. (24.47%)
Mao Wei Investment Co., Ltd.	LI, YI-JIAN (20%) CHEN, DE-LIN (80%)
Shin Kong Wu Ho-Su Memorial Hospital	Shin Kong Life Insurance (33.30%) Shin Kong Wu Foundation (10.00%) Company, public interest groups and WU, TONG-JIN, etc. (56.70%)

Note 1: If the director or supervisor is a representative of a corporate shareholder, the name of the corporate shareholder should be filled in.

Note 2: Fill out the name of main shareholders (with top ten shareholding rate) and the shareholding ratio of the legal entity shareholder. Fill out Table 2 if the main shareholders are entities.

Note 3: If the legal entity shareholder is not in the company organization, the name and shareholding ratio of the said shareholder shall be disclosed is the name of the investor or donor and the percentage of their fund or donation.

Table 2: Major shareholders of major corporate shareholders listed in Table 1

March 31, 2021

Name of the corporation (Note 1)	Major shareholders of the corporation (Note 2)
Cheng cheng Co., Ltd.	Huan Song Co., Ltd. (33.33%) Yong Le Co., Ltd. (33.33%) Quan Neng Co., Ltd. (33.33%)
JOHMASTER CORP	Fu Yu Bu Co., Ltd. (50%) Fu Yu Bu Co., Ltd. (50%)
Ci Qing Co., Ltd.	SUN, RUO-NAN (92.59%)
Ji Chen Co., Ltd.	Cheng cheng Co., Ltd. (41.55%) Cheng chien Co., Ltd. (40.21%) Ci Qing Co., Ltd. (18.25%)
Dong Xian Investment Co., Ltd.	Rui Xin INDUSTRIAL CO., LTD. (78.75%) WU, GUI-LAN (3.12%) WU, TONG-XIAN (3.12%) WU, TONG-JIN (3.12%) HE, XING-HUA (1.88%)
Lian Quan Investment Co., Ltd.	Shinkong Textile Co., Ltd. (48.89%) Hong pu Co., Ltd. (49.1%).
CHENG KUANG INDUSTRIAL CO., LTD.	Cheng chien Co., Ltd. (44.92%) Cheng cheng Co., Ltd. (44.92%)
Xin Fang Co., Ltd.	Dong Xian Investment Co., Ltd. (47.06%) Ji Chen Co., Ltd. (52.94%)
TAIPEI FORTUNA DEVELOPMENT COMPANY LIMITED	Rui Xing Investment Co., Ltd. of the British Virgin Islands (71.07%) Magellan Investment Co., Ltd. of the British Virgin Islands (24.44%) XU, JIAN (1.18%) XU, SHAN (1.18%) XUE, GUO-LIANG (0.01%) WEN, LI-YAN (0.9%) XU, YAN (1.18%) HUO, WEI-QIANG (0.01%)
Tian Li Investment Co., Ltd.	HE, ZHENG-XUN (11.02%) HE, YU-GUANG (13.05%)

Name of the corporation (Note 1)	Major shareholders of the corporation (Note 2)
	HE, WEI-JUN (10.61%) LIN, HSIU-NV (48.36%) HE, YU-GUN (16.96%)
Gao Zhu Development Co., Ltd.	Tian Li Investment Co., Ltd. (32.91%) Tian He International Investment Co., Ltd. (32.5%) Yung An Sheng Co., Ltd. (32.91%)
Tian He International Investment Co., Ltd.	HE, SU-QING (56.59%) CHANG, MAO-SONG (32.8%) CHANG, DONG-HAO (7.11%) HE, YI-HUI (3.5%)
Yung An Sheng Co., Ltd.	HE, GUAN-HUI (11.96%) HE, SHUI-JIN (53.64%) HE, WEN-XIONG (18.84%) HE, ZHONG-YONG (9.97%) HE, YU-RU (2.13%)
Shin Kong Life Insurance	Shin Kong Financial Holding Co., Ltd. (100.00%)
Shin Kong Wu Foundation	Joint donation by WU, HUO-SHI, WU, TONG-JIN, WU, TONG-XIAN, WU, TONG-LIANG, WU, TONG-SHENG, WU, JIN-LONG, WU, JIN-HU (100.00%)

Note 1: If the major shareholder in Table 1 above is a corporation, the name of the corporation should be filled in.

Note 2: Fill out the name of main shareholders (with top ten shareholding rate) and the shareholding ratio of the legal entity shareholder.

Note 3: If the legal entity shareholder is not in the company organization, the name and shareholding ratio of the said shareholder shall be disclosed is the name of the investor or donor and the percentage of their fund or donation.

## Information on directors and supervisors (II)

March 31, 2021

Name (Note 1)	Criteria	Status of independence (note 2)												Number of Other Public Companies in which the Individual is Concurrently Serving as an Independent Director	
		1	2	3	4	5	6	7	8	9	10	11	12		
WU, HSIN-HUNG		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Hong En Co., Ltd Representative: SHIEH, MUNG-SHIUNG		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Hong En Co., Ltd Representative: WU,TONG-SHENG		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Hong pu Co., Ltd.Representative: YANG, CHENG-BIN		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
Mao Wei Investment Co., Ltd. Representative: WU,TONG-SHANG		✓	✓		✓			✓	✓	✓	✓	✓	✓	✓	0
KONG MIN ENTERPRISES CO., LTD. Representative: CHANG, MAO-SONG		✓	✓		✓			✓	✓	✓	✓	✓	✓	✓	0
Shin Kong Wu Ho-Su Memorial Hospital Representative: LIN, PO-FONG		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
HO, YING-LAN		✓			✓	✓		✓	✓	✓	✓	✓	✓	✓	0
CHOU, HSIEN-TSAI		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
TSAI-SHIH-CHI	✓	✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	0
CHI, WEI-HSUEN		✓	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	1

Note 1: The field is adjustable to the required space.

Note 2: If the Directors and Supervisors met the following conditions in the period of 2 years prior to the assumption of office and within the term of office, put a "✓" in the appropriate box representing the specific condition.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. (However, this is not applicable to the independent directors appointed in accordance with the Act or the laws and regulations of the local country by and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship or lineal relative within the third degree of kinship, of a managerial officer under (1) or any of the persons under (2) or (3).
- (5) Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the Company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the Company under Article 27, paragraph 1 or 2 of the Company Act (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (6) If a majority of the Company's directors' seats or voting shares and those of any other company are controlled by the same person: not a director, supervisor, or employee of that other company. (However, this is not applicable to the independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (7) Not a director, supervisor, or employee of another company or institution if the chairperson, president, or person holding an equivalent position of the company and a person in any of those positions at the other company or institution are the same person or are spouses (these restrictions shall not apply to independent directors appointed in accordance with the Act or applicable laws and regulations of the local country, and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent).
- (8) Not a director, supervisor, managerial officer or shareholder holding five percent or more of the shares of a specified company or institution that has a financial or business relationship with the Company. (However, this is not applicable to the circumstances where the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public Company and the independent directors appointed in accordance with the Act or the laws and regulations of the local country by and concurrently serving as such at the Company and its parent or subsidiary or a subsidiary of the same parent.)
- (9) Business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses, or professionals, sole proprietorships, partnerships, companies or institutions involved in commercial, legal, financial, accounting services did not provide audits or accumulate NTD\$ 500,000 compensation over the past 2 years. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee or special committee for merger and acquisition, who exercises powers pursuant to the "Securities and Exchange Act" or to the "Business Mergers and Acquisition Act" or relevant laws and regulations.
- (10) Not a spouse or a relative within the second degree of kinship of any other director.
- (11) Not compliant with any requirements in Article 30 of the Company Act.
- (12) Not elected as a government agency, juridical person or their respective representatives according to Article 27 of the Company Act.

## (II) Background information of the Director, President, Vice Presidents, Assistant Vice Presidents and heads of various departments and branches

March 31, 2021

Title (Note 1)	Nationality	Name	Gender	Date Elected (appointed)	Shareholding		Shareholdings of spouse, minor children		Shareholding in the name of a third party		Major (academic degree) experience (Note 2)	Holding positions in other companies at present	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks (Note 3)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Job title	Name	Relation	
President	R.O.C.	HO, YING-LAN	Female	2015/03/26	240,000	0.08%	0	0.00%	0	0.00%	Department of Labor Relations, Cultural University	None	None	None	None	
Senior Vice President	R.O.C.	WANG, PO-HSUAN	Male	2016/03/31	11,800	0.00%	0	0.00%	0	0.00%	National Chengchi University (EMBA) Master of Business Administration	None	None	None	None	
Senior Vice President	R.O.C.	HUANG, CHIH-YUAN	Male	2015/01/01	31,000	0.01%	0	0.00%	0	0.00%	University of Illinois MBA	None	None	None	None	
Vice President	R.O.C.	WU, YA-YING	Female	2018/07/01	5,078	0.00%	0	0.00%	0	0.00%	Department of Economics, Tunghai University	None	None	None	None	
Vice President	R.O.C.	YEH, JIH-CHIN	Male	2017/05/19	9,210	0.00%	859	0.00%	0	0.00%	Department of Mathematics, Fu Jen University	None	None	None	None	
Vice President	R.O.C.	LIU, CHUNG-WEN	Male	2015/01/01	8,905	0.00%	0	0.00%	0	0.00%	National Chengchi University Master of Business Administration	None	None	None	None	
Vice President	R.O.C.	HU, CHEN-MIN	Male	2015/01/01	7,700	0.00%	0	0.00%	0	0.00%	Department of Banking and Insurance, Feng Chia University	None	None	None	None	
Vice President	R.O.C.	TU, KUN-YI	Male	2015/09/01	33,531	0.01%	7,031	0.00%	0	0.00%	Department of Business Management, Xingguo School of Management	None	None	None	None	
Vice President	R.O.C.	HUANG, JUNG-TSAN	Male	2017/07/01	6,000	0.00%	156	0.00%	0	0.00%	Banking Management Department of Tamsui Industrial and Commercial School	None	None	None	None	
Vice President	R.O.C.	LIN, HSIEN-TANG	Male	2015/01/01	14,700	0.00%	9,641	0.00%	0	0.00%	Department of Law, National Chengchi University	None	None	None	None	

Title (Note 1)	Nationality	Name	Gender	Date Elected (appointed)	Shareholding		Shareholdings of spouse, minor children		Shareholding in the name of a third party		Major (academic degree) experience (Note 2)	Holding positions in other companies at present	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks (Note 3)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Job title	Name	Relation	
Vice President	R.O.C.	SHEN, HSIEN-YING	Female	2019/08/01	32,731	0.01%	6,000	0.00%	0	0.00%	Institute of Mathematics, Fu Jen University	None	None	None	None	
Vice President	R.O.C.	LO, KUO-FENG	Male	2019/01/01	1,000	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Cultural University	None	None	None	None	
Vice President	R.O.C.	CHENG, YEN-HUNG	Female	2019/01/01	7,750	0.00%	2,200	0.00%	0	0.00%	Department of Business Administration, Chung Hwa University	None	None	None	None	
Vice President	R.O.C.	LIU, TING-CHING	Male	2018/07/01	6,908	0.00%	0	0.00%	0	0.00%	Department of Business Management, Soochow University	None	None	None	None	
Vice President	R.O.C.	CHEN, KUO-CHU	Male	2018/07/01	10,916	0.00%	0	0.00%	0	0.00%	Department of Business Administration, Cultural University	None	None	None	None	
Vice President	R.O.C.	KAO, CHUAN-TE	Male	2018/01/31	10,684	0.00%	0	0.00%	0	0.00%	Department of Economics, Feng Chia University	None	None	None	None	
Vice President	R.O.C.	TSAI, SHIH-HSIEN	Male	2019/08/01	1,000	0.00%	0	0.00%	0	0.00%	Department of Business Administration, National Chengchi University	None	None	None	None	
Vice President	R.O.C.	LIN, HSIU-CHUAN	Female	2019/08/01	32,010	0.01%	0	0.00%	0	0.00%	Department of Geography, Cultural University	None	None	None	None	
Vice President	R.O.C.	TSENG, KUO-HUI	Male	2019/08/01	8,088	0.00%	0	0.00%	0	0.00%	National Chengchi University, Institute of Information Management	None	None	None	None	
Assistant VP	R.O.C.	KAO, JUI-TSE	Male	2019/08/01	0	0.00%	0	0.00%	0	0.00%	Department of Economics, Fu Jen University	None	None	None	None	
Manager	R.O.C.	PENG, CHIH-HENG	Male	2019/01/01	1,000	0.00%	0	0.00%	0	0.00%	National Taiwan University, Department of Public Health and Department of Mathematics	None	None	None	None	

Title (Note 1)	Nationality	Name	Gender	Date Elected (appointed)	Shareholding		Shareholdings of spouse, minor children		Shareholding in the name of a third party		Major (academic degree) experience (Note 2)	Holding positions in other companies at present	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks (Note 3)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Job title	Name	Relation	
Manager	R.O.C.	WANG, CHIEN-CHAO	Male	2017/01/01	11,800	0.00%	0	0.00%	0	0.00%	Institute of Civil Engineering, Chiao Tung University	None	None	None	None	
Manager	R.O.C.	YANG, JUN-YAN	Male	2013/03/01	5,300	0.00%	1,000	0.00%	0	0.00%	Department of Mathematics, Fu Jen University	None	None	None	None	
Manager	R.O.C.	XU, LING-RONG	Female	2017/01/01	8,500	0.00%	0	0.00%	0	0.00%	Department of Insurance, Tamkang University	None	None	None	None	
Manager	R.O.C.	SHEN, HSIN-YI	Female	2017/01/01	34,000	0.01%	0	0.00%	0	0.00%	On-the-job Classes, Master of Accounting, National Taipei University	None	None	None	None	
Manager	R.O.C.	CHANG, HUNG-CHI	Male	2015/01/01	52,034	0.02%	0	0.00%	0	0.00%	Department of Mechanical Engineering, Southeast University of Science and Technology	None	None	None	None	
Manager	R.O.C.	CHUANG, YAO-CHANG	Male	2017/01/01	15,800	0.01%	0	0.00%	0	0.00%	Department of Business Management, Xingguo School of Management	None	None	None	None	
Manager	R.O.C.	HSU, CHING-LIN	Male	2014/01/01	2,000	0.00%	1,578	0.00%	0	0.00%	Xinxing Industrial and Commercial School Auto Repair Department	None	None	None	None	
Manager	R.O.C.	CHOU, CHI-WEN	Female	2013/03/01	46,798	0.01%	0	0.00%	0	0.00%	Department of Economics, Tunghai University	None	None	None	None	
Manager	R.O.C.	CHENG, CHUNG-JUNG	Male	2014/01/01	48,011	0.02%	0	0.00%	0	0.00%	Industrial Engineering Management of Shude Industrial and Commercial School	None	None	None	None	
Manager	R.O.C.	WANG, AN-KAI	Male	2018/01/01	8,300	0.00%	0	0.00%	0	0.00%	Institute of Business Administration, Tamkang University	None	None	None	None	

Title (Note 1)	Nationality	Name	Gender	Date Elected (appointed)	Shareholding		Shareholdings of spouse, minor children		Shareholding in the name of a third party		Major (academic degree) experience (Note 2)	Holding positions in other companies at present	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks (Note 3)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Job title	Name	Relation	
Manager	R.O.C.	WANG, HUI-CHEN	Female	2014/01/01	11,323	0.01%	0	0.00%	0	0.00%	Shih Chien College Accounting and Statistics Department	None	None	None	None	
Manager	R.O.C.	CHANG, PAO-KUEI	Female	2017/09/01	1,800	0.00%	0	0.00%	0	0.00%	Department of Accounting, China Institute of Technology	None	None	None	None	
Manager	R.O.C.	LIN, CHANG-ZHI	Male	2018/01/01	4,800	0.00%	0	0.00%	0	0.00%	Civil Engineering Institute of Zhongyuan University	None	None	None	None	
Manager	R.O.C.	LI, SI-YI	Female	2019/01/01	6,300	0.00%	0	0.00%	0	0.00%	Department of Insurance, Tamkang University	None	None	None	None	
Manager	R.O.C.	CHEN, CHIEN-LIANG	Male	2018/04/01	21,270	0.01%	0	0.00%	0	0.00%	Department of Economics, Chiayi University	None	None	None	None	
Manager	R.O.C.	CHEN, DING-SHENG	Male	2019/02/01	15,788	0.00%	0	0.00%	0	0.00%	International Business Machine Engineering Department	None	None	None	None	
Manager	R.O.C.	LIU, CHIH-CHIEN	Male	2017/07/01	1,500	0.00%	689	0.00%	0	0.00%	Department of Automation Engineering, Dahua Institute of Technology	None	None	None	None	
Manager	R.O.C.	YANG, YUEH-TSANG	Male	2018/01/01	9,077	0.00%	16,636	0.01%	0	0.00%	Lingdong Institute of Technology Business Management Department	None	None	None	None	
Manager	R.O.C.	YANG, CHING-WEN	Male	2017/03/16	3,963	0.00%	0	0.00%	0	0.00%	Yunlin University of Science and Technology, Information Management	None	None	None	None	
Manager	R.O.C.	HUANG, PO-CHIEN	Male	2019/01/01	2,000	0.00%	0	0.00%	0	0.00%	Zhongzhou Business School, Administration Department	None	None	None	None	
Manager	R.O.C.	HSU, KUO-KUNG	Male	2021/03/12	1,000	0.00%	0	0.00%	0	0.00%	National Taipei University of Commerce, Air	None	None	None	None	



Title (Note 1)	Nationality	Name	Gender	Date Elected (appointed)	Shareholding		Shareholdings of spouse, minor children		Shareholding in the name of a third party		Major (academic degree) experience (Note 2)	Holding positions in other companies at present	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks (Note 3)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Job title	Name	Relation	
											Training College, Business Administration Department					
Manager	R.O.C.	HSIEH, TSUNG-JU	Male	2018/07/01	1,500	0.00%	0	0.00%	0	0.00%	Civil Engineering Department of Sihai College of Industry and Commerce	None	None	None	None	
Manager	R.O.C.	CHANG, MEI-YAO	Female	2018/05/01	1,000	0.00%	0	0.00%	0	0.00%	Department of Accounting and Statistics, National Taichung College of Commerce	None	None	None	None	
Manager	R.O.C.	WU, YU-LONG	Male	2020/01/01	977	0.00%	0	0.00%	0	0.00%	Electrical Engineering Department of Nantai Institute of Technology	None	None	None	None	
Manager	R.O.C.	YAN, SHI-ZHAO	Male	2020/01/01	785	0.00%	0	0.00%	0	0.00%	Department of Finance and Insurance, Shude University of Science and Technology	None	None	None	None	
Manager	R.O.C.	Ya-Fang Tseng	Female	2020/03/19	0	0.00%	0	0.00%	0	0.00%	Department of Insurance and Financial Management, Chaoyang University of Science and Technology	None	None	None	None	
Manager	R.O.C.	PENG, WEI-WEN	Male	2020/07/01	1,500	0.00%	0	0.00%	0	0.00%	Department of Insurance, Tamkang University	None	None	None	None	
Manager	R.O.C.	CHEN, CHUN-CHIEH	Male	2020/07/01	0	0.00%	0	0.00%	0	0.00%	Department of Law, Tunghai University	None	None	None	None	
Manager	R.O.C.	CHANG, WEN-TE	Male	2020/09/01	100,800	0.03%	0	0.00%	0	0.00%	The Electronic Engineering Department of Zhongzhou Institute of Technology, the Special Training School	None	None	None	None	

Title (Note 1)	Nationality	Name	Gender	Date Elected (appointed)	Shareholding		Shareholdings of spouse, minor children		Shareholding in the name of a third party		Major (academic degree) experience (Note 2)	Holding positions in other companies at present	Spouse or kin within the second pillar under the Civil Code and who is a manager			Remarks (Note 3)
					Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio	Number of Shares	Shareholding ratio			Job title	Name	Relation	
Manager	R.O.C.	LI, YUN-HSUAN	Male	2021/01/01	0	0.00%	0	0.00%	0	0.00%	Department of Finance and Taxation, Feng Chia University	None	None	None	None	
Manager	R.O.C.	TSAI, MENG-CHANG	Male	2020/01/01	0	0.00%	0	0.00%	0	0.00%	Department of Foreign Languages and Literature, Sun Yat-sen University	None	None	None	None	
Manager	R.O.C.	LU, YEN-LUNG	Male	2021/02/28	800	0.00%	0	0.00%	0	0.00%	Enterprise Management Department, National Pingtung College of Commerce	None	None	None	None	
Deputy Manager	R.O.C.	YANG, SHIH-HSIN	Male	2021/03/01	3,344	0.00%	0	0.00%	0	0.00%	Department of Economics, Cultural University	None	None	None	None	

Note 1: Background information of the President, Vice Presidents, Assistant Vice Presidents, Heads of various departments and Branches; anyone of equivalent authority to the above, regardless of their job titles, shall be disclosed.

Note 2: Previous work experiences relating to their current roles; if the person works in the auditor's firm or in an affiliated company during the aforementioned time period, the job title and responsibilities must be provided.

Note 3: Where the president and the chairperson of the board of directors or person of an equivalent post (the highest level manager) of a company are the same person, spouses, or relatives within the first degree of kinship, an explanation shall be given of the reason for, reasonableness, necessity thereof, and the measures adopted in response thereto. (For instance, more independent directors shall be added, and over half of directors are not concurrently an employee or manager.)



Job title	Name	Directors' remuneration								The sum of A, B, C and D as a percentage of after-tax profit (Note 10)		Remuneration to directors also holding employee positions								The sum of A, B, C, D, E, F and G in proportion to Earnings (Note 10)		Collect the remuneration from the reinvestment except the subsidiary or the remuneration from the parent company (Note 11).
		Base Remuneration (A) (Note 2)		Severance and pension (B)		Remuneration to directors (C) (Note 3)		Business execution expenses (D) (Note 4)				Salaries, bonuses, special allowances etc (E) (Note 5)		Severance and pension (F)		Remuneration to employees (G) (Note 6)						
		The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies included in the financial statements	The Company	All companies mentioned in the financial statements (Note 7)	The Company	All companies mentioned in the financial statements (Note 7)	The Company		All companies mentioned in the financial statements (Note 7)		The Company	All companies included in the financial statements	
Director	Shin Kong Wu Ho-Su Memorial Hospital Representative: LIN, PO-FONG (Note 2)																					
Director	KONG MIN ENTERPRISES CO., LTD. Representative: CHANG, MAO-SONG (Note 2)																					
Director	HO, YING-LAN (Note 2) (Note 5)																					
Independent director	YEN, CHANG-SHOU (Note 1)																					
Independent Director	CHENG, CHING-KUO (Note 1)																					
Independent director	KANG, MING-YUEH (Note 1)	0	0	0	0	0	0	3,035	3,035	0.18%	0.18%	0	0	0	0	0	0	0	0	0.18%	0.18%	None
Independent director	CHOU, HSIEN-TSAI (Note 2)																					
Independent director	TSAI-SHIH-CHI (Note 2)																					
Independent director	CHI, WEI-HSUEN (Note 2)																					

1. Please describe the policy, system, criteria and structure for the remuneration for independent directors, and the correlation to the amount of remuneration in terms of their responsibilities, risks, time spent and other factors: The remuneration of the Company's independent directors is based on their involvement in the Company's operations, the value of their contributions and the responsibilities they assume, and is evaluated with reference to the industry standards and taking into account the Company's future risks. Independent directors receive attendance fees and do not participate in the distribution of directors' remuneration.

2. Except as disclosed above, the remuneration for the directors of the Company for providing services to all companies in the financial statements (such as serving as a non-employee consultant, etc.) in the most recent year: None.

Note

Note 1: Released from office on 06/19/2020

Note 2: Assumed office on 06/20/2020.

Note 3: The "Directors' Remuneration" listed in this table are the estimated amounts to be distributed in 2021 from the profit gained in 2020, and the remaining are the amounts to be paid in 2020.

Note 4: If a legal entity director is listed in the "Directors' Remuneration" table, it is paid to a legal entity.

Note 5: The relevant remuneration received by directors concurrently serving as employees is the remuneration received for their employment after 06/20/2020.

## Remuneration scale table

### Remuneration scale table

Payment scale of remuneration to the Directors of the Company	Name of Directors			
	The total of A+B+C+D		The total of A+B+C+D+E+F+G	
	The Company (Note 8)	All companies in consolidated financial statements (H) (Note 9)	The Company (Note 8)	All companies in consolidated financial statements (I) (Note 9)
Less than NT\$1,000,000	Representative of Hong En Co., Ltd.: TUNG, YUNG-KANG Representative of Hong En Co., Ltd.: WU-WEN, CUI-MEI Representative of SHINKONG CO., LTD.: WU, PEI-WEN Representative of Hong En Co., Ltd.: HUNG-CHEN, SHU-YING Representative of SHINKONG CO., LTD.: WU, TONG-SHANG, Chia Ho Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: Hung, Ching-Fu CHANG MAO-SONG, ZHENG, QING-GUO, KANG MING-YUE, CHOU, HSIEN-TSAI, TSAI-SHIH-CHI, CHI, WEI-HSUEN	Representative of Hong En Co., Ltd.: TUNG, YUNG-KANG Representative of Hong En Co., Ltd.: WU-WEN, CUI-MEI Representative of SHINKONG CO., LTD.: WU, PEI-WEN Representative of Hong En Co., Ltd.: HUNG-CHEN, SHU-YING Representative of SHINKONG CO., LTD.: WU, TONG-SHANG, Chia Ho Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: Hung, Ching-Fu CHANG MAO-SONG, ZHENG, QING-GUO, KANG MING-YUE, CHOU, HSIEN-TSAI, TSAI-SHIH-CHI, CHI, WEI-HSUEN	Representative of Hong En Co., Ltd.: TUNG, YUNG-KANG Representative of Hong En Co., Ltd.: WU-WEN, CUI-MEI Representative of SHINKONG CO., LTD.: WU, PEI-WEN Representative of Hong En Co., Ltd.: HUNG-CHEN, SHU-YING Representative of SHINKONG CO., LTD.: WU, TONG-SHANG, Chia Ho Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: Hung, Ching-Fu CHANG MAO-SONG, ZHENG, QING-GUO, KANG MING-YUE, CHOU, HSIEN-TSAI, TSAI-SHIH-CHI, CHI, WEI-HSUEN	Representative of Hong En Co., Ltd.: TUNG, YUNG-KANG Representative of Hong En Co., Ltd.: WU-WEN, CUI-MEI Representative of SHINKONG CO., LTD.: WU, PEI-WEN Representative of Hong En Co., Ltd.: HUNG-CHEN, SHU-YING Representative of SHINKONG CO., LTD.: WU, TONG-SHANG, Chia Ho Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: Hung, Ching-Fu CHANG MAO-SONG, ZHENG, QING-GUO, KANG MING-YUE, CHOU, HSIEN-TSAI, TSAI-SHIH-CHI, CHI, WEI-HSUEN
NT\$1,000,000 (inclusive)~NT\$2,000,000 (exclusive)	YAN, CHANG-SHOU	YAN, CHANG-SHOU	YAN, CHANG-SHOU	YAN, CHANG-SHOU
NT\$2,000,000 (inclusive)~NT\$3,500,000 (exclusive)	Representative of Hong En Co., Ltd.: WU, TONG-SHENG Representative of Mao Wei Investment Co., Ltd.: WU, TONG-SHANG Hong pu Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: LIN, PO-FONG Representative of KONG MIN ENTERPRISES CO., LTD.: CHANG, MAO-SONG HO, YING-LAN	Representative of Hong En Co., Ltd.: WU, TONG-SHENG Representative of Mao Wei Investment Co., Ltd.: WU, TONG-SHANG Hong pu Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: LIN, PO-FONG Representative of KONG MIN ENTERPRISES CO., LTD.: CHANG, MAO-SONG HO, YING-LAN	Representative of Hong En Co., Ltd.: WU, TONG-SHENG Representative of Mao Wei Investment Co., Ltd.: WU, TONG-SHANG Hong pu Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: LIN, PO-FONG Representative of KONG MIN ENTERPRISES CO., LTD.: CHANG, MAO-SONG	Representative of Hong En Co., Ltd.: WU, TONG-SHENG Representative of Mao Wei Investment Co., Ltd.: WU, TONG-SHANG Hong pu Co., Ltd. Representative of Shin Kong Wu Huo-Shih Memorial Hospital: LIN, PO-FONG Representative of KONG MIN ENTERPRISES CO., LTD.: CHANG, MAO-SONG
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	None	None	None	None
NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive)	SHIEH, MUNG-SHIUNG, representative of Hong En Co., Ltd.	SHIEH, MUNG-SHIUNG, representative of Hong En Co., Ltd.	SHIEH, MUNG-SHIUNG, representative of Hong En Co., Ltd. HO, YING-LAN	SHIEH, MUNG-SHIUNG, representative of Hong En Co., Ltd. HO, YING-LAN
NT\$10,000,000 (inclusive)~NT\$15,000,000 (exclusive)	Representative of Hong En Co., Ltd.: WU, HSIN-HUNG WU, HSIN-HUNG	Representative of Hong En Co., Ltd.: WU, HSIN-HUNG WU, HSIN-HUNG	Representative of Hong En Co., Ltd.: WU, HSIN-HUNG WU, HSIN-HUNG	Representative of Hong En Co., Ltd.: WU, HSIN-HUNG WU, HSIN-HUNG
NT\$ 15,000,000 (inclusive)~NT\$ 30,000,000 (exclusive)	None	None	None	None
NT\$30,000,000 (inclusive)~NT\$50,000,000 (exclusive)	None	None	None	None
NT\$ 50,000,000 (inclusive)~NT\$ 100,000,000 (exclusive)	None	None	None	None
Over NT\$100,000,000	None	None	None	None
Total	23	23	23	23

- Note 1: Fill in the name of each director individually (the name of institutional shareholders and their representatives shall also be listed individually) and the name of general directors and independent directors. The amount of remuneration to each shall be disclosed in aggregate. If a director is serving concurrently as a President or Vice President, the table, the following table (3-1), or tables (3-2-1) and (3-2-2) should be filled out.
- Note 2: Refers to Director's remuneration in the latest year (including salaries, work subsidies, severance pay, various bonuses and incentives etc).
- Note 3: Fill in the amount of remuneration distributed to corporate directors or individual directors, as approved by the board of directors in the most recent year.
- Note 4: Refers to compensations for services rendered (including travel, special allowances, various subsidies, accommodation, corporate vehicle and other items). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration.
- Note 5: This refers to the salary, duty allowances, severance pay, bonuses, incentives, transportation allowance, special allowance, various allowances and accommodation, and company cars paid or offered to directors who concurrently hold position as an employee (incl. president, vice president, other managerial officers and employees). If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the "Share-Based Payment" of IFRS 2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.
- Note 6: For the directors who are also employees (including President, Vice President, managers, and staff) of the Company in the most recent year with remuneration received (including stock and cash), the remuneration amount to employees resolved in the board meeting in the most recent year should be disclosed. If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out.
- Note 7: The disclosure should cover all companies included in the consolidated financial statements (including The Company); present the total amount of remuneration paid by all companies above to The Company's Directors.
- Note 8: The name of the director to whom the total remuneration is paid by the Company shall be disclosed in the corresponding remuneration range.
- Note 9: The total amount of remunerations to each director of the Company under the consolidated financial statement (including the Company) shall be disclosed with the disclosure of the names of the directors falling in relevant brackets.
- Note 10: Earnings shall refer to the net income after taxation of the separate entities or in separate financial statements in the most recent fiscal year.
- Note 11: a. The amount of remuneration a director receives from investees other than subsidiaries or from the parent shall be stated in this column (fill in "N/A" when none).
- b. When a director receives remuneration from an investee other than a subsidiary or from the parent, the amount of such remuneration shall be combined in column I of the Increments of Remuneration table, and the column shall be renamed "Parent or All Investees."
- c. Remuneration refers to any returns, compensation from the parent company (including remuneration to Employees, Directors and Supervisors), professional fees, etc., which the Company's Directors have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries.

※ The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is used for information disclosure, not taxation.

(2) Remuneration to presidents and vice presidents (aggregated remuneration that discloses name(s) indicating each remuneration scale)

Unit: NTD thousands December 31, 2020

Job title	Name	Salary (A) (Note 2)		Severance and Pension (B)		Bonuses and special expenses, etc. (C) (Note 3)		Employee's Remuneration Amount (D) (Note 4)				The sum of A, B, C and D as a percentage of after-tax profit (%) (Note 8)		Collect the remuneration from the reinvestment except the subsidiary or the remuneration from the parent company (Note 9).
		The Company	All companies shown in the financial report (note 5)	The Company	All companies shown in the financial report (note 5)	The Company	All companies shown in the financial report (note 5)	The Company		All companies shown in the financial report (note 5)		The Company	All companies included in the financial statements	
								Amount in cash	Amount in stock	Amount in cash	Amount in stock			
President	HO, YING-LAN	37,788	37,788	5,535	5,535	29,154	29,154	5,137	0	5,137	0	4.76%	4.76%	None
Senior Vice President	WANG, PO-HSUAN													
Senior Vice President	HUANG, CHIH-YUAN													
Senior Vice President	LIN, CHIN-LUNG													
Senior Vice President	CHAO, KUO-HUA (Note 2)													
Vice President	LIU, CHUNG-WEN													
Vice President	HU, CHEN-MIN													
Vice President	CHIEN, CHUNG-WEI (Note 3)													
Vice President	LIN, HSIEN-TANG													
Vice President	WU, YA-YING													
Vice President	YEH, JIH-CHIN													
Vice President	TU, KUN-YI													
Vice President	HUANG, JUNG-TSAN													
Vice President	KAO, CHUAN-TE													
Vice President	SHEN, HSIEN-YING													
Vice President	SUNG, NIEN-SHENG													
Vice President	LIU, TING-CHING													
Vice President	CHEN, KUO-CHU													
Vice President	LIN, HSIU-CHUAN													
Vice President	TSAI, SHIH-HSIEN													
Vice President	TSENG, KUO-HUI													
Vice President	LO, KUO-FENG													
Vice President	CHENG, YEN-HUNG													

Disregarding position titles. All such job positions including president, vice president (e.g., President, Chief Executive Officer (CEO), Superintendent....) shall be disclosed.

Note 1: The "Employee's Remuneration" listed in this table are the amounts to be distributed in 2020, from the 2019 earnings.

Note 2: Senior Vice President CHAO, KUO-HUA retired on 01/31/2020; only the income earned before 01/31/2020 is disclosed.

Note 3: Vice President CHIEN, CHUNG-WEI retired on 02/28/2020; only the income earned before 02/28/2020 is disclosed.

Note 4: The remuneration of vice president listed in this table refers to the total income for the whole year of the said officer, including the income earned before assuming the position as vice president.

Remuneration scale table

Payment scale of remunerations paid to the President and Vice Presidents of the Company	Names of the President and Vice Presidents	
	The Company (Note 6)	All companies listed in consolidated financial statements (Note 7)E
Less than NT\$1,000,000	CHAO, KUO-HUA	CHAO, KUO-HUA
NT\$1,000,000 (inclusive)~ NT\$2,000,000 (exclusive)	KAO, CHUAN-TE	KAO, CHUAN-TE
NT\$2,000,000 (inclusive)~ NT\$3,500,000 (exclusive)	LIN, HSIEN-TANG; HUANG, JUNG-TSAN; LIN, HSIU-CHUAN; HUANG, CHIH-YUAN; LIN, CHIN-LUNG; WANG, PO-HSUAN; LIU, CHUNG-WEN; HU, CHEN-MIN; WU, YA-YING; YEH, JIH-CHIN; SHEN, HSIEN-YING; SUNG, NIEN-SHENG; LIU, TING-CHING; TSAI-SHIH-CHI; LO, KUO-FENG; CHENG, YEN-HUNG; TSENG, KUO-HUI	LIN, HSIEN-TANG; HUANG, JUNG-TSAN; LIN, HSIU-CHUAN; HUANG, CHIH-YUAN; LIN, CHIN-LUNG; WANG, PO-HSUAN; LIU, CHUNG-WEN; HU, CHEN-MIN; WU, YA-YING; YEH, JIH-CHIN; SHEN, HSIEN-YING; SUNG, NIEN-SHENG; LIU, TING-CHING; TSAI-SHIH-CHI; LO, KUO-FENG; CHENG, YEN-HUNG; TSENG, KUO-HUI
NT\$3,500,000 (inclusive)~ NT\$5,000,000 (exclusive)	CHEN, KUO-CHU; TU, KUN-YI	CHEN, KUO-CHU; TU, KUN-YI
NT\$5,000,000 (inclusive)~ NT\$10,000,000 (exclusive)	CHIEN, CHUNG-WEI	CHIEN, CHUNG-WEI
NT\$10,000,000 (inclusive)~ NT\$15,000,000 (exclusive)	HO, YING-LAN	HO, YING-LAN
NT\$ 15,000,000 (inclusive)~NT\$ 30,000,000 (exclusive)	None	None
NT\$30,000,000 (inclusive)~ NT\$50,000,000 (exclusive)	None	None
NT\$ 50,000,000 (inclusive)~NT\$ 100,000,000 (exclusive)	None	None
Over NT\$100,000,000	None	None
Total	23	23

Note 1: The names of the President and Vice Presidents should be presented separately; the amount of benefits and allowances can be presented in aggregate sums. If a director is serving concurrently as a President or Vice President, the table, the above table (1-1), or tables (1-2-1) and (1-2-2) should be filled out.

Note 2: Refers to salaries, work subsidies, and severance pay made to the president and Vice President in the latest year.

Note 3: Refers to other compensations such as bonuses, incentives, travel allowances, special allowances, various subsidies, accommodation, corporate vehicle or other items made to the President and Vice Presidents. If houses, cars and other transportation or personal expenses are provided, the nature and cost of the provided assets, the actual rental or the rental calculated based on the fair value, fuel expense and other payment must be



disclosed. If drivers are also provided, please specify the related payment for the driver paid by the Company. This is not included in the remuneration. In addition, according to the salaries expense listed in the “Share-Based Payment” of IFRS 2, expenses including the employee stock option certificate acquirement, employee restricted stock and employee participation in cash capital increase and stock subscription must be counted in the remuneration.

Note 4: Please fill in the remuneration amount to the President and Vice President resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year; also, Attachment 1.3 should be filled out.

Note 5: The total amount of remuneration paid to the Company's presidents and vice presidents by all companies (including the Company) listed in the consolidated financial statements should be disclosed.

Note 6: The amount of remuneration made by the Company to its President/Vice Presidents is disclosed separately in amount ranges.

Note 7: The total remunerations to each President and Vice President of all companies in the consolidated financial statements (including the Company), and disclose the names of these Presidents and Vice Presidents in relevant brackets along the scale of remunerations.

Note 8: Earnings shall refer to the net income after taxation of the separate entities or in separate financial statements in the most recent fiscal year.

Note 9: a. Please clearly indicate the amount of remuneration received by the Company’s president and vice president from the reinvested companies other than the subsidiary or from the parent company in this column (if not, please fill in “none”).  
b. When a president or vice president receives remuneration from an investee other than a subsidiary, the amount of such remuneration shall be combined in column E of the Increments of Remuneration table, and the column shall be renamed “Parent and All Investees.”  
c. Remuneration refers to any returns, compensation (including remuneration to Employees, Directors and Supervisors), professional fees, etc., which the Company’s President/Vice Presidents have received for serving as directors, supervisors, or managers in invested businesses other than subsidiaries or from the parent.

※ The remuneration disclosed in this table is different from the concept of income in the Income Tax Act. This table is used for information disclosure, not taxation.

## (3) Name of the managers received remuneration and the distribution of remuneration

Unit: NTD thousands December 31, 2020

	Title (Note 1)	Name (Note 1)	Amount in stock	Amount in cash	Total	As a percentage of net profit after tax (%)
Managerial officer	President	HO, YING-LAN	0	8,037	8,037	0.49%
	Senior Vice President	WANG, PO-HSUAN				
	Senior Vice President	HUANG, CHIH-YUAN				
	Senior Vice President	WU, YA-YING				
	Senior Vice President	HUANG, JUNG-TSAN				
	Vice President	CHENG, YEN-HUNG				
	Vice President	TU, KUN-YI				
	Vice President	YEH, JIH-CHIN				
	Vice President	LIU, CHUNG-WEN				
	Vice President	SHEN, HSIEN-YING				
	Vice President	HU, CHEN-MIN				
	Vice President	SUNG, NIEN-SHENG				
	Vice President	CHEN, KUO-CHU				
	Vice President	LIU, TING-CHING				
	Vice President	LO, KUO-FENG				
	Vice President	LIN, HSIEN-TANG				
	Vice President	TSAI, SHIH-HSIEN				
	Vice President	LIN, HSIU-CHUAN				
	Vice President	KAO, CHUAN-TE				
	Vice President	TSENG, KUO-HUI				
	Assistant VP	KAO, JUI-TSE				
	Managerial officer	HSU, YU-CHIA				
	Managerial officer	CHOU, CHI-WEN				
	Managerial officer	HSU, CHING-LIN				
	Managerial officer	CHUANG, YAO-CHANG				
	Managerial officer	WANG, HUI-CHEN				
	Managerial officer	CHANG, HUNG-CHI				
	Managerial officer	CHENG, CHUNG-JUNG				
	Chief financial officer	CHANG, PAO-KUEI				
	Managerial officer	YANG, CHING-WEN				
	Managerial officer	WANG, CHIEN-CHAO				
	Managerial officer	WANG, AN-KAI				
	Managerial officer	PENG, CHIH-HENG				
	Managerial officer	CHANG, MEI-YAO				
Managerial officer	LIU, CHIH-CHIEN					
Managerial officer	CHEN, CHIEN-LIANG					
Managerial officer	HUANG, PO-CHIEN					
Managerial officer	HSIEH, TSUNG-JU					
Accounting officer	Ya-Fang Tseng					
Managerial officer	PENG, WEI-WEN					
Managerial officer	CHEN, MEI-FANG					
Managerial officer	CHEN, CHUN-CHIEH					
Managerial officer	TSAI, MENG-CHANG					
Managerial officer	CHANG, WEN-TE					

Note 1: The name and job title of each individual should be disclosed; however, the distribution of earnings can be disclosed aggregately.

Note 2: Please fill in the remuneration amount to the managers resolved in the board meeting in the most recent year (including stock and cash). If the remuneration amount cannot be estimated, the amount to be distributed this year is to be estimated proportionally to the actual amount distributed last year. Corporate earnings shall be the net income after taxation. If IFRS has already been adopted, corporate earnings shall be the net income after taxation of individual entities or individual financial statements.

Note 3: According to Notice Tai-Tsai-Cheng-3-0920001301 dated March 27, 2003, the following managerial roles are subject to reporting:

- (1) President or equivalent
- (2) Vice President or equivalent
- (3) Assistant Manager or equivalent
- (4) Head of Finance
- (5) Head of Accounting
- (6) Any other authorized signatories involved in The Company's administrative affairs

Note 4: If the Directors, President, and Vice President have received remuneration (including stock and cash), in addition to filling out Attachment 1.2, this form must be filled out too.

(IV) Analysis of the total remuneration paid to the Company's directors, supervisors, president and vice president as a percentage of individual or standalone net profits after tax for the most recent two years for the Company and all the companies in the consolidated financial statements, and a description of the policy, criteria and composition of remuneration payments, the procedures for determining remuneration, and the relationship to business performance and future risks

Job title	2020				2019			
	Total remuneration (Thousands of NTD)		Percentage of after-tax net profit (%)		Total remuneration (Thousands of NTD)		Percentage of after-tax net profit (%)	
	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements	The Company	All companies in the consolidated financial statements
Director	47,163	47,163	2.89%	2.89%	41,523	0	2.66%	0
Supervisors	0	0	0.00%	0	0	0	0.00%	0
President Vice President	77,614	77,614	4.76%	4.76%	74,413	0	4.76%	0

Note: The Company established an audit committee to replace the supervisors; function since June 20, 2014, so there is no such amount.

The Company's remuneration to directors is set forth in the Company's Articles of Incorporation and is subject to the resolution of the shareholders' meeting.

Pursuant to Article 27 of the Company's "Corporate Governance Best Practice Principles" and Article 5 of the "Rules Governing the Scope of Powers of Independent Directors" the remuneration of the Company's independent directors shall be set forth in the Company's Articles of Incorporation or by resolution of the shareholders' meeting, and may be set at a reasonable rate different from that of the ordinary directors. The remuneration of such independent director may also be fixed at a monthly rate by discretion in accordance with the relevant statutory procedures.

The remuneration of the Company's directors is determined in accordance with the Articles of Incorporation approved by the shareholders' meeting, which authorize the Board of Directors to agree on the value and performance evaluation of their participation in and contribution to the Company's operations. The Board of Directors of the Company reviews the performance evaluation of the directors on an annual basis and reviews the reasonableness of the remuneration based on the evaluation results. The performance evaluation includes 6 aspects: 1. Alignment of the goals and mission of the Company, 2. Awareness of the duties of a director, 3. Participation in the operation of the company, 4. Management of internal relationship and communication, 5. Professionalism and continuing education of the directors, and 6. Internal control. The results of the 2020 annual comprehensive evaluation are "exceptional". The above-mentioned basis is used as a reference for payment, and the remuneration includes base remuneration, bonus and business execution expenses. The remuneration of the Company's managerial officers is evaluated annually and the Remuneration Committee regularly evaluates the reasonableness of their remuneration. In addition to the aforementioned criteria, the performance evaluation includes 1. decision analysis and strategy planning ability, 2. team goal achievement and internal control execution ability, 3. all-round communication and integration ability, 4. leadership and organizational planning ability, 5. problem solving and crisis management ability, and 6. cost control. The comprehensive evaluation results were "A", "B" and "C" for 2020 and external salary benchmark was used as a reference for payment. Therefore, the Company's operating performance and performance evaluation results directly affect remuneration, which includes 1. fixed salary, determined according to the managerial responsibilities of each job rank. 2. Variable remuneration: including spring bonuses, employee remuneration, variable bonuses and employee benefits. In addition, the standard or structure and system of remuneration paid to directors and managerial officers are adjusted according to future risk factors, and directors and managerial officers should not be induced to engage in acts that exceed the risk appetites of the Company in pursuit of remuneration, and the Company regularly convenes the Remuneration Committee meeting to review the appropriateness of the remuneration so as to avoid improper situations such as the Company suffering losses after paying remuneration.

### III. Corporate governance

#### (I) The Function of the Board of Directors

##### The Function of the Board of Directors

The Board of Directors held 9 meetings in the most recent year, and the attendance of directors and supervisors is as follows:

Job title	Name (Note 1)	Attendance in person (B)	Attendance by proxy	Attendance in person (%) [B/A]	Remarks
Chairman	WU, HSIN-HUNG	6	0	100%	Newly appointed on 6/20/2020
Vice chairman	Hong En Co., Ltd. Representative: SHIEH, MUNG-SHIUNG	9	0	100%	Newly appointed on 6/20/2020
Director	Hong En Co., Ltd. Representative: WU, TONG-SHENG	9	0	100%	Newly appointed on 6/20/2020
Director	Mao Wei Investment Co., Ltd. Representative: WU, TONG-SHANG	5	1	83%	Newly appointed on 6/20/2020
Director	Hong pu Co., Ltd. Representative: Temporary vacancy to be filled	0	0	-	Newly appointed on 6/20/2020
Director	Shin Kong Wu Ho-Su Memorial Hospital Representative: LIN, PO-FONG	5	1	83%	Newly appointed on 6/20/2020
Director	KONG MIN ENTERPRISES CO., LTD. Representative: CHANG, MAO-SONG	4	2	67%	Newly appointed on 6/20/2020
Director	HO, YING-LAN	6	0	100%	Newly appointed on 6/20/2020
Independent Director	CHOU, HSIEN-TSAI	6	0	100%	Newly appointed on 6/20/2020
Independent Director	TSAI-SHIH-CHI	5	1	83%	Newly appointed on 6/20/2020
Independent Director	CHI, WEI-HSUEN	6	0	100%	Newly appointed on 6/20/2020
Chairman	Hong En Co., Ltd. Representative: WU, HSIN-HUNG	3	0	100%	Formerly appointed as of 6/20/2020
Director	Hong En Co., Ltd. Representative: TUNG, YUNG-KANG	3	0	100%	Formerly appointed as of 6/20/2020
Director	Hong En Co., Ltd. Representative: WU-WEN, TSUI-MEI	3	0	100%	Formerly appointed as of 6/20/2020
Director	SHINKONG CO., LTD. Representative: WU, PEI-WEN	3	0	100%	Formerly appointed as of 6/20/2020
Director	Hong En Co., Ltd. Representative: HUNG-CHEN, SHU-YING	3	0	100%	Formerly appointed as of 6/20/2020
Director	SHINKONG CO., LTD. Representative: WU, TONG-SHANG	3	0	100%	Formerly appointed as of 6/20/2020
Director	Chia Ho Co., Ltd.	0	0	100%	Formerly

	Representative: Temporary vacancy to be filled				appointed as of 6/20/2020
Director	Shin Kong Wu Ho-Su Memorial Hospital Representative: Hung, Ching-Fu	3	0	100%	Formerly appointed as of 6/20/2020
Director	CHANG, MAO-SONG	3	0	100%	Formerly appointed as of 6/20/2020
Independent Director	YAN, CHANG-SHOU	3	0	100%	Formerly appointed as of 6/20/2020
Independent Director	CHENG, CHING-KUO	3	0	100%	Formerly appointed as of 6/20/2020
Independent Director	KANG, MING-YUEH	3	0	100%	Formerly appointed as of 6/20/2020

Other notes:

- I. If any of the following is applicable to the operation of the board of directors, specify the date, the series of the session, the content of the motions, the opinions of the Independent Directors, and the response of the Company to the opinions of the Independent Directors:
- (I) Conditions described in Article 14-3 of the Securities and Exchange Act:  
The Company has established an audit committee in accordance with the law, and in accordance with Article 14-5, Paragraph 1 of the Securities and Exchange Act, the provisions of Article 14-3 of the same Act shall not apply.
- (II) Except for the aforementioned matters, the resolutions reached by the Board of Directors with the objections or reservations of the independent directors documented or declared in writing: None.
- II. The avoidance of the conflict of interest by the Directors on related motions, specify the names of the Directors, the content of the motions, the principle of the avoidance of the conflict of interest, and the participation in casting the ballots:
- (I) 19th term, 18th session on 3/18/2020  
Deliberation of the distribution of directors' 2019 remuneration  
Since WU, HSIN-HUNG, Chairman, SHIEH, MUNG-SHIUNG, Vice Chairman, TUNG, YUNG-KANG, Director, WU, TONG-SHENG, Director, WU-WEN, TSUI-MEI, Director, HUNG-CHEN, SHU-YING, Director, WU, PEI-WEN, Director, WU, TUNG-SHANG, Director, Hung, Ching-Fu, Director, and CHANG, MAO-SONG, Director were interested parties in this case, after the aforementioned directors recused themselves, the independent director, YAN, CHANG-SHOU as acting Chair, consulted all the directors present and passed the motion without any objection.
- (II) 19th term, 19th session on 4/22/2020
1. Donation to Society for Wildlife And Nature  
As Director WU, PEI-WEN was an interested party in this case, after the recusal of Director WU, PEI-WEN, the Chair consulted all Directors present and the motion was unanimously approved without objection.
  2. Nomination of directors (including independent directors) and examination of independent director candidates.  
For the list of candidates for regular director, since WU, HSIN-HUNG, Chairman, SHIEH, MUNG-SHIUNG, Vice Chairman, CHANG, MAO-SONG, Director, WU-WEN, CUI-MEI, Director, WU, TUNG-SHENG, Director, Hung, Ching-Fu, Director, HUNG-CHEN, SHU-YING, Director, WU, PEI-WEN, Director, TUNG, YUNG-KANG, Director, and WU, TUNG-SHANG, Director were interested parties in this case, after the aforementioned directors recused themselves, Independent Director, YAN, CHANG-SHOU, as acting chair, consulted all the directors present and unanimously approved the proposal without any objection.
- (III) 20th term, 1st session on 6/22/2020  
Appointment of the members of the Fifth Remuneration Committee of the Company.  
As Independent Director CHOU, HSIEN-TSAI was an interested party in this case, after the recusal of Independent Director CHOU, HSIEN-TSAI, the Chair consulted all Directors present and the motion was unanimously approved without objection.
- (IV) 20th term, 2nd session on 7/1/2020  
The Company's plan to transfer some of its treasury shares to managerial officers. In accordance with the Regulations for Transferring Repurchased Shares to Employees  
As Director HO, YING-LAN was an interested party in this case, after the recusal of Director HO, YING-LAN, the Chair consulted all Directors present and the motion was unanimously approved without objection.

- (V) 20th term, 3rd session on 8/19/2020  
Changes in the members of the 5th Remuneration Committee  
As Independent Director CHI, WEI-HSUEN was an interested party in this case, after the recusal of Independent Director CHI, WEI-HSUEN, the Chair consulted all Directors present and the motion was unanimously approved without objection.
- (VI) 20th term, 4th session on 9/14/2020  
Purchase of employee uniforms  
As Chairman WU, HSIN-HUNG was an interested party in this case, Vice Chairman SHIEH, MUNG-SHIUNG acted as chair of the meeting. After the Chairman WU, HSIN-HUNG recused himself from the meeting, the Chair consulted all the Directors present and the motion was passed unanimously without any objection.

### III. Implementation status of board evaluation

Evaluation cycle	Evaluation period	Evaluation scope	Evaluation method	Description
Once every year	January 1,2020 to December 31, 2020	Self-evaluation by the Board of Directors	Self-evaluation by the Board members	6 major aspects: Alignment of the goals and mission of the Company, Awareness of the duties of a director, Participation in the operation of the company, Management of internal relationship and communication, Professionalism and continuing education of the directors, and Internal control
		Board peer evaluation	Director peer evaluation	
Once every year	January 1,2020 to December 31, 2020	Functional committees (including Audit, Remuneration and Risk Management committees)	Self evaluation by functional committee members	Five major aspects: participation in the Company's operations, awareness of functional committee responsibilities, improvement of the quality of functional committee decisions, composition and selection of functional committee members, and internal control.

Evaluation results: The evaluation results of the Board and functional committees are all "Exceptional". The Board and functional committees are operating well as a whole, and each committee is fulfilling its duties to effectively enhance the functions of the Board.

### IV. Evaluation of the objective for enhancing the functions of the Board of Directors (e.g., establishing an audit committee, enhancing information transparency, etc.) and its implementation in the current year and the most recent year:

- (I) After the shareholders' meeting on June 20, 2014 to re-elect the directors, the Audit Committee replaced the Supervisors.
- (II) The Company's "Corporate Governance Best Practice Principles" was established on December 24, 2015, where Article 22 - 4 defines that the composition of board members shall be determined based on consideration of diversity in terms of gender, professional background, and industry experience, etc. The current members of the Company's Board of Directors have expertise and practical experience in business, law, finance, accounting, or insurance, and there are female directors, which is in line with the aforementioned diversity policy.
- (III) The "Standard Operating Procedures for Handling Directors' Requests" was approved at the 13th meeting of the 19th Board of Directors' Meeting on June 13, 2019, specifying that directors' requests should be able to receive assistance from the corporate governance officer to ensure that board procedures and all applicable laws and regulations are complied with, and that there is a good exchange of information among board members and between directors and the managerial department.
- (IV) On November 4, 2020, the Company amended the "Board of Directors' Performance Evaluation Measures", which specifies the items to be evaluated by the directors and functional committees and the method of performance evaluation. The evaluation was conducted by means of questionnaires in 2020, and the average total evaluation result of the directors' self-evaluation and peer evaluation was "exceptional", and the evaluation results of the audit, remuneration, and risk management committees were also "exceptional".

which were submitted to the Board of Directors on March 11, 2021.

- (V) On November 4, 2020, the Company amended the "Procedures for Board of Directors' Meetings of ShinKong Insurance Co., Ltd." and the "Board of Directors' Performance Evaluation Measures of ShinKong Insurance Co., Ltd." to comply with the requirements for information disclosure under the corporate governance evaluation.

Note 1: If directors and supervisors are institutions, names of shareholders and the representative of the institutions shall be disclosed.

Note 2: (1) In the event that directors or supervisors leave before a year is completed, the date when they leave should be indicated in the memo column. The actual attendance (seated) rate (%), on the other hand, shall be calculated by the number of board of directors meetings held during service and the frequency number of attendance (being seated) in the meetings.

(2) Before a year is completed, upon any re-election of directors or supervisors, names of the said directors/supervisors, new and old, shall be listed and it shall be specified in the remark column that a specific director or supervisor is old, new, or re-elected, and the date of re-election. The actual attendance (seated) rate (%), on the other hand, is to be calculated by the number of board of directors meetings held during service and the frequency number of attendance (being seated) in the meetings.

- (II) Operation of the Audit Committee or Supervisors' Participation in the Board of Directors: The Audit Committee replaced the Supervisors after the Company re-elected its directors on June 20, 2014.

#### The operation of the Audit Committee

The Audit Committee has convened for 9 times in the most recent year (A). The attendance of the independent directors is shown below:

Job title	Name	Number of actual attendees(B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	CHOU, HSIEN-TSAI	6	0	100%	Newly appointed on 6/20/2020
Committee member	CHI, WEI-HSUEN	6	0	100%	Newly appointed on 6/20/2020
Committee member	TSAI-SHIH-CHI	5	1	83%	Newly appointed on 6/20/2020
Convener	KANG, MING-YUEH	3	0	100%	Formerly appointed on 6/20/2020
Committee member	CHENG, CHING-KUO	3	0	100%	Formerly appointed on 6/20/2020
Committee member	YAN, CHANG-SHOU	3	0	100%	Formerly appointed on 6/20/2020

Other notes:

I. Audit Committee Annual Work Highlights.

1. Review of financial statements and communication of critical audit matters.
2. Auditing and accounting policies and procedures.
3. Internal control system and related policies and procedures.
4. Appointment, dismissal or remuneration and independence of certified public accountants
5. Legal compliance

II. If the operation of the Audit Committee is under any of the following circumstances, the date, period, proposal content, resolution of the Committee and the Company's handling of the Committee's opinions should be described:

- (I) Conditions described in Article 14-5 of the Securities and Exchange Act:

Date/Term	Motion Content	Participation in Voting	Implementation Status
April 22, 2020 (19th term, 19th session)	Update of the Company's 2020 audit plan	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Donation to Society for Wildlife And Nature	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	2020 independence evaluation of Ernst & Young, the Company's appointed CPA firm.	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
May 20, 2020 (19th term, 20th session)	Renewal of the internal control system to improve the Company's stock trading operations with interested parties	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
June 22, 2020 (20th term, 1st session)	Amendment of the Company's internal control system	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
July 1, 2020 (20th term, 20th session)	Not applicable (Note 1)	Not applicable (Note 1)	Not applicable (Note 1)
August 19, 2020 (20th term, 3rd session)	Amendment of the "Total Investment Management Manual of ShinKong Insurance Co., Ltd."	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the Company's "Procedures for Use of Funds in Special Projects, Public Utilities, and Social Welfare Enterprises"	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the "Measures for Repurchasing Treasury	After consultation with the independent directors present by the	Handled In accordance with the resolution



	Shares of ShinKong Insurance Co., Ltd.”	Chair, the motion was approved without objection.	
	Amendment of the “Regulations for Repurchasing Treasury Shares of ShinKong Insurance Co., Ltd.”	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	The Company's financial statements for the first half of 2020	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
September 14, 2020 (20th term, 4th session)	Amendment of the Company’s internal control system	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Renewal of the internal control system to improve the Company's stock trading operations with interested parties	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Purchase of employee uniforms	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
November 4, 2020 (20th term, 5th session)	Amendment of the Company’s “Rules Governing Investment in Limited Partnerships of ShinKong Insurance Co., Ltd.”	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the “Procedures for Capital Discretionary Investment of ShinKong Insurance Co., Ltd.”	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the Company’s internal control system	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the “Code	After consultation with	Handled In

	of Ethical Conduct of ShinKong Insurance Co., Ltd.”	the independent directors present by the Chair, the motion was approved without objection.	accordance with the resolution
	Amendment of the “Regulations for Real Estate Management of ShinKong Insurance Co., Ltd.”	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Proposal for purchase of a factory building in Neihu District, Taipei City	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
December 16, 2020 (20th term, 6th session)	Update of the Company’s 2021 audit plan	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the Company’s “internal control system”	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the “Total Investment Management Manual of ShinKong Insurance Co., Ltd.”	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the Company’s “Criteria for Transactions Other than Lending with Interested Parties of ShinKong Insurance Co., Ltd.”	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Renewal of the internal control system to improve the Company's stock trading operations with interested parties	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
March 11, 2021 (20th term, 7th session)	Evaluation of the effectiveness of the Company’s internal control system for 2020	After consultation with the independent directors present by the Chair, the motion was	Handled In accordance with the resolution

		approved without objection.	
	Amendment of the Company's "internal control system"	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the "Procedure for Election of Directors of ShinKong Insurance Co., Ltd."	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the "Rules of Procedure for Shareholders' Meeting of ShinKong Insurance Co., Ltd."	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Amendment of the "Procedures for Acquisition or Disposal of Assets of ShinKong Insurance Co., Ltd."	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	The Company's 2020 business report	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	The Company's financial statements for 2020	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Fees for the attestation of the Company's quarterly financial statements, annual tax reports, capital adequacy ratio statements and international insurance branches for 2021 by Ernst & Young.	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	The proposal for the distribution of earnings of the Company in 2020	After consultation with the independent directors present by the Chair, the motion was approved without	Handled In accordance with the resolution

		objection.	
April 21, 2021 (20th term, 8th session)	The Company's financial statements for 1Q2021	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	2021 independence evaluation of Ernst & Young, the Company's appointed CPA firm.	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
	Adjustment of personnel for some managerial officers and above to meet business needs	After consultation with the independent directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution

Note 1: There was no discussion at this session, only the routine internal audit update.

(II) In addition to the aforementioned motions, other motions without approval by the Audit Committee but passed by the Board with 2/3 of the Directors: none.

III. In the implementation of an independent director's recusal for being an interested party in a proposal, the independent director's name, the proposal content, the recusal reasons and his or her participation in voting should be stated: None.

IV. Communication between independent directors, internal audit officer and CPA (major matters, methods and results of communication on the Company's financial and business conditions, etc. should be included):

Date/Term	Communication method	Communication participants	Communication highlights	Communication results
April 22, 2020 (2nd term, 19th session)	Audit Committee	The Company's accounting officer and attesting CPAs	The Company's financial statements for the first quarter of 2020, and discussion and communication on certain accounting principle application issues and the impact of the new or revised regulations.	Handled in accordance with recommendation
		The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
		The Company's chief auditor	Update of the Company's 2020	Submitted to the Board of

			audit plan	Directors after deliberation
May 20, 2020 (2nd term, 20th session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
June 22, 2020 (3rd term, 1st session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
July 1, 2020 (3rd term, 2nd session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
August 19, 2020 (3rd term, 3rd session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
		The Company's accounting officer and attesting CPAs	The Company's financial statements for the first half of 2020, and discussion and communication on the impact of the update of the Securities and Exchange Act.	Handled in accordance with recommendation
September 14, 2020 (3rd term, 4th session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
November 4, 2020 (3rd term, 5th session)	Audit Committee	The Company's chief auditor The Company's accounting officer and attesting CPAs	Internal Audit Business Report	Handled in accordance with recommendation
			The Company's financial statements for the 3rd quarter of 2020, and discussion and communication on the impact of the update of the Securities and Exchange Act and tax laws.	Handled in accordance with recommendation
November 4, 2020	Internal Control Deficiency Review Seminar	The chief auditor and all auditors of the Company	Frequent deficiency pattern review	Handled in accordance with recommendation
December 16, 2020 (3rd term, 6th session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
			2021 audit plan	Submitted to the Board of Directors after deliberation

March 11, 2021 (3rd term, 7th session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
			Evaluation of the effectiveness of the Company's internal control system for 2020	1. Handled in accordance with recommendation 2. Submitted to the Board of Directors after deliberation
		The Company's accounting officer and attesting CPAs	The Company's financial statements for 2020, and discussion and communication on the impact of the update of tax laws.	Handled in accordance with recommendation
April 21, 2021 (3rd term, 8th session)	Audit Committee	The Company's chief auditor	Internal Audit Business Report	Handled in accordance with recommendation
		The Company's accounting officer and attesting CPAs	The Company's financial statements for the 1st quarter of 2021, and discussion and communication on the impact of the update of the Securities and Exchange Act and tax laws.	Handled in accordance with recommendation

Note:

- \* In the event that independent directors leave before a year is completed, the date when they leave should be indicated in the memo column. The actual attendance (seated) rate (%), on the other hand, shall be calculated by the number of Audit Committee meetings held during service and the frequency number of attendance (being seated) in the meetings.
- \* Before the end of the year, if there was an election of directors and supervisors, the names of new and former directors and supervisors should be filled in and the company should remark in the remarks section whether the directors and supervisors are former, newly elected, or reelected, as well as the day of the reelection. The actual attendance rate to committee session (%) shall be calculated on the basis of the number of sessions held by the Audit Committee in such period and the attendance in person in the sessions.

(III) The performance of corporate governance and the variation with the "Corporate Governance Best Practice Principles for TWSE or TPEX Listed Companies", and the reasons for the variation

Evaluation item	The state of operation (Note)		Differences from the Corporate Governance Best Practice Principles for insurance companies and the reasons for them
	Yes	No	
		The state of operation	
<b>1. Does the Company establish and disclose the Corporate Governance Best Practice Principles pursuant to the Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies?</b>	V	The Company has formulated the "Corporate Governance Best Practice Principles of ShinKong Insurance Co., Ltd." with reference to the "Corporate Governance Best Practice Principles for Insurance Companies" and the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and disclosed it on the Company's website, the Market Observation Post System of the Stock Exchange and the Market Observation Post System of the Insurance Industry in accordance with the regulations.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
<b>2. The shareholdings structure and shareholders' equity of the Company</b>			
(1) Will the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; also, have the procedures implemented accordingly?	V	The Company's spokesperson or acting spokesperson or the relevant units will communicate and handle any suggestions or questions from shareholders. An "Investor Service Window" is available on the Company's website and a "Shareholder Mailbox" is available on the Market Observation Post System, where shareholders can provide comments or suggestions.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(2) Will the Company possess the list of the Company's major shareholders and the list of the ultimate controllers of the major shareholders?	V	The Company has relevant personnel to manage relevant information and has appointed a professional stock affairs agency to provide the latest information.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Will the Company establish and implement the risk control and firewall mechanisms with the related parties?	V	<ol style="list-style-type: none"> <li>The Company has a risk management department to identify the risks faced by the Company, assess and monitor the Company's risk appetite, the current status of risk exposure, establish an independent risk management process, and monitor compliance with the risk management process to determine risk response strategies.</li> <li>The Company has also established a risk management committee under the Board of Directors, with independent directors as conveners, to report to the Board of Directors on risk management operations on a regular or irregular basis; and the Board of Directors has approved the establishment of a Chief Risk Officer to oversee the Company's risk management operations.</li> <li>According to the definition of affiliated companies in Chapter 6-1 of the Company Act, the Company does not have any affiliated companies. The Company has established relevant regulations such as "Procedures for Acquisition or Disposal", "Policies for Transactions Other than Lending with Interested Parties", "Specifications for Transactions Other than Lending with Interested Parties", and "Procedures for Transactions Other than Lending with Interested Parties" for compliance.</li> </ol>	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(4) Will the Company set up internal norms to prohibit insiders from utilizing the undisclosed information to trade securities?	V	The Company has established the "Operating Procedures for Handling Material Inside Information and Preventing Insider Trading" to ensure the consistency and accuracy of information released to the outside world in order to strengthen the prevention of insider trading, and requires directors, managerial officers and employees who have knowledge of the Company's internal material information not to disclose the internal material information they know to others. In case of non-compliance, legal liabilities will be pursued through relevant channels. In 2020, a total of 55 sessions were conducted for the company's management through the internal education and training system E-learning to promote integrity.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed

Evaluation item	The state of operation (Note)		Differences from the Corporate Governance Best Practice Principles for insurance companies and the reasons for them	
	Yes	No		
			Companies”	
<b>3. Organization of the Board of Directors and its duties</b>				
(1) Will the Board of Directors have diversified policies regulated and implemented substantively according to the composition of the members?	V		The Company's "Corporate Governance Best Practice Principles" addresses diversity in the composition of the Board of Directors and sets appropriate diversity guidelines for its operations, business model and development needs, as well as the knowledge, skills and education necessary to perform its duties. In practice, the current members of the Company's Board of Directors have expertise and practical experience in business management, law, finance, accounting or insurance. Among the 11 directors, 3 of them are independent directors, accounting for 27% of the total number of directors; the gender ratio of the board of directors is 91% male and 9% female. The Board of Directors is elected in accordance with the Company's Articles of Incorporation and the Procedure for Election of Directors for a term of three years, and the average age of all directors is 65. This is in line with the diversity policy previously mentioned.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
(2) Will the Company, in addition to setting the Remuneration Committee and Audit Committee lawfully, have other functional committee set up voluntarily?	V		In addition to the Audit Committee and Salary and Compensation Committee as required by law, the Company has also established a Risk Management Committee. The Audit Committee operates for the primary purpose of overseeing the following. I. Fair presentation of the Company's financial statements. II. The selection (dismissal) and independence and performance of the attesting CPAs. III. Effective implementation of the Company's internal control. IV. The Company's compliance with the relevant laws and regulations. V. Control of existing or potential risks of the Company. The responsibilities of the Remuneration Committee: The Remuneration Committee shall faithfully perform the following duties and responsibilities with the attention of a good manager and recommend to the Board of Directors the remuneration plan for the directors and managerial officers of the Company in order to establish a remuneration policy to attract, motivate and retain talents, and submit the recommendations to the Board of Directors for discussion. (1) Establish and regularly review the system, standards and structure of performance evaluation and remuneration for directors and managerial officers. (2) Regularly review the remuneration of directors and managerial officers determine it based on the evaluation results by the performance evaluation criteria. The responsibilities of the Risk Management Committee are as follows. 1. Formulate risk management policies, structure and organizational functions, establish qualitative and quantitative management standards, report regularly to the Board of Directors, respond to the Board of Directors on the implementation of risk management in a timely manner, and make necessary recommendations for improvement. 2. Execute the risk management decisions of the Board of Directors and regularly review the development, establishment and implementation effectiveness of the overall risk management mechanism of the Company. 3. Assist and supervise the risk management activities of each department. 4. Adjust the risk category, risk limit allocation and commitment method according to the changing environment. 5. Coordinate cross-departmental interaction and communication of risk management functions. 6. Authorize the risk management unit to handle matters when other units violate the risk limit.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”
(3) Does the company establish a method to evaluate board performance and evaluate board performance every year? Are the performance evaluation results reported to the board and used as a reference for the remuneration and nomination for re-election of directors?	V		In accordance with the "Board of Directors' Performance Evaluation Measures" of the Company. Evaluation cycle and period: The Board of Directors of the Company performs an internal performance evaluation at the end of each year. Evaluation indicators: Performance evaluation items for board members (self or peer) include the 6 major aspects with 8-9 indicators: Alignment of the goals and mission of the Company, Awareness of the duties of a director, Participation in the operation of the company, Management of internal relationship and communication, Professionalism and continuing education of the directors, and Internal control	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies”



Evaluation item	The state of operation (Note)			Differences from the Corporate Governance Best Practice Principles for insurance companies and the reasons for them	
	Yes	No	The state of operation		
			<p>Performance evaluation items for functional committee members include the five major aspects: participation in the Company's operations, awareness of functional committee responsibilities, improvement of the quality of functional committee decisions, composition and selection of functional committee members, and internal control. Each committee has about 14-20 indicators each.</p> <p>Evaluation procedures: The performance evaluation of the previous year is conducted at the end of each year based on various indicators, and the evaluation results are completed before the end of the first quarter of the following year and sent to the board of directors for review and improvement, and used as reference for individual directors' salary and remuneration and nomination for reappointment.</p> <p>Evaluation result: The results of self-evaluation and peer evaluation for 2020 were both "exceptional", and the board of directors was well run overall, effectively enhancing the functions of the board of directors.</p>		
(4) Will the Company have the independence of the public accountant evaluated regularly?	V		In order to comply with the law, the independence of the certified public accountants is evaluated on a regular basis every year, with reference to the accountants' resumes and the "Statement of Independence" provided by the certified public accountants, and the evaluation is conducted in accordance with the "CPA Independence Evaluation Criteria" of the Company, and the evaluation results were submitted to the Audit Committee and the Board of Directors for approval on April 21, 2021.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"	
4. Where the Company is a listed or OTC company, has the Company arranged competent and adequate personnel and designated officers to take the responsibility for corporate governance matters (including but not limited to providing directors and supervisors with the documents needed for implementation of their duties, assisting directors and supervisors in complying laws and regulations, dealing with matters of board and shareholder meetings, and preparing board and shareholder meeting minute)?	V	The Company's Board of Directors resolved on December 20, 2018 to establish a corporate governance officer to protect the rights and interests of shareholders and to strengthen the functions of the Board of Directors. The corporate governance officer has at least three years of experience in financial management in public companies. The main duties of the corporate governance staff are to provide information necessary for the directors to perform their duties, to assist the directors in complying with laws and regulations, and to conduct board of directors and shareholders' meeting related matters in accordance with the law. <b>In 2020, 14.5 hours of training courses were completed on corporate governance topics.</b>		Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies"	
		Course organizer	Course name		Training hours
		Corporate Governance Association in Taiwan	Enterprise Risk Management and Legal Compliance Issues in Practice		3.0
		Insurance Bureau of the Financial Supervisory Commission	2020 Insurance Industry Corporate Governance Seminar		5.5
		Corporate Governance Association in Taiwan	Trends in Group Tax Management in the Post-Epidemic Era		3.0
		Securities and Futures Development Foundation	2020 Briefing on Prevention of Insider Trading and Insider Equity Trading		3.0
<p>The implementation of the work for 2020 is as follows:</p> <p>(1) The Board of Directors is regularly informed of the latest development of laws and regulations related to the Company's business areas and corporate governance.</p>					

Evaluation item	The state of operation (Note)		Differences from the Corporate Governance Best Practice Principles for insurance companies and the reasons for them
	Yes	No	
		<p>(2) Review the level of confidentiality of relevant information and provide the company information required by the directors, and maintain smooth communication and exchange between the directors and business executives.</p> <p>(3) In accordance with the Corporate Governance Best Practice Principles, the independent directors shall assist in arranging meetings with the internal auditors or certified public accountants when necessary to understand the Company's finance and business matters.</p> <p>(4) Assist independent directors and regular directors in preparing annual education plans and arranging courses.</p> <p>(5) Handle matters related to the board of directors' meetings, including the provision of information necessary for the directors to conduct business, the scheduling of agendas, the sending of meeting notices, the preparation of minutes, and the preparation of the annual plan of the board of directors for the following year to facilitate the meeting proceedings.</p> <p>(6) Handle matters related to shareholders' meetings, such as notice of meetings, preparation of meeting handbook and minutes, compilation of annual reports of shareholders' meetings, and filing of relevant information.</p> <p>(7) The performance evaluation of the Board of Directors and the Functional Committee is summarized annually and the evaluation results are submitted to the Board of Directors for review and improvement.</p> <p>In order to improve the management of corporate social responsibility, the Company has established the "Ethical Corporate Management and Social Responsibility Promotion Group", which is responsible for proposing and implementing corporate responsibility policies, systems or related management guidelines and specific promotion plans, and reporting to the Board of Directors on a regular basis. The members and responsibilities of the Ethical Corporate Management and Corporate Social Responsibility Promotion Group are disclosed on the Company's official website (<a href="https://www.skinsurance.com.tw">https://www.skinsurance.com.tw</a>) for investor information.</p>	
<b>5. Does the Company establish a communication channel for the stakeholders (including but not limited to shareholders, employees, customers and suppliers) and set up a stakeholder section on the Company's website with proper response to the concerns of the stakeholders on issues related to corporate social responsibility?</b>	V	The Company's spokesperson or acting spokesperson or the relevant units will communicate and handle any suggestions or questions from stakeholders. An "Investor Service Window" is available on the Company's website and a "Stakeholder Section" is available on the Market Observation Post System, where shareholders or stakeholders can provide comments or suggestions.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
<b>6. Does the Company commission a professional stock service agent to handle shareholders' affairs?</b>	V	The Company appointed Taishin Bank's stock affairs department, a professional stock agency, to administer the shareholders' meeting.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
<b>7. Information disclosure</b>			
(1) Does the Company have a website setup and the financial business and corporate governance information disclosed?	V	The Company's website <a href="http://www.skinsurance.com.tw">http://www.skinsurance.com.tw</a> 依 discloses financial and business-related information, including investor information, rules and regulations, and financial reports, in accordance with the "Regulations Governing Public Disclosure of Information by Non-Life Insurance Enterprises". The Company also publishes material information and corporate governance-related information on the "Market Observation Post System" in accordance with the regulations, so that investors or policyholders can keep track of the Company's financial, business and corporate governance-related information.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(2) Has the Company adopted other information disclosure methods (such as, establishing an English website,	V	1. The Company appoints designated personnel to be responsible for the disclosure and announcement of information on the Company's website and Market Observation Post System.	Consistent with the provisions of the

Evaluation item	The state of operation (Note)		Differences from the Corporate Governance Best Practice Principles for insurance companies and the reasons for them	
	Yes	No		The state of operation
designating a responsible person for collecting and disclosing information of the Company, substantiating the spokesman system, placing the juristic person seminar program on the Company's website, etc.)?			2. The "Investor Service Window" and "Stakeholder Section" are set up on the Company's website, and the contact information for the Company's spokesperson and the Investor Service Window is provided. 3. The Company holds earnings calls and corporate briefings, and financial information is posted on the Company's corporate website after the meeting.	"Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
(3) Will the company announce and declare the annual financial report within two months after the end of the fiscal year? Will the company announce and declare the Q1, Q2, and Q3 financial reports along with the monthly operating reports before the prescribed deadline? (Accounting Department)	V		The Company announces its financial statements quarterly in advance of the prescribed deadline, and announces and reports within two months of the end of the fiscal year, as required by law or depending on the actual operation of the Company.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
<b>8. Is there any further information that may help to understand the status of corporate governance of the Company better (including but not limited to employees' rights, employee care, investor relation, supplier relation, stakeholders' rights, the continuing education of the Directors and Supervisors, risk management policy and risk assessment in action, the pursuit of customer policy, and the protection of the Directors and Supervisors with professional liability insurance)?</b> (Human resources and administration department)	V		1. Employee rights and benefits: The Company has always treated its employees with honesty and trust, and protected their legal rights and benefits in accordance with the Labor Standards Act. The relevant rights and measures are detailed in "Five, Operation Overview, V Labor Relations". 2. Employee care: We establish a good relationship of mutual trust and dependence with our employees through a welfare system and a good education and training system that provide stability to their lives. 3. Investor relations: The spokesperson and the dedicated staff are responsible for handling the matter. In order for investors to understand the company's operation, the Company discloses relevant management information in accordance with the law. 4. Supplier relations: The Company has a good relationship with our suppliers because we regularly evaluate each vendor for general business purchases to achieve the purpose of user units. 5. Rights of Stakeholders: The Company has set up "Investor Service Window" and "Stakeholder Section" on the Company's website and provided "Shareholder Mailbox" on the Market Observation Post System to protect the legitimate rights and interests. 6. Directors' continuing education: The Company actively encourages its directors to pursue further education to enhance their professionalism. 7. Implementation of risk management policies and risk measurement standards: Various internal rules and regulations are established in accordance with the law to conduct various risk management and evaluation. 8. Implementation of customer policy: The Company has a customer section on its website and provides a customer complaint hotline and a claims service hotline to maintain a smooth communication channel with customers. 9. The Company's purchases of liability insurance for directors. The Company has taken out directors' and supervisors' liability insurance for 2020, and has reported the insurance amount, coverage and premium rate to the Board of Directors and disclosed the information on the Market Observation Post System. We also actively encourage our directors to attend corporate governance courses and lectures from time to time.	Consistent with the provisions of the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies"
<b>9. Please describe the improvements that have been made in response to the corporate governance evaluation results issued by the Corporate Governance Center of the Taiwan Stock Exchange in the most recent year, and propose priorities and measures for those not yet improved: The service term of the Company's 20th independent directors will not exceed three terms. In order to establish a corporate culture of ethical corporate management and good risk control mechanism for the sustainable operation and development of the Company, the Company conducts ethical management risk assessment for the governance personnel, management, and responsible departments. In the future, the Company will maintain effective corporate governance mechanisms and implement transparency of information disclosure and enhancement of shareholders' rights.</b>				

Note 1: Diversity in the composition of the Board of Directors

Name	Job title	Gender	Core diversity aspects				
			Management	Finance	Accounting/Statistics	Law	Insurance
<b>WU, HSIN-HUNG</b>	Chairman	Male	✓	✓			✓
<b>SHIEH, MUNG-SHIUNG</b>	Vice chairman	Male	✓	✓			✓
<b>WU, TONG-SHENG</b>	Director	Male	✓	✓		✓	✓
<b>YANG, CHENG-BIN</b>	Director	Male	✓	✓			
<b>CHANG, MAO-SONG</b>	Director	Male	✓	✓			✓
<b>WU, TONG-SHANG</b>	Director	Male	✓	✓			✓
<b>LIN, PO-FONG</b>	Director	Male	✓	✓		✓	✓
<b>HO, YING-LAN</b>	Director	Female	✓	✓			✓
<b>TSAI-SHIH-CHI</b>	Independent Director	Male	✓			✓	✓
<b>CHOU, HSIEN-TSAI</b>	Independent Director	Male	✓	✓	✓	✓	✓
<b>CHI, WEI-HSUEN</b>	Independent Director	Male	✓			✓	✓

Note 2: CPA independence evaluation criteria

Item No.	Item	Status of independence
1	Whether the CPA has no direct or material indirect financial interest in the Company	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
2	Whether the CPA is currently or within the last two years a director, supervisor or manager of the Company or has significant influence on the Company	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
3	Whether there is any joint investment or benefit-sharing relationship between the CPA and the Company	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
4	Whether the engagement of the CPA with the Company has exceeded seven consecutive years	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Continuing education of directors in 2020

Job title	Name	Date	Organizer	Course name	Training hours	Total continuing education hours of the year
Chairman	WU, HSIN-HUNG	2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	12.5
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/08/19	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
		2020/08/11	Corporate Operation Association	Non-consensual Mergers and Acquisitions and Liability of Corporate Responsible Persons	3	
		2020/07/20	Corporate Operation Association	Legal regulation and risk liability under corporate governance that directors, supervisors and insiders should not be unaware of	3	
		2020/03/18	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
Vice chairman	SHIEH,MUNG-SHIU NG	2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	6.5
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/08/19	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
		2020/03/18	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
Director	LIN, PO-FONG	2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	13.5
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/08/25	Corporate Governance Association in Taiwan	Liability of directors and supervisors for inaccurate financial statements	3	
		2020/06/09	Corporate Governance Association in Taiwan	Criminal Legal Risks and Responses for Corporate Directors and Supervisors - From Corporate Fraud	3	

Job title	Name	Date	Organizer	Course name	Training hours	Total continuing education hours of the year
				and Money Laundering Prevention		
		2020/02/21	Corporate Governance Association in Taiwan	Trends in Digital Technology and Artificial Intelligence and Risk Management	3	
Director	CHANG, MAO-SONG	2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	5.5
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/03/18	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
Director	HO, YING-LAN	2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	17.5
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/09/17	Securities and Futures Development Foundation	Analysis and case study of unconventional transactions of directors and supervisors	3	
		2020/09/15	Securities and Futures Development Foundation	Analysis of international tax trend issues and response practices under the new corporate governance blueprint	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/09/04	Securities and Futures Development Foundation	Employee and Director Remuneration Issues - From the Amendment of Article 14 of the Securities and Exchange Act	3	
		2020/09/02	Securities and Futures Development Foundation	Probe into the fraud in corporate financial statements.	3	
		2020/08/19	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
Independent Director	CHOU, HSIEN-TSAI	2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	17.5
		2020/11/05	Corporate Governance Association in Taiwan	Ten required courses in corporate governance	3	
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/10/20	Corporate Governance Association in Taiwan	Performance of the Board of Directors and evaluation of its effectiveness	3	

<b>Job title</b>	<b>Name</b>	<b>Date</b>	<b>Organizer</b>	<b>Course name</b>	<b>Training hours</b>	<b>Total continuing education hours of the year</b>
		2020/09/25	Corporate Governance Association in Taiwan	Understanding Related Party Transactions and Unconventional Transactions from Practical Examples	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/08/25	Corporate Governance Association in Taiwan	Liability of directors and supervisors for inaccurate financial statements	3	
		2020/08/19	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
Independent Director	CHI, WEI-HSUEN	2020/12/24	Corporate Governance Association in Taiwan	Prevention of insider trading	3	11.5
		2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	
		2020/12/15	Corporate Governance Association in Taiwan	How to use influence to invest and increase corporate value	3	
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/08/19	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	
Independent Director	TSAI-SHIH-CHI	2020/12/24	Corporate Governance Association in Taiwan	Prevention of insider trading	3	14.5
		2020/12/16	ShinKong Insurance Co., Ltd.	Sharing of the Principle to Treat Clients Fairly	1	
		2020/11/26	Independent Director Association in Taiwan	Practical operation and case studies of audit committees and other functional committees	3	
		2020/11/05	Independent Director Association in Taiwan	Regulation and Case Analysis of Insider Trading and Unconventional Trading in Taiwan's Securities Market	3	
		2020/11/04	ShinKong Insurance Co., Ltd.	IFRS17 Project Training	3	
		2020/09/14	ShinKong Insurance Co., Ltd.	Introduction to the Principle to Treat Clients Fairly	0.5	
		2020/08/19	ShinKong Insurance Co., Ltd.	Anti-Money Laundering and Counter Terrorism Board Training	1	

(IV) The composition, duties and operations of the Compensation Committee.

(1) Information on the members of the Remuneration Committee

By identity (Note 1)	Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	Status of independence (note 2)										Number of other public companies where the member is also a member of their remuneration committees	Remarks	
			Lecturer or above in commerce, law, finance, accounting or subjects required by the business of the company in public or private colleges or universities	A Judge, Public Prosecutor, Attorney, Certified Public Accountant or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Work experience required for business, legal affairs, financial affairs, accounting, or corporate operation	1	2	3	4	5	6	7	8			9
Independent Director	CHOU, HSIEN-TSAI			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	None
Independent Director	CHI, WEI-HSUEN			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	None	None	
Other	KANG, MING-YUEH			✓	✓	✓	✓	✓	✓	✓	✓	✓	None	None		

Note 1: Identity is known as director, independent director or others.

Note 2: place a "" in the box below if the member met the following conditions during the time of active duty and two years prior to the elected date.

- (1) Not an employee of the Company or any of its affiliates.
- (2) Not a director or supervisor of the company or its affiliates (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (3) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
- (4) Not the spouse, the kindred to the second tier under the Civil Code or the direct kin within the third tier under the Civil Code of the managers stated in (1) or other roles stated in (2), (3).
- (5) Not a director, supervisor or employee of an institutional shareholder directly holding more than 5% of the outstanding shares issued by the company, or a director, supervisor or employee of an institutional shareholder who is among the top 5 shareholders, or a representative of an institutional shareholders appointed as the director or supervisor of the company according to paragraph 1 or 2, Article 27, Company Act (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (6) Not a director, supervisor or employee of a company controlling over one half of the company's director seats or voting shares under one person (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (7) Not a director of a company or institution whose chairperson and president or equivalent role is the same person or its spouse (except for independent directors of the company and its parent company, subsidiaries or the subsidiaries of the same parent company established in accordance with this Act or the local laws).
- (8) Directors, supervisors, managers or shareholders holding more than 5% of shares in specific companies or institutions that do not have financial or business dealings with the company (but individual directors appointed according to local laws and regulations holding other positions in possession of more than 20% and less than 50% of issued shares belonging to specific companies or institutions that are parent, subsidiary, or belonging to the same parent company are not applicable).
- (9) Business owners, partners, directors (directors), supervisors (supervisors), managers and their spouses, or professionals, sole proprietorships, partnerships, companies or institutions involved in commercial, legal, financial, accounting services did not provide audits or accumulate NT\$ 500,000 compensation over the past 2 years. However, this restriction does not apply to a member of the remuneration committee, public tender offer review committee or special committee for merger and acquisition, who exercises powers pursuant to the "Securities and Exchange Act" or to the "Business Mergers and Acquisition Act" or relevant laws and regulations.
- (10) Does not meet any descriptions stated in Article 30 of The Company Act.



(2) Duties of the Remuneration Committee

Evaluate the remuneration policies and systems of the Company's directors, supervisors and managerial officers in a professional and objective manner, and make recommendations to the Board of Directors for their reference in making decisions.

(3) The operation of the Remuneration Committee

I. There are 3 members of the Remuneration Committee of the Company.

II. The term of office of the current members: June 22, 2020 to June 19, 2023, the most recent annual Remuneration Committee met three times (A), and the qualifications and attendance of the members are as follows

Job title	Name	Number of actual attendees(B)	Attendance by proxy	Attendance rate (%) (B/A) (Note)	Remarks
Convener	CHOU, HSIEN-TSAI	1	0	100%	Newly appointed upon the re-election on 06/22/2020
Committee member	CHI, WEI-HSUEN	0	0	--	Newly appointed upon the re-election on 08/19/2020
Committee member	CHENG, CHING-KUO	3	0	100%	Formerly appointed, resigned on 08/19/2020
Committee member	KANG, MING-YUEH	3	0	100%	Re-appointed upon the re-election on 08/19/2020
Committee member	LI, LI-LING	2	0	100%	Re-appointed upon the re-election on 06/22/2020

Other notes:

- I. If the board of directors rejected or revised the recommendation presented by the Remuneration Committee, specify the date, the series of the session, the content of the motions, the resolutions of the board of directors and the response of the Company to the opinions of the Remuneration Committee (like the remuneration package passed by the board of directors is at a higher level than the recommendation presented by the Remuneration Committee, specify the difference and the reason): Not applicable
- II. If particular member holds adverse opinion or qualified opinion on the resolution of the Remuneration Committee on record or in written declaration, specify the date, the series of the session, the content of the motion, the opinions of all members and the responses to the opinions of the members: Not applicable

- \* (1) In the event that Remuneration Committee members leave before a year is completed, the date when they leave should be indicated in the memo column. The actual attendance (seated) rate (%), on the other hand, shall be calculated by the number of Remuneration Committee meetings held during service and the frequency number of attendance (being seated) in the meetings.
- (2) If there was an election of new members for the Remuneration Committee before the end of the fiscal year, fill in the information on the former and the new members, and specify if the members are newly elected to office or reelected for a second term of office, and the date of the election. The attendance rate to committee session (%) shall be calculated on the basis of the number of sessions held in such period and the actual number of presence in the sessions.

(V) The Performance of Corporate Social Responsibility and Variation with the Corporate Governance Best Practice Principles for TWSE/TPEX-Listed Companies, and the reason for the variation.

Evaluation item	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies												
	Yes	No	Summarized explanation (Note 2)													
1. Does the Company perform risk assessment with respect to the issues of environment, social and corporate governance related to the business operation of the Company based on the materiality principle and establish relevant risk management policies or strategies? (Note 3)	√		The Company upholds the management philosophy of "innovation, professionalism, efficiency, and excellence" and the principle of materiality, and fulfills its corporate social responsibility while pursuing sustainable operation and profitability, and takes different measures from the risk perspective on environmental, social, and corporate governance issues, and incorporates them into the Company's management policy and daily operation strategy to achieve the goal of sustainable operation.	Consistent with the provisions of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies												
			(I) 1. The Company conducts relevant risk assessment on the principle of the materiality of Corporate Social Responsibility and, based on the assessed risks, formulates relevant strategies as follows.													
			<table border="1"> <thead> <tr> <th>Major issues</th> <th>Risk assessment items</th> <th>Risk management</th> </tr> </thead> <tbody> <tr> <td>Environment</td> <td>Environmental Protection and Sustainable Development</td> <td>To mitigate the impact of climate change, the Company has adopted the ISO 14001 environmental management system and ISO 14064-1 greenhouse gas inventory standard as the standards for promoting energy conservation and carbon reduction. In addition, the Company has revealed the amount of electricity and water consumption throughout the company, continued to strengthen the promotion of climate change crisis and risk response measures, promoted electronic policies, and created low-carbon awareness. In addition, the patented technology "Natural Disaster Risk Platform" is used to raise public awareness, reduce energy consumption, and reduce losses and impacts caused by climate change.</td> </tr> <tr> <td>Society</td> <td>Information security</td> <td>The Company has implemented the ISO/IEC27001 Information Security Management System (ISMS) and established over 300 security control items, including network infrastructure management, system development and design, security control mechanism, e-commerce system development and maintenance, server room activity management, and implementation of standard operating procedures. The e-business system and server room network facilities have been verified by the British Standards Institute (BSI), effectively achieving the goals of no leakage of personal information, protecting customer privacy, and improving the organization's risk control capability.</td> </tr> <tr> <td>Corporate governance</td> <td>Legal Compliance</td> <td>Risk limits and risk appetite are established with reference to the Company's customer base, products and trading policies to continuously monitor the Company's exposure to money laundering and information terrorism risks. The results of the 2020 comprehensive money laundering and information terrorism risk assessment are consistent with the Company's risk limit requirements and risk appetite</td> </tr> </tbody> </table>		Major issues	Risk assessment items	Risk management	Environment	Environmental Protection and Sustainable Development	To mitigate the impact of climate change, the Company has adopted the ISO 14001 environmental management system and ISO 14064-1 greenhouse gas inventory standard as the standards for promoting energy conservation and carbon reduction. In addition, the Company has revealed the amount of electricity and water consumption throughout the company, continued to strengthen the promotion of climate change crisis and risk response measures, promoted electronic policies, and created low-carbon awareness. In addition, the patented technology "Natural Disaster Risk Platform" is used to raise public awareness, reduce energy consumption, and reduce losses and impacts caused by climate change.	Society	Information security	The Company has implemented the ISO/IEC27001 Information Security Management System (ISMS) and established over 300 security control items, including network infrastructure management, system development and design, security control mechanism, e-commerce system development and maintenance, server room activity management, and implementation of standard operating procedures. The e-business system and server room network facilities have been verified by the British Standards Institute (BSI), effectively achieving the goals of no leakage of personal information, protecting customer privacy, and improving the organization's risk control capability.	Corporate governance	Legal Compliance	Risk limits and risk appetite are established with reference to the Company's customer base, products and trading policies to continuously monitor the Company's exposure to money laundering and information terrorism risks. The results of the 2020 comprehensive money laundering and information terrorism risk assessment are consistent with the Company's risk limit requirements and risk appetite
			Major issues		Risk assessment items	Risk management										
			Environment		Environmental Protection and Sustainable Development	To mitigate the impact of climate change, the Company has adopted the ISO 14001 environmental management system and ISO 14064-1 greenhouse gas inventory standard as the standards for promoting energy conservation and carbon reduction. In addition, the Company has revealed the amount of electricity and water consumption throughout the company, continued to strengthen the promotion of climate change crisis and risk response measures, promoted electronic policies, and created low-carbon awareness. In addition, the patented technology "Natural Disaster Risk Platform" is used to raise public awareness, reduce energy consumption, and reduce losses and impacts caused by climate change.										
Society	Information security	The Company has implemented the ISO/IEC27001 Information Security Management System (ISMS) and established over 300 security control items, including network infrastructure management, system development and design, security control mechanism, e-commerce system development and maintenance, server room activity management, and implementation of standard operating procedures. The e-business system and server room network facilities have been verified by the British Standards Institute (BSI), effectively achieving the goals of no leakage of personal information, protecting customer privacy, and improving the organization's risk control capability.														
Corporate governance	Legal Compliance	Risk limits and risk appetite are established with reference to the Company's customer base, products and trading policies to continuously monitor the Company's exposure to money laundering and information terrorism risks. The results of the 2020 comprehensive money laundering and information terrorism risk assessment are consistent with the Company's risk limit requirements and risk appetite														

Evaluation item	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summarized explanation (Note 2)	
			levels.	
2. Has the Company set up a full-time (part-time) unit to promote corporate social responsibility, together with senior management authorized by the Board of Directors to handle related matters and report to the board on the handling of the matters?	√		The Company's Board of Directors has authorized the senior management to handle the matter, and has set up the "Ethical Corporate Management and Social Responsibility Promotion Group", which is responsible for promoting CSR policies and other related matters, establishing an annual CSR report structure, and reporting to the Board of Directors annually on the handling of the matter.	Consistent with the provisions of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
3. Environmental issue (1) Has the Company set up an appropriate environmental management system based on the characteristics of its industry? (2) Is the company committed to enhancing the utilization efficiency of resources and using renewable materials that are with low impact on the environmental impacts? (3) Does the Company assess the present and future potential risks and opportunities of climate change on the Company and take actions to related issues? (4) Did the Company produce statistics on the GHG emissions, water consumption, and total waste in the last two years? Has the company established policies for energy conservation, carbon reduction, GHG reduction, water conservation, and waste management?	√  √  √  √		(1) The issue of climate change should be faced and solved by all human beings together. As a member of the financial insurance industry, the Company refers to the policy ISO 14001 environmental management system. (2) The Company selects suppliers or outsourced contractors in accordance with the procurement regulations and relevant rules or tenders, and never selects a specific vendor; for toner cartridges, paper and other raw materials and equipment used, the Company gives priority to those with environmental labels, water conservation labels, green building materials labels, or green commodities that are recognized by the Environmental Protection Agency as meeting the conditions of recyclable materials, low pollution or energy saving. (3) Climate change-related risks continue to rank high in the top 5, and Taiwan is a high-risk area for natural disasters, so the promotion of earth science knowledge is a matter of urgency. ShinKong Insurance Co., Ltd., which is actively involved in disaster prevention-related research and development, has joined hands with the "Decade of Education and Culture" learning platform, combining many experts and scholars from top universities, Academia Sinica, and the Industrial Research Institute to launch the "Great Earth Institute", hoping to spread relevant knowledge through interactive online teaching, and then take root downward. (4) 1. Energy use data inventory For ShinKong Insurance Co., Ltd., purchased electricity is the only important type of energy consumption. Due to the increase in the number of employees, the Taipei operation headquarters consumed 753,588 kWh of purchased electricity with 397,894 kg CO <sub>2</sub> e/person of greenhouse gas emissions in 2020 and 764,288 kWh of purchased electricity with 403,544 kg CO <sub>2</sub> e/person of greenhouse gas emissions in 2019. The Company does not forget its responsibility as a corporate citizen, and urges itself to cherish every single electricity resource from the smallest detail, and adjusts the operation of the air-conditioning and chilled water mainframe mechanically in response to changes in weather temperature. The electricity consumption of both the head office and the sales offices dropped significantly. 2. Water Resources Data Inventory The head office of ShinKong Insurance Co., Ltd. is located in a commercial area and uses water from the local waterworks, which has no significant impact on the water supply. There is no waste water recycling system in the building. The discharge of wastewater complies with the regulations of the local authorities, and in cooperation with the construction of sewerage in Taipei City, the internal	Consistent with the provisions of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies

Evaluation item	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summarized explanation (Note 2)	
			<p>sewerage is rebuilt without polluting the local environment and rivers, and there are no major leaks. Taipei Operation Headquarters used 7,590 cubic meters of water in 2020 and 8,531 cubic meters of water in 2019. ShinKong Insurance Co., Ltd. will keep in mind that "if you have water, you should think about the pain of not having water", and will do a good job of saving water in all aspects in order to effectively reduce the use of water resources in the next year.</p> <p>3. Actively cooperate with the government to promote energy-saving and carbon-reduction policies, and implement "summer energy-saving" activities by setting summer clothing regulations and air-conditioning temperature setting standards. In order to fulfill our global citizenship and corporate social responsibility, we are committed to energy saving and carbon reduction actions, and comply with relevant laws and regulations to prevent and control pollution and continuously improve our energy saving performance in order to achieve our energy saving goals.</p>	
<p>4. Social Issues (Human Resources and Administration Department)</p> <p>(1) Does the Company have the relevant management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?</p> <p>(2) Has the company established and implemented reasonable employee welfare measures (including remuneration, leave, and other benefits) and appropriately reflected business performance and achievements in the remuneration for employees?</p> <p>(3) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?</p> <p>(4) Has the Company established an effective career development training program for employees?</p> <p>(5) Does the company comply with the related laws and regulations and international standards regarding the customer health and safety, customer</p>	<p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p> <p>✓</p>		<p>(1) The Company has established a code of conduct for employees, a performance evaluation system, and various rewards and punishments, and the related rights and rules are detailed in "Five. Operation Overview, V. Labor Relations" and the Company's website &gt; Corporate Profile &gt; Investor Information &gt; Corporate Governance &gt; XI. Human rights policies.</p> <p>(2) The Company determines the annual salary adjustment by taking into account the Consumer Price Index, salary survey information, the Company's annual operating performance and profitability. Please refer to the description of Five. Operation Overview, V. Labor Relations for employee welfare related measures.</p> <p>(3) In order to enable employees to work in a healthy, safe and enjoyable manner, the Company regularly disinfects the environment in public areas, places antibacterial liquid nebulizers in office premises, disinfects elevator buttons on a daily basis, and installs acrylic curtains at the front counter windows to prevent direct contact between employees and customers. ShinKong Insurance Co., Ltd. arranges health checkups for employees every two years, and doctors visit the company every three months to provide employees with various health education consultations, including general physical examinations and supervisory health examinations, to comprehensively assess the nature of work, lifestyle habits, family history, and other factors; SKL also actively promotes various health promotion and static activities, such as 10-minute hand-waving exercises every day, AED and CPR training courses, publicly funded flu vaccinations, large public health seminars, and other physical courses, and records health education digital courses on vision care, peptic ulcers, kidney function, liver function abnormalities, and the hazards of human engineering injuries and diseases, in order to achieve the goal of protecting employees and promoting health.</p> <p>(4) In order to establish an effective career development training program, to pass on the company's culture and management philosophy, and to achieve the goal of cultivating talents, the Company sets up an annual education plan to develop relevant courses. Please refer to the description of Five. Operation Overview, V. Labor Relations for education and training related plans.</p> <p>(5) In addition to providing professional services, the protection of customer privacy is also an important responsibility of insurance practitioners. ShinKong Insurance Co., Ltd. has established the BS 10012</p>	<p>Consistent with the provisions of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</p>

Evaluation item	Actual governance (Note 1)			Deviation and causes of deviation from the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Summarized explanation (Note 2)	
<p>privacy, marking communication, and labeling of its products and services and establish policies to protect the rights and interests of customers and procedures for grievances?</p> <p>(6) Whether the company has supplier management policy and requests suppliers to comply with environment conservation, occupational safety and health or labor rights and their implementation.</p>	√		<p>personal information management system for many years and has introduced the ISO/IEC 27001 information security management system in recent years. In 2019, the 30th anniversary of the creation of the World Wide Web (WWW), we will hold a seminar on "The New Face of Information Risk Management", inviting industry elites to share the latest trends in information security and arranging training for all employees to enhance the level of information security protection.</p> <p>(6) Due to the wide variety of suppliers or outsourced contractors of SKL, we will prioritize environmental safety protection vendors for audits and conduct occasional environmental audits of suppliers, and we will conduct on-site audits of three suppliers in 2019.</p> <p>In addition, if a negative environmental or social impact occurs to an existing supplier, ShinKong Insurance Co., Ltd. will not only request the supplier to make improvements, but will also add a clause to the contract that no further payments will be made if the supplier does not meet the CSR requirements and will be evaluated for removal from the supplier list; if the supplier has a significant degree of irreplaceability, the Company will provide assistance in order to reduce the negative impact. We will also request the supplier to respond with improvement measures to maintain the effective operation of the supply chain.</p>	
<p>5. Does the Company refer to internationally accepted report preparing guidelines or guides to compile its CSR report or other reports disclosing non-financial information of the Company? Are assurance or certification opinions of a third-party verification institution acquired for the above-mentioned reports?</p>	√		<p>The Company's CSR report is disclosed in accordance with GRI Standards core disclosure and has not been verified by a third party.</p>	<p>Consistent with the provisions of the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies</p>
<p>6. If the Company has related practice principles of its own in accordance with the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation: None.</p>				
<p>7. Other important information helpful for understanding the implementation of corporate social responsibility:</p> <p>(1) Corporate Governance: In order to establish a corporate culture of integrity and good risk control mechanism for the sustainable operation and development of the Company, the Company conducted an integrity risk assessment report for directors in 2020.</p> <p>(2) Social welfare: The Company promotes a number of projects, in addition to the blood donation and support for the "feeding the hungry" activities, donations to disadvantaged groups, and insurance coverage; the company also conveys insurance concepts and cultivates insurance talents for the future by participating in insurance forums, holding campus seminars, and providing on-the-job interns, etc. Through multi-faceted support, we are able to achieve our mission of "New Light Everywhere, Let Love Shine".</p> <p>(3) For other socially responsible operations, please refer to the Company's website at <a href="https://www.skinsurance.com.tw">https://www.skinsurance.com.tw</a></p>				

Note 1: If the status of operation is checked "Yes," please explain the key policies, strategies, measures and implementations adopted. If checked "No," please explain the reasons and relevant policies, strategies and measures to be adopted in the future.

Note 2: If a CSR report is published, state the methods to access the CSR report or replace it with a report index in the operation status.

Note 3: The materiality principle refers to the environmental, social and corporate governance issues which have a significant influence on the Company's investors and other interested parties.

(VI) The Company's implementation of ethical corporate management and the differences from the Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies and the reasons therefor.

Evaluation item	Actual governance (Note 1)			Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company" and the Reasons
	Yes	No	Summary	
<p>1. Establishment of ethical corporate management policies and plans</p> <p>(1) Has the company established policies for ethical corporate management approved by the board of directors and stated such policies and practices in its regulations and external documents and in the commitment made by the board of directors and senior management to actively implement such policies?</p> <p>(2) Has the company established an assessment mechanism of risk from unethical behavior to regularly analyze and assess business activities with higher risk of involvement in unethical behavior and preventive programs for unethical behaviors containing at least the preventive measures stated in paragraph 2, Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies?"</p> <p>(3) Has the company established in the preventive programs the operating procedures for unethical behavior prevention, penalties and grievance systems of breaching the guidelines for conduct, and implemented and periodically review them?</p>	<p>√</p> <p>√</p> <p>√</p>		<p>(1) 1. The Company's "Ethical Corporate Management Best Practice Principles" clearly states the policy and practice of business conduct with ethical management, as well as the commitment of the Board of Directors and senior management to actively implement the management policy, and is disclosed on the Company's website.</p> <p>2. The Company requires its directors and officers to sign a Statement of Ethical Management to declare and promise that they will follow the Company's policy of ethical management.</p> <p>(2) In accordance with Article 7(2) of the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company", the Company has established the "Procedures for Ethical Management and Guidelines for Conduct", which requires directors and senior executives to issue a statement of integrity and to analyze and assess the risk of integrity practices within the business area at least once a year.</p> <p>(3) The Company has established the "Procedures for Ethical Management and Guidelines for Conduct" to specify the various types of unethical behavior and the control mechanism and handling procedures to prevent the occurrence of unethical behavior, which are reviewed annually.</p>	<p>Consistent with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company</p>
<p>2. Implementation of ethical corporate management</p> <p>(1) Does the Company evaluate the ethical records of its counterparties and specify the ethical conduct clauses in the contracts signed with the counterparties?</p> <p>(2) Has the company established a dedicated (concurrent) unit to implement ethical corporate management under BOD and report regularly (at least once a year) to BOD the status of implementation and supervision of the ethical management policy and preventive programs of unethical behavior?</p> <p>(3) Does the Company have developed policies to prevent conflicts of interest, provided adequate channel for communication, and substantiated the policies?</p> <p>(4) Whether the Company has established an effective accounting system and internal control system for the implementation of ethical corporate management, and the internal audit unit draws up relevant audit plans based on the evaluation results of risk of unethical conduct, and audits the compliance of the plan to prevent unethical conduct or entrusts a CPA to perform the audit?</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>		<p>(1) The Company selects business counterparties carefully and attaches importance to the integrity of the counterparties, and specifies the integrity clause in the contract.</p> <p>(2) The Company has set up a dedicated (part-time) ethical management unit. Report to the Board of Directors at least once a year on the operations of the "Ethical Corporate Management and Social Responsibility Promotion Group"</p> <p>(3) The "Procedures for Board of Directors' Meetings" stipulate that a director shall recuse himself/herself from the discussion and voting on the matters of the meeting if he/she has an interest in such matters or the corporation he/she represents, and shall not exercise his/her voting rights on behalf of other directors.</p> <p>(4) 1. The Company has accounting personnel responsible for accounting activities and prepares financial reports in accordance with the regulations, which are audited or reviewed by certified public accountants to ensure the fairness of the financial statements.</p> <p>2. The Company has established an internal control system in accordance with the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" and appointed a chief auditor and a board of directors' audit office to conduct annual audits at each unit in accordance with the annual audit plan to implement internal controls.</p> <p>3. The audit results shall be reported to the senior management and Ethical</p>	<p>Consistent with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company</p>

Evaluation item	Actual governance (Note 1)			Deviation From the "Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company" and the Reasons
	Yes	No	Summary	
(5) Has the Company organized corporate management internal and external education and training programs on a regular basis? (Human resources and administration department)	✓		Corporate Management and Social Responsibility Promotion Group and an audit report shall be submitted to the Board of Directors. (5) The Company regularly conducts relevant education and training. In 2020, a total of 55 sessions were conducted for the company's management through the internal education and training system E-learning to promote integrity. A disciplinary and complaint system is in place for violations of the regulations.	
3. The operation of the Company's whistleblower reporting system (Human resources and administration department) (1) Has the Company set up a specific whistleblower reporting and reward system and a convenient reporting channel, and designated appropriate personnel to deal with the reported matters?  (2) Has the Company formulated standard operating procedures for the investigation of the reported matters, follow-up measures to be taken after the completion of the investigation, and the relevant confidentiality mechanisms?  (3) Whether the Company takes measures to protect whistleblowers from being improperly handled due to reporting?	✓  ✓ ✓		(1) The Company has established the "Guidelines for Whistleblower Reporting Operations" and a communication channel for internal and external personnel, and will take disciplinary action against those who are proved to have violated relevant laws and regulations, and will announce the results of the discussion. (2) The Company has established investigation procedures to handle reported matters, and has established appropriate reporting procedures based on the rank of the person reported and the extent of the case. (3) The Company takes strict confidentiality measures against the whistleblower and protects the whistleblower appropriately to avoid improper treatment due to reporting.	Consistent with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company
4. Enhancement of information disclosure (1) Does the Company disclose the content and effectiveness of its Ethical Corporate Management Principles on its website and the Market Observation Post System?	✓		In order to establish a good corporate governance system, the Company revised the "Ethical Corporate Management Best Practice Principles" on November 6, 2019, in accordance with the amendment of the competent authorities' laws and regulations, and added the "Procedures for Ethical Management and Guidelines for Conduct" to require directors and senior executives to issue a statement of ethical management, and regularly analyze and evaluate the risk of ethical conduct within the business area at least once a year. In addition, the responses to the ethical management assessment form for directors and officers for 2020 were submitted to the Risk Management Department for an opinion, which was reported to the 20th Board of Directors at the 7th meeting on March 11, 2021. The Company discloses the contents of the "Ethical Corporate Management Best Practice Principles" on the intranet, the Company's corporate website, the Insurance Industry's Market Observation Post System and the Stock Exchange's Market Observation Post System in accordance with the regulations.	Consistent with the provisions of the Ethical Corporate Management Best Practice Principles for TWSE or TPEX Listed Company
5. If the Company has related practice principles of its own in accordance with the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies", please state the differences between the two and the state of implementation: No major difference yet.				
6. Any other essential information that may help us to under the ethical corporate management of the Company better: (such as the review and revision of the ethical corporate management best practice principles): None.				

Note 1: Whether the company selects "Yes" or "No" in the operation condition, it should explain the situation in the summary space.

(VII) The Company has established corporate governance best practice principles and related rules and regulations for inquiries: The Company has established rules and regulations such as the Rules of Procedure for Shareholders' Meeting, Board of Directors' Performance Evaluation Measures, the Corporate Governance Best Practice Principles, the Ethical Corporate Management Best Practice Principles, and the Corporate Social Responsibility Best Practice Principles, which are disclosed on the Company's corporate website (<https://www.skinsurance.com.tw/>) under "Investor Information". Corporate Governance Zone or Market Observation Post System (<http://mops.twse.com.tw>).

(VIII) Other important information on the operation of corporate governance.

1. The Company's corporate governance operations are disclosed on the Market Observation Post System (MOPS) at <https://mops.twse.com.tw> and the Company's website at <https://www.skinsurance.com.tw> 內.
2. The Company conducts self-audits of internal controls for each unit on both project and routine basis as a preventive control, and auditors perform audits of internal control operations.
3. The Company has a risk management department to identify the risks faced by the Company, assess and monitor the Company's risk appetite, the current status of risk exposure, establish an independent risk management process, and monitor compliance with the risk management process to determine risk response strategies.



- (IX) Regarding the implementation of the internal control system, the following matters should be disclosed
1. Statement of Internal control system

## **ShinKong Insurance Co., Ltd.**

### Statement of Declaration of Internal Control System

The Company states the following for its internal control system from January 1, 2020 to December 31, 2020, based on the results of self-evaluation:

1. The Company knows that establishing, implementing and maintaining an internal control system is the responsibility of the Company's Board of Directors and management, and the Company has established this system. The purpose of the internal control system is to provide reasonable assurance regarding the achievement of the objectives of operations, financial reporting and legal compliance. The objective of operations is to pursue the effectiveness and efficiency of operations, including profitability, performance and safety of assets; the objective of financial reporting is to pursue the reliability of external financial reporting; and the objective of legal compliance is to pursue compliance with relevant laws and regulations. The legal compliance system is part of a system of internal controls to achieve legal compliance objective. The financial records and statements are prepared in accordance with the Insurance Act and related regulations, on a consistent basis, and are part of the results of the internal control system for financial reporting.
2. Internal control policies are prone to limitations. No matter how robustly designed, effective internal control policies merely provide reasonable assurance to the achievements of the three objectives above; moreover, due to changes in the environment and circumstances, the effectiveness of the internal control system may change accordingly. However, the Company's internal control system has a self-monitoring mechanism. Once a defect is identified, the Company will take corrective actions.
3. The Company determines the effectiveness of the design and implementation of its internal control system in accordance with the criteria stipulated in the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" (hereinafter referred to as the "Regulations") issued by the Financial Supervisory Commission. The above determined is also based on the items about the effectiveness of the internal control system as stipulated in the "Regulations". The internal control system is divided into five components: 1. control environment, 2. risk evaluation, 3. control operations, 4. Information and communication, and 5. Monitoring operations. Each element further contains several items. Please refer to the "Regulations" for these items.
4. The Company adopted the abovementioned criteria to evaluate the effectiveness of its policy design and execution.
5. Based on the results of the preceding evaluation, the Company believes that the internal control system (including operation, financial reporting and compliance) for the preceding period was effectively designed and implemented to provide reasonable assurance that the Board of Directors and the managerial officers are aware of the extent to which the

operational objectives have been achieved and the financial reporting and legal compliance objectives have been achieved, except for the matters listed in the attached table. We also believe that the financial records and statements have been prepared in accordance with the Insurance Act and regulations and have been prepared on a consistent basis and are reasonably accurate.

6. This declaration forms part of the main contents of the company's annual report and prospectus, and shall be disclosed to the public. Any misrepresentation or concealment of the aforementioned disclosures shall be liable to violation of Articles 20, 32, 171 and 174 of the Securities and Exchanges Act and the legal consequences thereof.
7. This declaration was approved by the Company's Board of Directors on March 11, 2021.

To  
The Financial Supervisory Commission

Declarant

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Chief Auditor: KAO, CHUAN-TE

Head office legal compliance officer: LIN, HSIEN-TANG

## 2. Independent auditor's report

### Auditor's report on management's assessment of internal controls

We have audited management's assessment, as of March 11, 2021, included in the accompanying internal control (including legal compliance system, and statements to be filed with the competent authority in accordance to its internal controls over financial statements) that ShinKong Insurance Co., Ltd. has maintained effective design and implementation of internal controls. Company's management is responsible for establishing and maintaining effective internal controls. Our responsibility is to express an opinion on management's assessment based on our audit.

We conducted our audit in accordance with the Ministry of Finance order No. 0920704313, published on May 5, 2003 and order No. 0930014734 published on March 30, 2004. Our audit included obtaining an understanding of the internal controls, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal controls and performing such other procedures as we considered necessary under the circumstances. We believe that our audit provides a reasonable basis for our opinions.

Because of its inherent limitations, internal controls of ShinKong Insurance Co., Ltd. may not prevent or detect misstatements or frauds. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that the degree of compliance with the policies or procedures may deteriorate because of changes in the environment, therefore an effective internal control may not be used as the projections of effectiveness to future periods.

In our opinion, management's assessment that ShinKong Insurance Co., Ltd. maintained effective internal controls (including accuracy of statements to be filed to the competent authority in accordance with its internal control over financial statements) and information security(prevention of unauthorized acquisition, use and disposal of information), is fairly stated, in all material respects, based on the constituent elements cited from the "Regulations Governing Implementation of Internal Control and Auditing System of Insurance Enterprises" and the "Regulations Governing Establishment of Internal Control Systems by Public Companies".

The design and implementation of legal compliance systems (pursuant to the Ministry of Finance order No. 0930014734) complied with the relevant laws and regulations.

Ernst & Young

Certified Public Accountant:

Certified Public Accountant:

March 11, 2021

(X) Major resolutions from general shareholders' meetings and board of directors meetings during the latest financial year, up to the publication date of this annual report:

Date	Document No.	Summary	Description of penalties	Status of corrective action
2021.03.19	Jin-Quan-Bao-Zong-Zi No. 11004909878	The Company was found to have violated the relevant regulations of the Insurance Act when conducting insurance business.	A fine of NT\$600,000 was imposed.	The Company will improve and monitor the relevant operations in the future and comply with the relevant laws and regulations.
2021.01.20	Jin-Quan-Bao-Chan-Zi No. 11004901322	The Company was found to have violated the relevant regulations of the Insurance Act when conducting insurance business.	In accordance with Subparagraph 8, Paragraph 5, Article 168 of the Insurance Act, a penalty amounting to NT\$4.5 million is imposed upon the subject Company. In accordance with Paragraph 1, Article 149 of the same Act, that subject Company was imposed for rectification in five items. Under Paragraph 1 of the same Article, the subject Company was restricted from engaging transaction for stocks issued by interested parties with post-closing price nor by means of huge amount pairs trading within two (2) years starting from the date on which the present ruling is served.	The Company will improve and monitor the relevant operations in the future and comply with the relevant laws and regulations.
2020.01.10	Jin-Quan-Bao-Chan-Zi No. 10904900132	The deficiencies listed in the general business inspection report are in violation of the relevant provisions of the Insurance Law.	A fine of \$0.6 million and 1 correction were imposed.	The Company will improve and monitor the relevant operations in the future and comply with the relevant laws and regulations.
2019.11.11	Jin-Quan-Bao-Chan-Zi No. 10804956816	Commercial fire insurance business, in violation of the relevant provisions of the Insurance Law.	Correction	The Company will improve and monitor the relevant operations in the future and comply with the relevant laws and regulations.

(XI) Important resolutions of the shareholder meeting and board meeting during the most recent year or during the current year up to the date of publication of the annual report:

1. Important resolutions of the shareholder meeting

Meeting date	Summary of the resolution	Resolution	Implementation Status
2020/06/10	The company's 2019 business report and financial statements	After consultation with all the shareholders present by the Chair, the motion was approved without objection.	Already complied with the resolution
	The proposal for the distribution of earnings of the Company in 2019		In accordance with the resolution of the shareholders' meeting, cash dividends of NT\$1.80 per share, totaling NT\$568,733,940, were distributed on August 28, 2020.

## 2. Important resolutions of the board meeting (Treasury Department) - CAI YU

Meeting date	Summary of the resolution	Resolution	Implementation Status
2020.3.18	Amendment of the “Rules of Procedure for Shareholders’ Meeting of ShinKong Insurance Co., Ltd.”	After consultation with all the directors present by the Chair, the motion was approved without objection.	Included in the discussion matters at the 2020 Shareholder Meeting
	The Company’s 2019 business report		Included in the adoption matters at the 2020 Shareholder Meeting
	The Company’s financial statements for 2019		Included in the adoption matters at the 2020 Shareholder Meeting
	The proposal for the distribution of earnings of the Company in 108		Included in the adoption matters at the 2020 Shareholder Meeting
	The Company’s general re-election of directors (including independent directors)		Included in the election matters at the 2020 Shareholder Meeting
	Matters related to the convening of 2020 regular shareholder meeting.		The Board of Directors resolved to convene a shareholders' meeting on 6/10/2020 and announced the same.
	Deliberation of the distribution of employees’ and directors' 2019 remuneration		The motion was discussed and voted on in two parts. (1) Employee remuneration (including managerial officers').After consultation with all the directors present by the Chair, the motion was approved without objection. (2) Director remuneration: After WU,HSIN-HUNG, Chairman, SHIEH,MUNG-SHIUNG, Vice Chairman, CHANG, MAO-SONG, Director, WU-WEN, TSUI-MEI , Director, WU,TUNG-SHANG, Director, Hung, Ching-Fu, Director, HUNG-CHEN, SHU-YING, Director, TUNG, YUNG-KANG, Director, WU,TONG-SHENG, Director, and WU, PEI-WEN, Director recused themselves, Independent Director, YAN, CHANG-SHOU, as acting chair, consulted all the directors present and unanimously approved the proposal without any objection.
Adjustment of personnel for some managerial officers to meet business needs	After consultation with all the directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution	

Meeting date	Summary of the resolution	Resolution	Implementation Status
	Repurchase of the Company's shares to transfer to employees	After consultation with all the directors present by the Chair, the motion was approved without objection.	Handled In accordance with the resolution
2020.4.22	Donation to Society for Wildlife And Nature	After the recusal of Director WU, PEI-WEN, an interested party in this case, the Chair consulted all Directors present and the motion was unanimously approved without objection.	Handled In accordance with the resolution
	Nomination of directors (including independent directors) and examination of independent director candidates.	The motion was discussed and voted on in two parts. (1) The list of independent director candidates was approved by the Chairman after consultation with all directors present, with no objection. (2) For the list of regular director candidates, after WU,HSIN-HUNG, Chairman, SHIEH,MUNG-SHIUNG, Vice Chairman, CHANG, MAO-SONG, Director, WU-WEN, TSUI-MEI , Director, WU,TUNG-SHANG, Director, Hung, Ching-Fu, Director, HUNG-CHEN, SHU-YING, Director, TUNG, YUNG-KANG, Director, WU,TONG-SHENG, Director, and WU, PEI-WEN, Director recused themselves, Independent Director, YAN, CHANG-SHOU, as acting chair, consulted all the directors present and unanimously approved the proposal without any objection.	Handled In accordance with the resolution
2020.4.22	Amendment of the "Regulations for Transferring Repurchased Shares to Employees of ShinKong Insurance Co., Ltd."	After consultation with all the directors present by the Chair, the motion was approved without objection.	Handled in accordance with the measures by the resolution
2020.6.22	Base date of dividend distribution of the Company for 2020 and related matters	After consultation with all the directors present by the Chair, the motion was approved without objection.	Set August 7, 2020 as the base date for dividend distribution and authorized the chairman of the board of directors to take full responsibility for all subsequent matters
2020.8.19	Amendment of the Company's "Procedures for Use of Funds in Special Projects, Public Utilities, and Social Welfare Enterprises"	After consultation with all the directors present by the Chair, the motion was approved	Included in the report matters at the 2021 Shareholder Meeting

Meeting date	Summary of the resolution	Resolution	Implementation Status
	The Company's financial statements for the first half of 2020	without objection.	Handled In accordance with the resolution
2020.11.4	Amendment of the "Code of Ethical Conduct of ShinKong Insurance Co., Ltd."	After consultation with all the directors present by the Chair, the motion was approved without objection.	Included in the report matters at the 2021 Shareholder Meeting
	Proposal for purchase of a factory building in Neihu District, Taipei City		Handled In accordance with the resolution
2020.12.16	Amendment of the "Regulations for Transferring Repurchased Shares to Employees of ShinKong Insurance Co., Ltd."	After consultation with all the directors present by the Chair, the motion was approved without objection.	Included in the report matters at the 2021 Shareholder Meeting
2020.3.11	Amendment of the "Procedure for Election of Directors of ShinKong Insurance Co., Ltd."	After consultation with all the directors present by the Chair, the motion was approved without objection.	Included in the discussion matters at the 2021 Shareholder Meeting
	Amendment of the "Rules of Procedure for Shareholders' Meeting of ShinKong Insurance Co., Ltd."		Included in the discussion matters at the 2021 Shareholder Meeting
	Amendment of the "Procedures for Acquisition or Disposal of Assets of ShinKong Insurance Co., Ltd."		Included in the discussion matters at the 2021 Shareholder Meeting
	The Company's 2020 business report		Included in the adoption matters at the 2021 Shareholder Meeting
	The Company's financial statements for 2020		Included in the adoption matters at the 2021 Shareholder Meeting
	Deliberation of the distribution of employees' and directors' 2020 remuneration	The motion was discussed and voted on in two parts. Employee remuneration (including managerial officers').After consultation with all the directors present by the Chair, the motion was approved without objection. . Director remuneration: After WU,HSIN-HUNG, Chairman, SHIEH,MUNG-SHIUNG, Vice Chairman, CHANG, MAO-SONG, Director, WU,TONG-SHENG, Director, YANG, CHENG-BIN, Director, WU,TUNG-SHANG, Director, LIN,PO-FONG, Director, HO,YING-LAN, Director, recused themselves, Independent Director, CHOU, HSIEN-TSAI, as acting chair, consulted all the directors present and unanimously approved the proposal without any objection.	Included in the report matters at the 2021 Shareholder Meeting
	Matters related to the Company's convening of 2021 regular shareholder meeting.	After consultation with all the directors present by the Chair, the motion was approved without objection.	The Board of Directors resolved to convene a shareholders' meeting on 2021/6/10 and announced the same.
2021.4.21	The Company's financial statements for	After consultation with all the	Handled In accordance

Meeting date	Summary of the resolution	Resolution	Implementation Status
	1Q2021	directors present by the Chair, the motion was approved without objection.	with the resolution
	Adjustment of personnel for some managerial officers and above to meet business needs		

- (XII) During the most recent year or during the current year up to the date of publication of the annual report, if board directors or supervisors had different opinions on important resolutions approved by the Board of Directors with records or written statements, the main content of the opinions: No such thing happened.



(XIII) For the most recent year or the current year up to the date of publication of the annual report, summary of the resignation and dismissal of the Company's chairperson, general managers, accounting officer, finance officer, internal audit officer, corporate governance officer, and R&D officer:

Summary of the resignation and dismissal of the Company's relevant personnel.

May 1, 2021

Job title	Name	Arrival date	Separation date	Reason for resignation or dismissal
Accounting officer	SHEN, HSIN-YI	October 1, 2014	March 19, 2020	Adjustment of duties
Audit officer	KAO, CHUAN-TE	January 31, 2018	May 1, 2021	Adjustment of duties

Note: The persons related to as referred to in this context are the Chairman, President, Chief Accounting Officer, Chief Financial Officer, Chief Internal Auditor, Chief Corporate Governance and Chief R&D Officer.

**IV. Disclosure of CPAs' remuneration**

Scale regarding the information on auditing fees

CPA firm	CPA name		Audit period	Remarks
Ernst & Young Global Limited	Wen-Fang Fu	Cheng-Tao Chang	January 1, 2020 to December 31, 2020	None

Note: If the Company changed its CPA or CPA firm during the year, please indicate the period of audit and the reason for the change in the remarks column.

Amount Unit: NTD 1,000

Professional Fee Item		Audit fee	Non-audit fee	Total
Amount range				
1	Less than NT\$ 2,000 thousand			
2	NT\$ 2,000 thousand (incl.)~NT\$ 4,000 thousand			
3	NT\$ 4,000 thousand (incl.)~NT\$ 6,000 thousand	v		4,130
4	NT\$ 6,000 thousand (incl.)~NT\$ 8,000 thousand			
5	NT\$8,000 thousand (incl.) - NT\$10,000 thousand			
6	Over 10,000 thousand (incl.)			

Amount Unit: NTD 1,000

CPA firm	CPA name	Audit fee	Non-audit fee				Subtotal	CPA audit period (Note 1)	Remarks
			System design	Company registration	Human resources	Others (Note 2)			
Ernst & Young Global Limited	Wen-Fang Fu	4,130	0	0	0	0	0	The year of 2020	
	Cheng-Tao Chang								

Note 1: If the Company changed its CPAs or CPA firm during the year, please indicate the audit period and the reason for the change in the remarks column and disclose the information on audit and non-audit fees paid in an orderly manner.

Note 2: non-audit remuneration should be listed separately by service category. If the "Other" category amounts to 25% of total non-audit remuneration, then services must be detailed in the remarks column.

(I) Non-audit fees paid to the CPA, the accounting firm of the CPA, and/or any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid to them: No such situation.

- (II) Commissioned a new CPA Firm to serve for an audit fee less than the year before: Not applicable.
- (III) Audit fee of current year is more than 10% less than the year before: Not applicable.

**V. Change of CPA: Not applicable.**

**VI. Any of The Company's Chairman, President, or managers involved in financial or accounting affairs being employed by the auditor's firm or any of its affiliated company within the recent year; disclose their names, job titles, and the periods during which they were employed by the auditor's firm or any of its affiliated company: No such situation.**

**VII. Changes in transfer and pledge of shares by directors, supervisors, managerial officers and shareholders with more than 10% shareholding in the most recent year up till the publication date of this annual report If the counterparty to whom the shares are transferred or pledged is a related party, the name of such counterparty, its relationship with the Company, directors, supervisors, managerial officers and shareholders holding more than 10% of the total shares of the Company, and the number of shares acquired or pledged shall be disclosed.**

Shareholding changes of directors, supervisors, managers, and major shareholders

Title (Note 1)	Name	2020		Current year up to March 31	
		Increase (decrease) of held shares	Increase/decrease in the number of shares pledged	Increase (decrease) of held shares	Increase/decrease in the number of shares pledged
Chairman	Hong En Co., Ltd. Representative: WU,HSIN-HUNG (Date of release: 06/20/2020)	-	-	-	-
Chairman	WU, HSIN-HUNG	-	-	-	-
Vice chairman	Hong En Co., Ltd. Representative: SHIEH, MUNG-SHIUNG	-	-	-	-
Director	Hong En Co., Ltd. Representative: TUNG, YUNG-KANG (Date of release: 06/20/2020)	-	-	-	-
	WU-WEN, TSUI-MEI (Date of release: 06/20/2020)	-	-	-	-
	HUNG-CHEN, SHU-YING (Date of release: 06/20/2020)	-	-	-	-
Director	Hong En Co., Ltd. Representative: WU,TONG-SHENG	-	-	-	-
Director	Chia Ho Co., Ltd. (Date of release: 06/20/2020)	-	-	-	-
Director	Taiwan Medical Corporation Representative: Hung, Ching-Fu (Date of release: 06/20/2020)	-	-	-	-

Title (Note 1)	Name	2020		Current year up to March 31	
		Increase (decrease) of held shares	Increase/decrease in the number of shares pledged	Increase (decrease) of held shares	Increase/decrease in the number of shares pledged
	LIN, PO-FONG (Date of assuming the post: 06/20/2020)				
Director	SHINKONG CO., LTD. Representative: WU, TONG-SHANG (Date of release: 06/20/2020) WU, PEI-WEN (Date of release: 06/20/2020)	-	-	-	-
Director	KONG MIN ENTERPRISES CO., LTD. Representative: CHANG, MAO-SONG (Date of assuming the post: 06/20/2020)	-	-	-	-
Director	Hong pu Co., Ltd. Representative: YANG, CHENG-BIN (Date of assuming the post: 06/20/2020)	-	-	-	-
Director	Mao Wei Investment Co., Ltd. Representative: WU, TONG-SHANG (Date of assuming the post: 06/20/2020)	-	-	-	-
Director	CHANG, MAO-SONG (Date of release: 06/20/2020)	-	-	-	-
Director	HO, YING-LAN (Date of assuming the post: 06/20/2020)	1,000	-	70,000	-
Major Shareholders	Shinkong Textile Co., Ltd.	-	10,000,000	-	-
Independent director	TSAI-SHIH-CHI (Date of assuming the post: 06/20/2020)	-	-	-	-
Independent Director	CHI, WEI-HSUEN (Date of assuming the post: 06/20/2020)	-	-	-	-
Independent Director	CHOU, HSIEN-TSAI (Date of assuming the post: 06/20/2020)	-	-	-	-
Independent Director	YAN, CHANG-SHOU (Date of release: 06/20/2020)	-	-	-	-
Independent Director	CHENG, CHING-KUO (Date of release: 06/20/2020)	-	-	-	-
Independent Director	KANG, MING-YUEH (Date of release: 06/20/2020)	-	-	-	-

Title (Note 1)	Name	2020		Current year up to March 31	
		Increase (decrease) of held shares	Increase/decrease in the number of shares pledged	Increase (decrease) of held shares	Increase/decrease in the number of shares pledged
President	HO, YING-LAN	27,000	-	-	-
Senior Vice President	HUANG, JUNG-TSAN	1,000	-	-	-
Senior Vice President	HUANG, CHIH-YUAN	1,000	-	-	-
Senior Vice President	CHAO, KUO-HUA (Date of release: 02/01/2020)	-	-	-	-
Senior Vice President	LIN, CHIN-LUNG (Date of release: 07/01/2020)	-	-	-	-
Senior Vice President	WANG, PO-HSUAN	1,000	-	-	-
Vice President	YEH, JIH-CHIN	1,000	-	-	-
Vice President	TSAI, SHIH-HSIEN	1,000	-	-	-
Vice President	TU, KUN-YI	1,000	-	-	-
Vice President	LIU, CHUNG-WEN	(34,000)	-	-	-
Vice President	HU, CHEN-MIN	1,000	-	-	-
Vice President	LIN, HSIU-CHUAN	1,000	-	-	-
Vice President	TSENG, KUO-HUI	1,000	-	-	-
Vice President	CHIEN, CHUNG-WEI (Date of release: 01/01/2020)	-	-	-	-
Vice President	WU, YA-YING	1,000	-	-	-
Vice President	LIN, HSIEN-TANG	1,000	-	-	-
Vice President	SHEN, HSIEN-YING	1,000	-	-	-
Vice President	SUNG, NIEN-SHENG	1,000	-	-	-
Vice President	CHEN, KUO-CHU	1,000	-	-	-
Vice President	LIU, TING-CHING	1,000	-	-	-
Vice President	KAO, CHUAN-TE	1,000	-	-	-
Vice President	LO, KUO-FENG	1,000	-	-	-
Vice President	CHENG, YEN-HUNG	1,000	-	-	-
Assistant VP	KAO, JUI-TSE	-	-	-	-
Manager	HUANG, PO-CHIEN	1,000	-	-	-
Manager	CHUANG, YAO-CHANG (Date of assuming the post: 01/01/2020)	1,000	-	-	-
Manager	LI, YUN-HSUAN (Date of assuming the post: 01/01/2021)	-	-	-	-
Manager	WU, CHING-HSU (Date of release: 09/01/2020)	10,000	-	-	-
Manager	CHEN, MEI-FANG (Date of release: 01/01/2021)	1,000	-	-	-
Manager	PENG, WEI-WEN (Date of assuming the post: 07/01/2020)	-	-	-	-
Manager	HSU, CHING-LIN	1,000	-	-	-
Manager	CHEN, CHUN-CHIEH (Date of assuming the post: 07/01/2020)	-	-	-	-

Title (Note 1)	Name	2020		Current year up to March 31	
		Increase (decrease) of held shares	Increase/decrease in the number of shares pledged	Increase (decrease) of held shares	Increase/decrease in the number of shares pledged
Manager	CHANG, WEN-TE (Date of assuming the post: 09/01/2020)	-	-	-	-
Manager	PENG, CHIH-HENG	1,000	-	-	-
Manager	CHEN, CHUN-LUNG (Date of release: 07/01/2020)	-	-	-	-
Manager	CHENG, CHUNG-JUNG	1,000	-	-	-
Manager	SHENG, YU-HSIANG (Date of release: 01/01/2020)	-	-	-	-
Manager	YANG, CHING-WEN	1,000	-	-	-
Manager	HSU, KUO-KUNG (Date of release: 11/05/2020)	1,000	-	-	-
Manager	WANG, CHIEN-CHAO	1,000	-	-	-
Manager	CHANG, HUNG-CHI	1,000	-	-	-
Manager	LIU, CHIH-CHIEN	1,000	-	-	-
Manager	HSU, YU-CHIA	1,000	-	-	-
Manager	WANG, HUI-CHEN	(5,000)	-	-	-
Manager	CHANG, PAO-KUEI	1,000	-	-	-
Manager	WANG, AN-KAI	1,000	-	-	-
Manager	CHEN, CHIEN-LIANG	1,000	-	-	-
Manager	YANG, YUEH-TSANG (Date of release: 09/01/2020)	1,000	-	-	-
Manager	CHANG, MEI-YAO	1,000	-	-	-
Manager	HSIEH, TSUNG-JU	1,000	-	-	-
Manager	OU YANG, YI (Date of release: 07/01/2020)	-	-	-	-
Manager	HU, HSIU-HUA (Date of release: 09/01/2020)	1,000	-	-	-
Manager	YANG, SHIH-HSIN (Date of release: 01/01/2020)	-	-	-	-
Manager	CHOU, CHI-WEN	1,000	-	-	-
Deputy Manager	TSAI, MENG-CHANG (Date of assuming the post: 01/01/2020)	-	-	-	-
Deputy Manager	LU, YEN-LUNG	-	-	-	-
Treasury officer	CHANG, PAO-KUEI	-	-	-	-
Accounting officer	SHEN, HSIN-YI (Date of release: 03/09/2020)	-	-	-	-
Accounting officer	Ya-Fang Tseng (Date of assuming the post: 03/19/2020)	-	-	-	-

Information on transfer of shareholding

Name (Note 1)	Reasons for Transferring Shares (Note 2)	Date of transaction	Counterparty	Counterparty's relationship with The Company, Directors, Supervisors, Manager and shareholders with more than 10% ownership interest	Shares	Transaction price
None	None	None	None	None	None	None

Note 1: Filled out with the names of the Company's directors, supervisors, managerial offers, and shareholders with more than ten percent of the shares.

Note 2: Filled out with acquisition or disposal.

### Information on pledged shares

Name (Note 1)	Reason for change in collateralized shares (Note 2)	Date of change	Counterparty	Counterparty's relationship with The Company, Directors, Supervisors, Manager and shareholders with more than 10% ownership interest	Shares	Shareholding ratio	Percentage placed as collateral	Amount secured (redeemed)
None	None	None	None	None	None	None	None	None

Note 1: Filled out with the names of the Company's directors, supervisors, managerial offers, and shareholders with more than ten percent of the shares.

Note 2: Fill in whether it is pledge or redemption.

### VIII. Information on the top ten shareholders and their relationships with each other

Name (Note 1)	Held by shareholder		Shareholdings of spouse, minor children		Total shares held by the person under others' names		Spouse, Relative Of Second Degree Or Closer, Or Related Parties Defined In Statement Of Financial Accounting Standards No. 6 Among The Top Ten Shareholders; State Their Names And Relationships. (Note 3)		Remarks
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio	Name	Relation	
SHINKONG TEXTILE CO.,LTD	51,539,530	16.31%	0	0.00%	0	0.00%	Omitted	Omitted	Pledged shares: 20,000,000
WU, XIN-EN, Representative of SHINKONG TEXTILE CO.,LTD	900	0.00%	0	0.00%	0	0.00%	1. Hong En Co., Ltd	1. The representative is a relative within the second degree of kinship	
Shin Kong Life Insurance	29,700,000	9.40%	0	0.00%	0	0.00%	Omitted	Omitted	
Representative of Shin Kong Life Insurance: WU,TONG-JIN	315,649	0.10%	19,262	0.01%	0	0.00%	1. Hong En Co., Ltd 2. SHINKONG CO., LTD.	1. The representative is a relative within the second degree of kinship 1. The representative is a relative within the second degree of kinship	
SHINKONG CO., LTD.	16,061,515	5.08%	0	0.00%	0	0.00%	Omitted	Omitted	
Representative of SHINKONG CO., LTD.: PENG, HSUEH-FEN	4,000	0.00%	0	0.00%	0	0.00%	1. Representative of Shin Kong Life Insurance	1. The representative is a relative within the second degree of kinship	
Hong pu Co., Ltd.	7,412,900	2.35%	0	0.00%	0	0.00%	Omitted	Omitted	
Representative of Hong pu Co., Ltd.: YAN, XIN-JUN	0	0.00%	0	0.00%	0	0.00%	Omitted	Omitted	
KONG MIN ENTERPRISES CO., LTD.	6,115,472	1.94%	0	0.00%	0	0.00%	Omitted	Omitted	
CHANG, MAO-SONG, Representative of Kong Min Enterprise Co. Ltd.	565,614	0.18%	29,060	0.01%	0	0.00%	Cosmos Hotels & Resorts	The representative is the same person	
Cosmos Hotels & Resorts	5,874,000	1.86%	0	0.00%	0	0.00%	Omitted	Omitted	
CHANG, MAO-SONG, Representative of Cosmos Hotels & Resorts	565,614	0.18%	29,060	0.01%	0	0.00%	KONG MIN ENTERPRISES CO., LTD.	The representative is the same person	
Qian Chengyi CO., LTD.	5,466,533	1.73%	0	0.00%	0	0.00%	Omitted	Omitted	
Qian Chengyi CO., LTD. WANG, QING-XIANG	0	0.00%	0	0.00%	0	0.00%	Omitted	Omitted	
Hong En Co., Ltd	4,514,986	1.43%	0	0.00%	0	0.00%	Omitted	Omitted	

Representative of Hong En Co., Ltd.: SUN, RUO-NAN	0	0.00%	0	0.00%	0	0.00%	2. SHINKONG TEXTILE CO.,LTD	2. The representative is a relative within the second degree of kinship	
							3. Shin Kong Life Insurance	3. The representative is a relative within the second degree of kinship	
Beitou Hotel Co., Ltd.	4,070,740	1.29%	0	0.00%	0	0.00%	Omitted	Omitted	
Representative of Beitou Hotel Co., Ltd.: WU, BANG-SHENG	0	0.00%	0	0.00%	0	0.00%	Omitted	Omitted	
CHENG KUANG INDUSTRIAL CO., LTD.	4,056,785	1.28%	0	0.00%	0	0.00%	Omitted	Omitted	
Representative of CHENG KUANG INDUSTRIAL CO., LTD.: ZHUANG, HAO	0	0.00%	0	0.00%	0	0.00%	Omitted	Omitted	

Note 1: Illustrate the top-ten shareholders. The name of the corporate shareholders and the name of its representative should be illustrated separately.

Note 2: The calculation of shareholding ratio refers to the shareholding ratio calculated in accordance with the shareholding of the shareholders, spouse, minor children, and in the name of others.

Note 3: The relationship among the shareholders (including legal person and natural person) in the preceding paragraph should be disclosed in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

## IX. Consolidated shareholding in the same investee

### Consolidated shareholding percentage

Unit: shares; %

Investee (Note)	Investment of the company		Investment of the directors, supervisors, managers and business under direct or indirect control		Consolidated investment	
	Shares	Shareholding ratio	Shares	Shareholding ratio	Shares	Shareholding ratio
Greater Taipei Broadband Corporation	2,500,000	1.67%	0	0.00%	2,500,000	1.67%
Shin Kong Mitsukoshi Department Store Co.	10,277,982	0.82%	0	0.00%	10,277,982	0.82%
TONG HSIN WATER BUSINESS INC.	2,478,000	9.83%	0	0.00%	2,478,000	9.83%

Note: Long-term investments of the Company.

## Four. Funding Status

### I. Capital and Shares

#### (I) Source of Capital

##### Sources of capital

Month, Year	Issuing price (NT\$)	Authorized capital		Paid-up capital		Remarks		
		Number of shares (in thousands)	Amount (NTD thousand)	Number of shares (in thousands)	Amount (NTD thousand)	Sources of capital	Using property other than cash as payment of shares	Other
1963/05	10	3,200	32,000	3,200	32,000	Authorized capital of \$32,000,000 at the time of establishment, \$16,000,000 collected for the first time and \$16,000,000 for the second time	None	None
1977/11	10	10,000	100,000	5,440	54,400	Increased capital from earnings of \$6,000,000 Increased capital from capital surplus of \$16,400,000	None	None
1978/06	10	10,000	100,000	10,000	100,000	Increased capital from earnings of \$6,432,000 Increased capital by cash of \$39,168,000	None	None
1984/05	10	20,000	200,000	16,500	165,000	Increased capital from earnings of \$9,000,000 Increased capital from capital surplus of \$16,000,000 Increased capital by cash NTS 40,000,000	None	None
1987/10	10	20,000	200,000	18,150	181,500	Increased capital from earnings of \$16,500,000	None	None
1988/10	10	20,000	200,000	19,965	199,650	Increased capital from earnings of \$18,150,000	None	None
1995/05	10	50,000	500,000	30,000	300,000	Increased capital by cash NTS 100,350,000	None	Note 1
1995/09	10	50,000	500,000	35,000	350,000	Increased capital from earnings \$50,000,000	None	Note 2
1996/09	10	50,000	500,000	43,500	435,000	Increased capital from earnings \$50,000,000 Increased capital from capital surplus of \$35,000,000	None	Note 3
1997/08	10	150,000	1,500,000	104,980	1,049,800	Increased capital by cash NTS 614,800,000	None	Note 4
1998/08	10	150,000	1,500,000	115,478	1,154,780	Increased capital from capital surplus of \$104,980,000	None	Note 5
1999/03	10	150,000	1,500,000	130,000	1,300,000	Increased capital by cash NTS 145,220,000	None	Note 6
1999/08	10	210,000	2,100,000	150,020	1,500,200	Increased capital from earnings \$62,400,000 and Increased capital from capital surplus of \$137,800,000	None	Note 7
2000/08	10	210,000	2,100,000	180,024	1,800,240	Increased capital from earnings \$150,020,000 Increased capital from capital surplus of \$150,020,000	None	Note 8
2001/08	10	210,000	2,100,000	202,167	2,021,670	Increased capital from earnings \$72,009,600 Increased capital from capital surplus of \$149,419,920	None	Note 9
2002/08	10	215,000	2,150,000	212,275	2,122,753	Increased capital from earnings \$101,083,470	None	Note 10
2004/08	10	250,000	2,500,000	228,196	2,281,959	Increased capital from earnings \$133,733,424 Increased capital from capital surplus of \$25,473,036	None	Note 11
2005/08	10	254,000	2,540,000	251,016	2,510,155	Increased capital from earnings \$205,376,346 Increased capital from capital surplus of \$22,819,594	None	Note 12
2006/08	10	350,000	3,500,000	271,097	2,710,968	Increased capital from earnings \$150,609,323 Increased capital from capital surplus of \$50,203,107	None	Note 13
2007/08	10	350,000	3,500,000	300,917	3,009,174	Increased capital from earnings \$271,096,782 Increased capital from capital surplus of \$27,109,678	None	Note 14
2008/08	10	350,000	3,500,000	315,963	3,159,633	Increased capital from earnings \$123,376,151 Increased capital from capital surplus of \$27,082,569	None	Note 15



Note 1: Approved by letter (84) Tai-Cai-Sheng (1) No. 53752  
 Note 2: Approved by letter (84) Tai-Cai-Sheng (1) No. 39290  
 Note 3: Approved by letter (85) Tai-Cai-Sheng (1) No. 41138  
 Note 4: Approved by letter (86) Tai-Cai-Sheng (1) No. 40519  
 Note 5: Approved by letter (87) Tai-Cai-Sheng (1) No. 59063  
 Note 6: Approved by letter (88) Tai-Cai-Sheng (1) No. 109780  
 Note 7: Approved by letter (88) Tai-Cai-Sheng (1) No. 67525  
 Note 8: Approved by letter (89) Tai-Cai-Sheng (1) No. 55857  
 Note 9: Approved by letter (90) Tai-Cai-Sheng (1) No.137331  
 Note 10: Approved by letter (91) Tai-Cai-Sheng (1) No.0910136764  
 Note 11: Approved by letter Jing-Guan-Zheng-Yi-Zi No. 093132429  
 Note 12: Approved by letter Jing-Guan-Zheng-Yi-Zi No. 0940127001  
 Note 13: Approved by letter Jing-Guan-Zheng-Yi-Zi No. 0950131230  
 Note 14: Approved by letter Jing-Guan-Zheng-Yi-Zi No. 0960039174  
 Note 15: Approved by letter Jing-Guan-Zheng-Yi-Zi No. 0970037816

## (II) Stock Type

Stock Type	Authorized capital			Remarks
	Outstanding shares (Note)	Unissued Shares	Total	
Common Stocks	315,963,300	34,036,700	350,000,000	Listed stock

Note: Please indicate whether the stock is a listed on TWSE or TPEX (add a note if it is restricted from being listed on TWSE or TPEX).

## II. Shareholder structure

### Shareholder structure

April 12, 2021

Number\ Shareholder structure	Government agency	Financial institution	Other corporations	Individual	Foreign institutions and foreigners	Total
No. of Person	1	16	148	14,012	142	14,319
Shareholding number	8	34,080,804	154,529,026	105,044,971	22,308,491	315,963,300
Shareholding ratio	0.00%	10.79%	48.91%	33.25%	7.06%	100.00%

Note: All TWSE/TPEX/Emerging Stock Market companies listing for the first time are required to disclose Chinese investors' holding interests. A Chinese investor refers to an individual, corporation, organization, or institution of Mainland origin, or any company owned by the above party in a foreign location, as defined in Article 3 of the "Regulation Governing Mainland Residents' Investment in Taiwan".

### III. Diversification of Shareholdings

#### Diversification of Shareholdings (\$10 per share)

April 12, 2021

Shareholding level	No. of Shareholders	Shareholding number	Ratio of Shareholding (%)
1 ~ 999	3,700	734,254	0.23%
1,000 ~ 5,000	7,358	16,256,432	5.15%
5,001 ~ 10,000	1,464	11,725,888	3.71%
10,001 ~ 15,000	470	5,998,287	1.90%
15,001 ~ 20,000	332	6,150,952	1.95%
20,001 ~ 30,000	291	7,425,288	2.35%
30,001 ~ 40,000	160	5,743,893	1.82%
40,001 ~ 50,000	88	4,058,599	1.28%
50,001 ~ 100,000	207	14,825,231	4.69%
100,001 ~ 200,000	107	14,938,305	4.73%
200,001 ~ 400,000	59	16,120,938	5.10%
400,001 ~ 600,000	27	13,607,878	4.31%
600,001 ~ 800,000	12	8,334,035	2.64%
800,001 ~ 1,000,000	7	6,517,398	2.06%
Over 1,000,001	37	183,525,922	58.08%
Total	14,319	315,963,300	100.00%

### IV. Name of Principle shareholder

#### Name of Principle shareholder

Shareholding Names of Dominant Shareholders	Shareholding number	Shareholding ratio
Shinkong Textile Co., Ltd.	51,539,530	16.31%
Shin Kong Life Insurance Co., Ltd.	29,700,000	9.40%
SHINKONG CO., LTD.	16,061,515	5.08%
Hong pu Co., Ltd.	7,412,900	2.35%
KONG MIN ENTERPRISES CO., LTD.	6,115,472	1.94%
Cosmos Hotels & Resorts	5,874,000	1.86%
Qian Chengyi CO., LTD.	5,466,533	1.73%
Hong En Co., Ltd.	4,514,986	1.43%
Beitou Hotel Co., Ltd.	4,070,740	1.29%
CHENG KUANG INDUSTRIAL CO., LTD.	4,056,785	1.28%

Note: The names of the top ten shareholders and their shareholding percentage.

## V. Information on market price, net worth, earnings, dividend per share for the most recent two years

### Market Price, Net Worth, Earnings and Dividend Information per Share

Unit: Thousands of NTD; Thousands of shares; %

Item		Year	2020	2019	Current year up to March 31, 2021 (Note 8)
Market price per share (Note 1)	Highest		39.60	40.95	40.10
	Lowest		29.30	34.75	36.50
	Average		36.37	38.07	38.33
Net value per share (Note 2)	Before Distribution		41.85	36.95	43.99
	After Distribution		(Note 9)	35.15	(Note 9)
Earnings per share	Weighted average number of shares		315,963	315,963	315,963 (Note 9)
	Earnings per share (Note 3)		5.16	4.94	1.49
Dividends per share	Cash dividends		(Note 9)	1.80	(Note 9)
	Stock dividends distribution	Stock dividend from retained earnings	(Note 9)	-	(Note 9)
		Stock dividend from capital reserves	(Note 9)	-	(Note 9)
	Cumulative undistributed dividends (Note 4)		(Note 9)	-	(Note 9)
Analysis of ROI	P/E ratio (Note 5)		7.05	7.71	25.72
	P/D ratio (Note 6)		(Note 9)	21.15	(Note 9)
	Cash dividends yield (Note 7)		(Note 9)	4.73	(Note 9)

\* Where stock dividends were paid from earnings or capital reserves, the information on the market price and cash dividends adjusted retroactively according to the number of shares issued shall also be disclosed.

Note 1: The highest and lowest market prices of common stock each year are shown and the annual average market price is calculated according to the strike price and the trading volume in each year.

Note 2: Calculated based on the number of outstanding shares at year-end; amount of distribution resolved in next year's shareholders meeting is presented in the table.

Note 3: If retroactive adjustments are required because of free share distribution, earnings per share before and after adjustments shall be shown.

Note 4: If equity securities are issued with terms that allow dividends to be accrued and accumulated until the year the Company makes profit, the amount of cumulative undistributed dividends up till the current year is disclosed separately.

Note 5: P/E ratio = Average closing price per share in current year/earnings per share

Note 6: P/D ratio = Average closing price per share in current year/cash dividends per share

Note 7: Cash dividend yield = Cash dividends per share / average closing price per share in current year

Note 8: Net worth per share and earnings per share should be based on audited (auditor-reviewed) data as at the latest quarter before the publishing date of this annual report. For all other fields, data should be provided as at the end of their respective years.

Note 9: The year 2020 surplus distribution proposal has yet to be resolved by the shareholders' meeting.

## VI. Dividend Policy and Implementation Status

### 1. Dividend policy:

If there is a surplus in the company's annual final accounts, it shall be first applied to pay taxes and make up for the losses. Then, appropriate 20% of the remaining amount as legal reserve, but when the legal reserve equals to the total capital of the company, it is not subject to this requirement. In addition, appropriate or reverse special reserve lawfully. The remaining surplus, if any, added with the accumulated undistributed surplus of the previous year shall be applied for earnings distribution, which is to be proposed by the board of directors to the shareholders meeting for a resolution.

The company has adopted a residual dividend policy in order to secure the company's sustainable development, improve financial planning, enhance the efficiency of capital use, and protect the rights and interests of the investment public. The annual capital need is measured after considering the company's future capital budget plan; also, the surplus is allocated and distributed in accordance with the provision in the preceding paragraph, of which, the distribution of cash dividend should not be less than 25% of the total dividend distributed.

However, if the distribution or restriction of dividends is otherwise stipulated by the law and regulations or the competent authorities, it shall be handled accordingly without being subject to the restriction in the preceding paragraph.

2. The proposal of the distribution of earnings in current session of the General Meeting of Shareholders:

On March 11, 2021, the Board of Directors approved the proposed distribution of 2020 earnings to be submitted to the shareholders' meeting for resolution, and the distribution is as follows.

Cash dividends of \$1.95 per share to be distributed from earnings, amounting to \$616,128 thousand.

3. Significant changes in expectations: None.

## **VII. The impact of the proposed stock dividend in the shareholder meeting on the Company's operating performance and earnings per share: Not applicable**

## **VIII. Remuneration for employees and directors**

- (I) The percentage and range of remuneration for employees and directors as set forth in the Articles of Incorporation.

As set forth in Article 27 of the Article of Incorporation, The company may apply the profits, if any, for the distribution of remunerations to employees and directors as follows: However, if there remains accumulated loss, the company shall reserve funds for making up the loss in advance.

(1) Employee remuneration shall not be less than 1%.

(2) Director remuneration shall not be more than 2%.

The remuneration to employees is paid in the form of stock share or cash. The remuneration to directors is paid in the form of cash, which is to be carried out by the board of directors with the presence of more than two thirds of the directors and resolved by more than half of the directors present; also, it should be reported to the shareholders meeting.

- (II) Information on proposed employee remuneration as approved by the Board of Directors.

(1) Remuneration for employees (including managerial officers'): \$109,381 thousand

(2) Remuneration for directors: \$24,765 thousand

(3) Number of employee bonus shares proposed to be distributed in stock: None

There is no difference between the above proposed employee and director remuneration and the expense recognized in 2020.

- (III) The actual distribution of employees' and directors' remuneration (including the number of shares distributed, amount and share price) in the previous year, and the differences in the recognition of employees' and directors' remuneration, together with a description of the differences, the reasons for the differences and the circumstances under which the differences were handled.

The actual amounts of employees' and directors' remuneration for 2020 were \$109,324 thousand and \$24,294 thousand, respectively, which were consistent with the amounts estimated in the previous year and did not differ.

## IX. Repurchase the Company's shares

(1) Repurchase the Company's shares (for those already executed)

December 21, 2020

Re-purchase term (Note)	1st time (series)	2nd time (series)	3rd time (series)	4th time (series)
Purpose	Transferred to employees	Transferred to employees	Transferred to employees	Transferred to employees
Repurchase period	August 25, 2006 to October 24, 2006	August 10, 2011 to October 9, 2011	August 28, 2015 to October 27, 2015	November 6, 2015 to January 5, 2016
Price range	NTD 9.80 – NTD 19.00	NTD 11.35 – NTD 30.90	NTD 14.25 – NTD 32.10	NTD 16.00 – NTD 33.70
Type and number of shares repurchased	Common Stocks 2,714,000 shares	Common Stocks 6,119,000 shares	Common Stocks 27,000 shares	Common Stocks 1,477,000 shares
Amount of shares re-purchased	NTD 35,744,378	NTD 107,255,271	NTD 567,375	NTD 34,383,454
Ratio of repurchased shares to shares repurchase planned	54.28	61.19	0.27	14.77
Number of shares cancelled and transferred	2,714,000 shares	6,119,000 shares	27,000 shares	1,477,000 shares
Accumulated shareholdings of the Company	0	0	0	0
Ratio of accumulated shareholdings of the Company to total issued shares	0	0	0	0

Re-purchase term (Note)	5th time (series)
Purpose	Transferred to employees
Repurchase period	March 19, 2020 to May 18, 2020
Price range	NTD 22.60 – NTD 57.10
Type and number of shares repurchased	Common Stocks 50,000 shares
Amount of shares re-purchased	NTD 1,528,149
Ratio of repurchased shares to shares repurchase planned	1.00
Number of shares cancelled and transferred	50,000 shares
Accumulated shareholdings of the Company	0
Ratio of accumulated shareholdings of the Company to total issued shares	0

**X. Corporate bonds: None**

**XI. Preferred stocks: None**

**XII. Overseas depository receipts: None**

**XIII. Employee stock options: None**

**XIV. Issuance of new shares in connection with mergers or acquisitions of shares of other companies: None**

**XV. Implementation of capital utilization plan**

- (I) Plan content: As of the quarter preceding the publication date of the annual report, for previous issues or private placements of marketable securities that have not yet been completed or have been completed within the last three years and the benefits of the plans have not yet been realized, the Company shall provide details of each previous issuance or private placement of marketable securities, including the contents of each change, the source and use of funds, the reasons for the change, the benefits before and after the change, and the date when the change was submitted to the shareholders' meeting, and shall publish the date of input into the information reporting website designated by the authority: None.
- (II) Implementation status: For each of the purposes of the plan mentioned in the preceding paragraph, analyze the implementation status of each plan as of the quarter preceding the publication date of the annual report and compare it with the original estimated benefits. If the progress of implementation or the benefits do not meet the estimated targets, the reasons, the impact on shareholders' equity, and improvement plans should be specified. If the content of each plan in the preceding paragraph fall under the below items, the following shall also be disclosed.
  - 1. In the case of merger or acquisition of other companies, expansion or new construction of fixed assets, a comparison of fixed assets, operating revenues, operating costs and operating profits should be provided: No such matters.
  - 2. For investment in another company, the operating conditions of the invested enterprise and the effect on the Company's investment income or loss should be explained: No such matters.
  - 3. If the purpose is to increase operation capital and repay debts, a comparative description of the increase or decrease in current assets, current liabilities and total liabilities, interest expense, operating revenues and earnings per share should be provided, and the financial structure should be analyzed: No such matters.

## Five. Operation Overview

### I. Description of business

#### (I) Scope of business

1. Main content: The Company's business is property insurance
2. Business weightage

2020

Type	Premium revenues (Thousands of NTD)	Weight
Fire insurance	3,371,033	16.809%
Marine insurance	1,283,495	6.400%
Automobile insurance	10,643,723	53.073%
Engineering insurance	1,050,109	5.236%
Liability insurance	1,500,322	7.481%
Injury & health insurance	2,206,022	11.000%
Total	20,054,705	100.00%

Source: The Non-Life Insurance Association's 2020 industry performance of written policies

#### 3. Current products

- (1) Fire insurance: residential fire insurance, residential earthquake insurance, home comprehensive insurance, commercial fire insurance, commercial earthquake insurance, typhoon and flood insurance.
- (2) Transportation insurance: cargo insurance, hull insurance, fishing vessel insurance, aviation insurance, commercial movable property comprehensive insurance, cargo carrier liability insurance, ocean freight champerty liability insurance.
- (3) Automobile insurance: Any loss of vehicle, any theft loss, any automobile liability insurance, mandatory automobile liability insurance.
- (4) Engineering insurance: construction comprehensive insurance, installation engineering insurance, construction machinery insurance, boiler insurance, machinery insurance, electronic equipment insurance.
- (5) Liability insurance: general liability insurance, professional liability insurance, guarantee insurance, personal comprehensive insurance, commercial comprehensive insurance, agricultural insurance, other property insurance, credit insurance.
- (6) Injury insurance: group injury insurance, personal injury insurance, travel safety insurance, travel comprehensive insurance.
- (7) Health insurance: individual medical insurance, group health insurance.

#### 4. Products and services planned to be developed.

The Company focuses on the research and development of new products and designs diversified product contents in order to develop new business sources and increase the overall business scale of the Company. At the same time, we will strengthen the selection of quality business and implement the underwriting policy of each insurance company, so as to keep the loss ratio within the estimated range and improve the company's operating profit. In terms of service, we aim to improve the speed and quality of our claims service and strengthen the professional training of our service staff to create a satisfactory and reliable insurance environment for our customers as the primary goal of ShinKong Insurance Co., Ltd.

(II) Industry overview:

1. Current status and development of the industry

In 2020, the total premiums from written policies in the general property insurance market were \$187.39 billion, representing a growth rate of 6.24%. The following table summarizes the information of each insurance type in the past two years in terms of premiums from written policies, growth rate and percentage.

Unit: NTD thousand

Item \ Year	2019	2020	Growth rate	Weight
Fire insurance	25,081,273	28,297,430	12.82%	15.10%
Marine insurance	7,900,811	8,592,323	8.75%	4.59%
Automobile insurance	93,960,063	100,824,848	7.31%	53.80%
Engineering insurance	6,723,181	7,134,351	6.12%	3.81%
Liability insurance	20,206,198	20,950,285	3.68%	11.18%
Injury & health insurance	22,518,422	21,591,050	-4.12%	11.52%
Total	176,389,947	187,390,287	6.24%	100.00%

Note: Excluding the reinsurance portion

Source: The Non-Life Insurance Association's 2020 industry performance of written policies

2. Correlation among the upstream, midstream and downstream industries

The Company is in the property insurance industry and not in the manufacturing industry, so it is engaged only in the sale of various types of property insurance and its related business operations.

3. Various development trends and competition of products

**Auto insurance:** In 2021, the market for new vehicles is still expected to have good potential for growth due to the impact of the epidemic and the continuation of the incentive policy for the retirement of old vehicles. In the new year, we will continue to expand the business of car dealers and insurance brokerage and agency, and increase the proportion of quality business and eliminate business with poor combined ratio in order to increase our market share and underwriting profit.

**Fire insurance:** The fire insurance market is susceptible to natural disasters and large accidents that affect the annual loss rate. Although there were no major natural disasters in 2020, the company's business strategy is to optimize the business structure by focusing on underwriting control and risk diversification for high-risk industries; residential fire insurance will strengthen the cooperation with sales channels and develop diversified products to meet the needs of the public in order to improve the ability to analyze natural disaster risk and enhance professional skills. We will also provide value-added services such as infrared testing for policyholders to enhance our competitiveness in the market.

**Marine insurance:** Global trade is driving the size of the marine insurance market, and the impact of the new pneumonia, such as vaccine delivery and



increased demand for civilian biomass, will contribute to the growth momentum of global shipping and air transportation, and the Company will actively seize business opportunities and expand cooperation channels. The Company will continue to follow the established underwriting policy and strive for quality business to increase its underwriting profit and market share.

Engineering insurance: The country's promotion of green energy development and offshore wind power construction projects will continue to drive the growth of engineering insurance business. The Company will actively pursue large-scale projects and grasp high-quality small and medium-sized projects, and conduct surveys and rate adjustments for high-risk underwriting business in order to achieve risk control, increase the market share of engineering insurance, and create better underwriting profits.

Liability insurance: Insurance: In 2021, the epidemic is likely to be alleviated with the development of vaccines, but international travel will not be able to return to its previous level in the near future. In the new year, we will strengthen the promotion to the public in order to increase the enrollment rate. We will also continue to review our business structure, strengthen cooperation with quality financial channels, and eliminate sources of business with poor loss rates in order to improve the quality of our underwriting business and enhance operational performance.

Injury and Health Insurance: In 2021, the epidemic is likely to be alleviated with the development of vaccines, but international travel will not be able to return to its previous level in the near future. In the new year, we will strengthen the promotion to the public in order to increase the enrollment rate. We will also continue to review our business structure, strengthen cooperation with quality financial channels, and eliminate sources of business with poor loss rates in order to improve the quality of our underwriting business and enhance operational performance.

(III) Technology and R&D overview: Please refer to item (V) of the 2020 Business Report.

(IV) Short and long-term business development plan:

1. Short-term plan

- (1) Expand market share for market ranking.
- (2) Grasp the opportunity of the Internet and strengthen e-commerce.
- (3) Eliminate non-performing business and develop quality business.
- (4) Increase renewal rate and retain existing customers.
- (5) Implement business restructuring and balance development.
- (6) Establish a special unit for product development to accelerate product development and grasp business opportunities.
- (7) Implement internal operation control system and sound legal compliance.

2. Long-term plan

- (1) Continuing education and training to enhance the underwriting claims profession.
- (2) Customer-oriented to improve customer satisfaction.
- (3) Develop various quality channels and expand related business.

- (4) Deepen the bank and local channels to strengthen customer trust.
- (5) Integrate the company's overall resources, professional division of labor, and give full play to efficient team spirit.
- (6) Stable growth to enhance underwriting profitability.

## II. Market and Sales Overview (Marketing Department)

### (I) Market Analysis

1. The company's main products (services) are sold (provided) in the following regions: Taiwan, Penghu, Kinmen, and Matsu regions of the Republic of China.
2. Market share in 2020: Approximately 10.7%
3. Future market supply/demand and growth potentials

Taiwan's overall general property insurance market is limited in size and greatly influenced by economic factors, and with the increasing liberalization of the general insurance market and the impact of rate liberalization in recent years, the market is under greater competitive pressure. The market has shown the phenomena that the winner takes it all and the powerful are always powerful. The top five insurance companies have a market share of over 60%. All the property insurance companies are seeking to improve the quality of their services, reduce costs and respond to market changes with marketing strategies in order to compete for limited market resources.

#### (1) Domestic market supply forecast

Under the government's policy of promoting economic liberalization and internationalization and liberalizing the establishment of insurance companies, there were 14 domestic companies and several foreign companies as of the end of 2020. It is expected that the market will become more competitive in the future. The top five insurance companies have accounted for more than 60% of the market and the market has shown the phenomena that the winner takes it all and the powerful are always powerful, making the market increasingly competitive for smaller companies.

#### (2) Domestic market supply forecast

The demand for insurance is closely related to economic growth and national income. In recent years, the domestic economy has grown steadily, coupled with the popularity of education, the concept of insurance risk transfer has become more mature, and the increase in various emerging risk products has contributed to the expansion of the general insurance market. The domestic economy is expected to continue to recover in 2021, and the awareness of insurance is expected to increase, and under the influence of many factors such as policy liberalization, the demand in the domestic market is expected to increase in 2021.

4. Expected sales volume and its basis, competitive niche.

Based on the above factors, it is expected that the overall market will continue to grow steadily in 2021, and the company will maintain steady growth based on the following competitive advantages.

- (1) Policy liberalization and expansion of the overall market size.
  - (2) Actively deploy in the e-commerce market to seize online business opportunities.
  - (3) The affiliated enterprise group includes banks, life insurance companies and insurance brokerage with abundant resources.
  - (4) Further cultivate the banking channel and develop quality business.
  - (5) Coach corporate insurance talents and strengthen the development of corporate clients.
  - (6) Develop quality channels for auto insurance and sales channels for car dealers.
  - (7) Grasp emerging risk opportunities and actively develop new products and services.
2. Analysis of the advantages and disadvantages of the development prospect and

countermeasures.

(1) Advantages:

- A. Long history, rich insurance experience and professional talents.
- B. High brand awareness, diversified affiliates, and good strategic cooperation benefits.
- C. Customer service oriented, with 60 sales offices throughout the province and a service network throughout Taiwan.
- D. The third largest insurance company, with market influence and competitiveness.
- E. Steady operation, financial soundness, excellent credit rating.
- F. Good employee quality, professional young management team
- G. Emphasis on professional training, education and training were recognized by the Insurance Excellence Award "Talent Training Excellence Award" and the Ministry of Labor "Taiwan Training Quality (TTQS) Silver Medal".
- H. The whole province is connected by video, and there is zero time lag in the delivery of orders and education training.
- I. Powerful MIS core information system to provide various cross-platform insurance services.
- J. Awarded the "First Place" in the 109th Annual Competition for Differentiated Management of Mandatory Automobile Liability Insurance for its excellent management performance.
- K. Establish internal control system in accordance with laws and regulations to implement risk control and corporate governance.
- L. Care for the disadvantaged and public welfare, good corporate citizenship, good social image.

(2) Disadvantages:

- A. The market has become more competitive with the entry of new operators.  
Countermeasures: Consolidate the original customer base and explore new business opportunities by strengthening channel development and product differentiation.
- B. The social climate has changed for the worse and moral risks have increased.  
Countermeasures: Strengthen professional training in underwriting and use information for comparison and screening.
- C. External policy factors affect the investment environment, the outward migration of industries to reduce the market size.  
Countermeasures: Establish OIU business to undertake foreign business and cultivate international reinsurance talents.
- D. In recent years, domestic natural disaster losses have affected foreign reinsurance companies' ability to take on gains and losses, and the cost of reinsurance arrangements has increased.  
Countermeasures: Improve underwriting risk identification and capital utilization efficiency to increase retention appetite. Develop excellent reinsurance and actuarial staff to properly arrange underwriting risks.

(II) Key applications and production processes of major products

1. Important Uses

The main function of property insurance is to transfer the risk away from the policyholder by paying the premium and to provide protection and damage prevention services.

2. Production Process

The insurance products designed and issued by the property insurance company must be approved by the relevant regulations in accordance with the loss rate and cost rate,

- and the policy terms must be approved by the competent authorities before issuance.
- (III) Supply of major raw materials: The Company is not a manufacturing company, so it is not applicable.
- (IV) List of major suppliers and customers for the most recent 2 years
1. The names of customers who have accounted for more than 10% of the total sales in any of the most recent 2 years and the amounts and percentages of sales: None.
  2. The names of suppliers who have accounted for more than 10% of the total sales in any of the most recent 2 years and the amounts and percentages of purchases: None.
- (V) Production volume and value for the most recent two years: Not applicable
- (VI) Sales volume and value for the most recent two years: Not applicable (Direct Premium Revenue from written policies)

Unit: NTD thousand

Item	Year	2019		2020	
		Premium	Number of Policy	Premium	Number of Policy
Fire insurance		3,009,742	327,813	3,371,033	339,005
Marine insurance		996,971	109,841	1,283,495	102,812
Automobile insurance		10,004,493	3,562,517	10,643,723	3,575,558
Engineering insurance		1,099,810	23,057	1,050,109	24,686
Liability insurance		1,408,148	363,741	1,500,322	248,268
Injury & health insurance		2,173,165	421,736	2,206,022	397,837
Total		18,692,329	4,808,705	20,054,705	4,688,166

Note: Excluding the reinsurance portion

Source: The Non-Life Insurance Association's 2020 industry performance of written policies

### III. The information of employees within the last two years and up to the printing date of the annual report

March 31, 2021

Item	Year	2019	2020	Current year up to March 31, 2021
Number of employees	Head Office	955	951	450
	Branch	752	736	1235
	Total	1,707	1687	1685
Average age		39	39	39
Average seniority		11.37	11.67	11.65
Education distribution %	Doctor	0	0	0
	Master	4.98	5.01	5.28
	University	87.64	87.90	87.77
	Senior high school	7.38	7.32	66.94
	Below senior high school	0.00	0.00	0.00

### IV. Information on environmental protection expenditures

The Company is engaged in the insurance service industry and has no significant contamination and therefore is not applicable.

## V. Labor Relations:

(I) All kinds of employee welfare measures, continuing education, training, retirement system and its implementation, labor agreement, and all kinds of employee rights protection measures:

1. Employees benefit measures:

In addition to vacations, labor insurance and universal health insurance, employees of the Company are also covered by group accident insurance, and an "Employee Welfare Committee" has been established to promote various welfare activities. The "Employee Welfare Committee" provides annual employee travel subsidies, sympathy subsidies, child education subsidies, and wedding and funeral subsidies, as well as occasional employee discount programs in cooperation with major manufacturers, and a subsidy application mechanism for natural disaster and emergency relief. The company also provides an employee compensation system, so that corporate benefits are shared with employees.

2. Employee education and training:

The Company actively conducts a variety of on-the-job training programs for employees. In addition to training in various domestic educational institutions, or sending employees to attend seminars and workshops, the Company provides overseas training opportunities for employees in order to enhance their professional skills. In regards to employees' on-the-job training, if an employee meets the requirements of the company's incentive program, he/she will be given a grant for each semester of study. In order to encourage colleagues to further their insurance-related knowledge, we have set up a book club and a database of past exams on underwriting and claims, and collected questions on underwriting and claims and invited qualified and professional colleagues to give answers for colleagues' reference. We also provide assistance and rewards such as meal fees and bonuses to encourage colleagues to actively take the exam. In addition, the "e-Learning" platform and video equipment have been built so that colleagues at all locations in the province can learn new knowledge and enrich themselves anytime and anywhere, without the restrictions of time and place. In 2014, when we first applied for the TTQS assessment by the Ministry of Labor Development, we received a bronze level assessment result, and in 2018, we were promoted to the silver level, and in 2020, we will again receive a silver TTQS assessment level, and since 2015, we have applied annually for the Ministry of Labor Development's Enterprise Human Resources Enhancement Program, and the review was approved and training subsidies were granted, recognizing the company's This is a recognition of the company's efforts and professionalism in human resources training.

Item	Training Hours
Management Category	8,640
Technical Expertise	41,249
Product Signature	642
Audit Personnel	326
Total amount for 2020	NTD 16,392 thousand

3. Retirement system:

The Company's retirement plan is summarized as follows: 10% of the total salaries paid in a given year is allocated and deposited into a dedicated account in the Bank of Taiwan's trustee department; for managers, variable amounts are allocated and deposited into the Labor Retirement Reserve Fund Account.

- A. Voluntary retirement:
  - (1) Those with more than 25 years of service.
  - (2) Those who have at least fifteen years of service and are at least fifty-five years old.
  - (3) Those who have at least ten years of service and are at least sixty years old.

- B. Compulsory Retirement:

- (1) Those who are sixty-five years old or older.
  - (2) A person who is mentally or physically incapacitated for work.

The above-mentioned retirees are paid with their respective pension plans, for up to 45 months of their pension bases, with an additional 20% for those who suffer from mental or physical disability or serious injury or illness as a result of performing their duties.

The Labor Pension Regulation came into effect on July 1, 2005, and adopts a Defined Contribution Plan. After its implementation, employees may now choose to adopt the pension regulations applicable to the Labor Standards Act, or adopt the pension system as stipulated in the Act and retain the work seniority prior to their application of the Act. For those who choose to adopt applicable regulations, the Company shall contribute no less than 6% of the employee's monthly salary to the employee's monthly pension.

- 4. Labor management agreements

In order to protect the rights and interests of employees and harmonize labor relations, the Company strengthens labor harmony and does two-way communication and coordination to resolve problems. Therefore, there are no significant unresolved labor disputes up to now.

- 5. Employee rights protection measures.

The Company has established rules and regulations for the work of its employees and enforces them to protect their rights and interests. Regular quarterly labor-management meetings and Labor Pension Supervisory Committee meetings are held to discuss and record the contents of the meetings on labor relations and retirement issues. A Personnel Review Committee is established to handle the promotion, reward and punishment of employees in a fair and impartial manner. In addition, we have implemented the regulations of the Gender Equality Act in the field of attendance management, maternity leaves, recruitment and sexual harassment prevention.

In addition, we have set up a mailbox for employees' opinions: [public@skinsurance.com.tw](mailto:public@skinsurance.com.tw), and employees can make suggestions for work improvement in a confidential manner. The receiving and responsible unit should handle the matter promptly within the prescribed period and report the result to the president and then reply to the proposer. All matters related to labor laws and regulations may be appealed to the head of each department or the human resources unit.

- (II) Formulation of Code of ethical conduct for employees.

The Company's code of conduct and ethics for its employees is set out in the Service Code section of the Work Rules and the Code of Ethical Conduct for employees to follow.

- 1. Employees shall be loyal to their duties, obey all company rules and orders, and obey the direction and supervision of supervisors at all levels.
- 2. The staff shall handle the cases as they come, and shall not accumulate any backlog. The staff shall keep the documents and properties under their management in the

designated place, and shall not carry them out or damage them or lose them. In the event of extraordinary events, the staff shall make every effort to make the most appropriate disposal.

3. Employees shall maintain a high degree of confidentiality regarding the Company's business, customer information and its trade secrets, and shall not disclose them to outside parties or to unrelated colleagues, nor shall they do so after leaving (retiring) the Company.
4. Employees shall not use the name of the Company or the name of their position to assume debts or guarantees for others without authorization.
5. Employees shall not bring prohibited items, dangerous items, or items not authorized or related to official duties into the workplace.
6. Employees are not allowed to bring friends or relatives into the workplace without permission.
7. Employees shall take good care of public property and shall not steal or arbitrarily damage or waste it; they shall not use public property for private purposes or take it out without permission.
8. Staff members are not allowed to read any cards, forms, documents, correspondence, etc. that are not part of their duties.
9. Staff should always keep the workplace clean and sanitary.
10. Staff should go on and off duty according to the stipulated time and sign in (out) according to the regulations.
11. Staff members shall not use the convenience of their duties for personal gain or to benefit themselves or others.
12. Staff members are not allowed to leave their duties during working hours without permission from their supervisor. If employees are away on business, they must complete the outbound application process.
13. Staff should serve customers honestly.
14. Employees shall abstain from bad habits and shall not take drugs, gamble on property, or engage in any other behavior that is illegal or detrimental to the reputation of the Company.
15. Employees shall cultivate integrity and take care to protect the reputation of the Company, and shall not accept hospitality, gifts or other unlawful benefits through their duties.

(III) Circumstances in which the Company's personnel involved in the transparency of financial information obtain the relevant licenses specified by the competent authorities:

License type	Organizer	No. of Person
Property insurance salesperson test	The Non-life Insurance Association of the Republic of China	1,671
Life insurance salesperson test	The Life Insurance Association of the Republic of China	942
Investment insurance instrument salesperson test	Taiwan Insurance Institute	283
Foreign currency non-investment policy salesperson	Taiwan Insurance Institute	494
Qualification Examination for Property Insurance Underwriting and Claim Settlement Personnel	The Non-life Underwriters Society of the Republic of China	357
R.O.C. Life Insurance Underwriters and Claim Settlement Personnel	Life Insurance Management Institute of the Republic of China	28
Regular member of Actuarial Institute of the Republic of China (Taiwan)	Actuarial Institute of the Republic of China (Taiwan)	3
Associate member of Actuarial Institute	Actuarial Institute of the Republic of	0

of the Republic of China (Taiwan)	China (Taiwan)	
Personal Risk Manager	Risk Management Society of Taiwan	3
Project Management Professional (PMP)	Project Management Institute	2
Attorney	Examination Yuan	1
Certified Public Accountant	Examination Yuan	1
Fire Protection Technician	Examination Yuan	1

(IV) Work environment and employee safety protection measures.

1. Access Control Security: The office is equipped with access control system and security guards are hired to control the people entering and leaving the office, and security guards are available at night and on holidays to maintain the safety of staff and facilities.
2. Maintenance and inspection of equipment: The Company regularly commissions professional companies to conduct public safety inspections of buildings in accordance with the relevant regulations on public safety inspections of buildings, and uses infrared scanners to check the temperature status of power distribution panels in the headquarters building once every two years to maintain the safety of employees' lives. We also implement and report the maintenance and inspection of fire-fighting apparatus and other equipment on a regular basis by March each year to ensure the safety of the office environment in accordance with the fire-fighting regulations and other relevant provisions. Air conditioning is regularly maintained and cleaned every two years to ensure the air quality in the office.
3. Physiological / mental health: In line with the government's decree and policy, our office is completely smoke-free to maintain the air quality of the working environment. The Company provides employee health checkups every two years with the items that are better than the regulations. In 2017, we select hospitals with TAF certification to conduct employee health checkups. Health promotion activities (e.g., flu vaccination, smoking cessation classes, weight loss classes) and health seminars (e.g., first aid seminars, AED use seminars, tobacco prevention and control seminars) are held from time to time to keep our employees physically and mentally healthy.

(V) Losses incurred due to labor-management disputes in the most recent year and in the current year up to the date of the publication of the annual report and disclosure of the estimated amount of current or future potential losses and countermeasures:

1. Losses incurred due to labor-management disputes in the most recent year: In the most recent year and in the current year up to the date of the publication of the annual report, the Company did not suffer any significant losses due to labor disputes.
2. The estimated amount of current or future potential losses and countermeasures:  
The Company has applied the provisions of the Labor Standards Act since April 1, 1998. In addition to the employees' entitlement to leave, labor insurance, and national health insurance, the Company also insures the employees with group accident insurance and establishes an "Employee Welfare Committee" to promote various welfare activities, such as club activities and employee travel. In addition, we will cooperate with the company to give gifts, condolences, and memorials in case of marriage, hospitalization, or death. We also actively conducts a variety of on-the-job training programs for employees. In addition to training in various domestic educational institutions, or sending employees to attend seminars, workshops, further educations, the Company provides overseas training opportunities for employees in order to enhance their professional skills. In 2007, the Company established the Employees' Retirement Measures and set aside reserves for employees' pensions, and since 1999, the Company has deposited pension funds in a special account in the Trust Department of the Bank of Taiwan to take care of employees' livelihood. Therefore, labor relations are harmonious. In addition, active labor-management communication



and full coordination, as well as employee bonus shares, enable employers and employees to establish a mutual assistance and common prosperity, so as to create profits to share together and eliminate the incentive for disputes to arise. In order to protect the rights and interests of employees and harmonize labor relations, the Company strengthens labor two-way communications. Therefore, there are no significant unresolved labor disputes up to now.

#### VI. Major contracts

Nature	Party	Effective period	Major contents	Restrictive clause
Reinsurance contracts	All participating contractual reinsurers, of which the lead reinsurer includes: Central Reinsurance Corporation, Munich Re, Swiss Re, SCOR Re, Endurance, Hannover Re, Korean Re, etc	2021.01.01 ~ 2021.12.31	Proportional contracts and non-proportional reinsurance contracts for each type of insurance	According to the agreement

## Six. Financial Status

### I. Summary balance sheet and comprehensive income statement for the last 5 years

#### (I) Condensed Balance Sheet

Unit: NTD (in thousands)

Item	Year	Financial data for the past 5 years					Financial data for the current year up to March 31, 2021
		2016	2017	2018	2019	2020	
Cash and cash equivalents		6,620,446	6,913,037	10,803,697	9,607,479	10,975,768	10,849,810
Accounts receivable		1,407,091	1,594,878	1,882,445	1,843,051	1,857,006	1,831,499
Financial assets and lending		13,922,380	15,507,796	12,629,322	16,020,607	16,726,129	18,546,859
Reinsurance contract assets		7,313,283	5,920,627	5,607,158	5,840,010	7,781,387	8,163,083
Property and equipment		1,034,837	1,027,667	1,024,792	1,110,073	1,080,035	1,075,461
Right-of-use assets.		-	-	-	37,716	34,595	33,650
Intangible assets		44,618	45,324	37,028	30,808	19,525	16,458
Other assets		987,724	1,041,347	1,048,459	1,056,650	997,896	1,007,671
<b>Total assets</b>		<b>31,330,379</b>	<b>32,050,676</b>	<b>33,032,901</b>	<b>35,546,394</b>	<b>39,472,341</b>	<b>41,524,491</b>
Accounts Payables		2,023,682	2,676,760	2,407,691	2,700,923	2,438,589	2,692,815
Various financial liabilities		14,659	-	-	-	3,831	11,992
Lease liabilities		-	-	-	38,048	35,124	34,201
Provisions for Insurance liabilities and insurance contracts with financial instruments.		20,313,797	19,111,627	19,610,448	20,509,924	23,224,171	24,368,077
Provisions for liabilities		274,232	249,638	216,628	174,626	127,546	125,826
Other liabilities		192,497	198,956	206,303	448,607	419,380	392,629
Total liabilities	Before Distribution	22,818,867	22,236,941	22,441,070	23,872,128	26,248,641	27,625,540
	After Distribution	23,295,972	22,811,994	23,278,373	24,440,862	(Note 2)	(Note 2)
Capital stock		3,159,633	3,159,633	3,159,633	3,159,633	3,159,633	3,159,633
Capital reserves		64,826	64,777	64,777	64,777	64,800	64,800
Retained earnings	Before Distribution	4,813,669	5,685,966	6,912,281	7,633,951	8,702,181	9,174,470
	After Distribution	4,336,564	5,110,913	6,074,978	7,065,217	(Note 2)	(Note 2)
Other equity		473,384	903,359	455,140	815,905	12,97,086	1,500,048
Total equity	Before Distribution	8,511,512	9,813,735	10,591,831	11,674,266	13,223,700	13,898,951
	After Distribution	8,034,407	9,238,682	9,754,528	11,105,532	(Note 2)	(Note 2)

**Note 1:** The above financial information has been prepared in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs, and has been audited and attested to by CPAs.

**Note 2:** 2020 earnings distribution proposal has yet to be resolved by the shareholders' meeting.

## Condensed Income Statement

Unit: NTD (in thousands)

Item	Year	Financial data for the past 5 years					Financial data for the current year up to March 31, 2021
		2016	2017	2018	2019	2020	
Operating revenues		12,767,896	13,958,399	14,749,316	15,531,150	16,510,114	4,478,627
Operating costs		(8,979,002)	(9,542,355)	(9,580,025)	(10,420,159)	(11,207,473)	(3,066,584)
Operating expenses		(2,672,106)	(2,873,096)	(3,156,419)	(3,241,421)	(3,386,841)	(871,705)
Non-operating revenues and expenses		47,995	19,747	3,356	21,323	13,844	2,606
Net profits (losses) before tax		1,164,783	1,562,695	2,016,228	1,890,893	1,929,644	542,944
Net profits (losses) for the period		1,056,556	1,364,910	1,770,368	1,562,053	1,629,724	472,289
Other comprehensive income for the period (Net after tax)		(435,009)	397,619	(537,596)	357,685	488,421	202,962
Total comprehensive income for the period		621,547	1,762,529	1,232,772	1,919,738	2,118,145	675,251
Earnings per share (NT\$)		3.35	4.32	5.60	4.94	5.16	1.49

**Note 1: The above financial information has been prepared in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs, and has been audited and attested to by CPAs.**

(II) Accountants and the audit status for the last five years (Accounting Department)

Year	CPA name	Auditor's opinions
2016	Andrew Fuh, Bob Chang	Unqualified opinion
2017	Andrew Fuh, Bob Chang	Unqualified opinion
2018	Andrew Fuh, Bob Chang	Unqualified opinion
2019	Andrew Fuh, Bob Chang	Unqualified opinion
2020	Andrew Fuh, Bob Chang	Unqualified opinion

## II. Financial Analysis for the Past Five Years

### Financial analysis

Analysis item (Note 2)		Analysis of Finance and Business Indicators for the Last Five Years					Current year up to March 31, 2021
		2016	2017	2018	2019	2020	1Q2021
Business indicator	Direct Premium revenues change rate	9.84%	6.92%	3.70%	7.98%	7.29%	7.32%
	Direct indemnity paid change rate	2.24%	13.83%	-17.08%	13.91%	7.12%(1)	0.71%
	Retained premium change rate	6.57%	9.68%	5.87%	8.57%	6.11%(2)	9.09%
	Net worth ratio	27.17%	30.62%	32.06%	32.84%	33.50%	33.47%
Profitability indicator	Return on assets	3.54%	4.31%	5.44%	4.56%	4.35%	1.17%
	Return on equity	12.52%	14.90%	17.35%	14.03%	13.09%	3.48%
	Profit ratio of funds	2.8%	2.85%	3.29%	2.26%	2.39%	1.11%
	Return on investment	2.54%	2.59%	2.99%	2.05%	2.18%	0.99%
	Combined ratio	97.87%	93.16%	90.95%	91.58%	91.82%	92.87%
	Retained expense ratio	36.95%	36.04%	36.96%	35.84%	35.47%	33.82%
	Retained maximum probable loss ratio	60.92%	57.12%	53.99%	55.74%	56.35%	59.05%
Overall operating indicator	Retained premium to equity ratio	139.68%	132.87%	130.33%	128.38%	120.27%	31.43%
	Gross premium to equity ratio	192.55%	177.84%	170.24%	166.26%	156.92%	40.38%
	Net reinsurance commission to equity effect ratio	4.08%	3.24%	2.63%	2.37%	2.18%	2.15%
	Various insurance liabilities to equity ratios	238.66%	194.74%	185.15%	175.68%	175.63%	175.32%
	Equity change ratio	1.67%	15.30%	7.93%	10.22%	13.27%(3)	5.11%
	Expense ratio	29.73%	29.51%	30.56%	29.77%	29.16%	28.33%

Explanation of the reasons for the changes in various financial business indicators in the last two years: The analyses of those with a change rate reaching 20% are as follows:

- (1) Direct indemnity paid change ratio: This is mainly caused by the increase in medical payments as requested by the National Health Insurance Agency in 2019.
- (2) Retained premium change ratio: This is mainly caused by the fact that the increase in underwriting Premium revenues is less than the increase in Reinsurance premiums ceded.
- (3) Equity change ratio: This is mainly caused by the increase in net income after tax, the increase in unrealized valuation gains on financial assets at fair value through other comprehensive income, and the increase in gains from reclassification of financial assets at fair value through profit or loss to other comprehensive income using the overlay method.

Note 1: The above financial information has been prepared in accordance with the provisions of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs, and has been audited and attested to by a CPA.

Note 2: The formulas for the analysis item are as follows.

1. Business indicator

- (1) Direct Premium revenues change ratio = (accumulated amount of direct Premium revenues in the current period-accumulated amount of direct Premium revenues in the previous period) / accumulated amount of direct Premium revenues in the previous period  
 ["Direct insurance Premium revenues" refers to the insurance Premium revenues obtained by insurance companies from directly issuing insurance policies to the insured.] **】**
- (2) Direct indemnity paid change ratio = (accumulated amount of direct indemnity paid in the current period - accumulated amount of direct indemnity paid in the previous period) / accumulated amount of direct indemnity paid in the previous period  
 [Direct Indemnity Paid: refers to indemnity paid as a result of an insured accident under a policy issued directly to the insured by the insurance company.] **】**
- (3) Retained premium change ratio = (accumulated amount of retained premium in the current period - accumulated amount of retained premium in the previous period) / accumulated amount of retained premium in the previous period  
 [Retained premium = Direct premium revenue + reinsurance premium revenue - reinsurance premiums ceded]
- (4) Net worth ratio = equity / total assets excluding separate accounts for investment-linked insurance

## 2. Profitability indicator

- (1) Return on assets = [net income after tax + interest expense × (1 - tax rate)] / average total assets  
 [Average total assets = (Opening assets + Closing assets)/2]
- (2) Return on equity = Profit or loss after tax / average equity  
 [Average equity = (Current period equity + Previous period equity)/2]
- (3) Net return of fund Operations = (net investment income in current period + gain or loss on disposal of equity instruments at fair value through other comprehensive income in current period)/[(funds available at the beginning of the period + funds available at the end of the period - net investment income in current period - gain or loss on disposal of equity instruments at fair value through other comprehensive income in current period)/2]
- (4) Return on investment = (net investment income in current period + gain or loss on disposal of equity instruments at fair value through other comprehensive income in current period) / [(opening assets + closing assets - net investment income in current period - gain or loss on disposal of equity instruments at fair value through other comprehensive income in current period)/2]
- (5) Combined ratio = Retained expense rate + Retained maximum probable loss ratio
- (6) Retained expense ratio = Retained expense / Retained premium  
 [Retained premium = Direct premium revenue + reinsurance premium revenue - reinsurance premiums ceded]

[Retained expenses = Commission and underwriting fee expense + reinsurance commission expense – reinsurance commission income + operating expenses + administrative expenses + depreciation and amortization of real estate for own use]

(7) Retained earned loss ratio = Retained claims payments / retained earned Premium revenues

[Retained claims payments = insurance claims and benefits - amortized reinsurance claims and benefits + net change in claims reserves]

[Retained earned premium revenues = underwriting premium revenues + reinsurance premium revenues - reinsurance premiums ceded - unearned premium reserve net change]

### 3. Overall operating indicator

(1) Retained premium to equity ratio = Retained premium / equity

(2) Gross premium to equity ratio = (direct Premium revenues + reinsurance Premium revenues) / equity

(3) Net reinsurance commission to equity effect ratio = (unearned premium reserve / retained premium) x reinsurance commission income / equity

(4) Various insurance liabilities to equity ratios = various insurance liabilities / equity

[Various insurance liabilities = special reserve + claims reserve + unearned policy reserve + various other reserves]

(5) Equity change ratio = (current period equity-previous period equity) / absolute value of equity in the previous year

(6) Expense ratio = Expense / (direct Premium revenues + reinsurance Premium revenues)

[Expenses = commission and underwriting expenses + operating expenses + administrative expenses + depreciation and amortization of real estate for own use + reinsurance commission expenses]

III. Other material information sufficient to enhance the understanding of financial position, financial performance and cash flow or its changing trends: None.

### **III. Audit report on the most recent year financial statements by the audit committee**

#### **Audit Committee Report**

The Board of Directors has prepared the Company's business report, financial statements and earnings distribution proposal for the year ended December 31, 2020, where the financial statements have been audited by Andrew Fuh, CPA and Bob Chang, CPA from Ernst & Young, who have issued the audit report. The above-mentioned reports and statements submitted by the Board of Directors have been examined by the Audit Committee and no discrepancies have been found. A report was prepared according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act for your review.

Yours sincerely,

ShinKong Insurance Co., Ltd. 2021 Regular Shareholders Meeting

Convener of the Audit Committee: CHOU, HSIEN-TSAI

March 11, 2021

## **IV. Independent Auditor's Report and Financial Statements for the most recent year**

### **Independent Auditor's Report**

To: ShinKong Insurance Co., Ltd.

#### **Audit opinions**

We have audited the accompanying balance sheet of ShinKong Insurance Co., Ltd. as of December 31, 2020 and 2019 and the related statements of income, changes in corporate equity, cash flow and Notes to the financial statements (including the material accounting policies summary) for the years then ended.

In our opinion, based on our audits, the financial statements referred to above present fairly, in all material respects, the financial position of ShinKong Insurance Co., Ltd. as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the year then ended, in conformity with the "Regulations Governing the Preparation of Financial Reports by Property Insurance Companies" and the IFRS, IAS, IFRIC and SIC approved and announcement effective by the Financial Supervisory Commission.

#### **The basis for opinions**

We conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial statements by Certified Public Accountants and generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section. We are independent of ShinKong Insurance Co., Ltd. in accordance with the Code of Ethics for certified public accountants in the part relevant to the audit of the financial statements of ShinKong Insurance Co., Ltd., and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believed that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matter**

The "key audit matters" means that the independent auditor has used their professional judgment as the basis to audit the most important matters on the 2020 financial statements of ShinKong Insurance Co., Ltd.. Those matters are addressed in the context of our audit of the financial statements as a whole and in the forming of our opinion. We do not provide a separate opinion on those matters.



## Auditor's Report (Continued)

### Actuarial Calculation of Insurance Liability Reserves

The estimate of the insurance reserve is highly dependent on the subjective judgment of the internal actuarial experts of ShinKong Insurance Co., Ltd. The actuarial assumptions are highly sensitive and the actuarial calculation of the insurance liability reserve is complex. Therefore, we have decided that it is a key audit matter. Our auditing procedures include, but are not limited to, obtaining an understanding of the internal controls relevant to the actuarial calculations of the insurance liability reserve, including the process of applying the assumptions and methods used by the experts engaged by the management, and the process by which the management reviews the actuarial results. This process includes a sampling review of the insurance liability reserve calculation source data, and engaging the internal actuarial experts to assist in reviewing and evaluating the actuarial assumptions and models, as well as the actuarial judgments made by ShinKong Insurance Co., Ltd., including evaluating if various reserve assumptions and calculation methods are reasonable, and if the compulsory insurance complies with the regulations of the competent authorities. We also consider the appropriateness of the disclosures of insurance liabilities in Notes IV.14, V and VI.12 of the Financial Statements.

### Valuation of Financial Instruments Measured at Fair Value

The fair value measurement of ShinKong Insurance Co., Ltd.'s financial instruments are mainly based on publicly quoted prices in active markets. As frequent changes in the fair value of financial instruments have a significant effect on the Financial Statements, we have determined that this process is a key audit matter. Our auditing procedures include, but are not limited to: evaluating and testing the effectiveness of internal controls, relevant to the fair value of financial instruments, including the processes and methods established by management to maintain appropriate fair values, and the process by which management reviews the results of these evaluations. The recorded fair values are randomly checked on a sampling basis for the accuracy of the quoted prices in active markets. We also consider the appropriateness of the disclosures of fair value information in Notes IV.6, VI.3, VI.4 and VII.11 of the Financial Statements.

### **Responsibilities of Management and Those in Charge with Governance of the Financial Statements**

It is management's responsibility to prepare Financial Statements that are a fair representation of the Company's financial position, in conformity with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) that are endorsed and issued into effect by the Financial Supervisory Commission (FSC). In addition, it must maintain the necessary internal controls, as they relate to the preparation of Financial Statements, to ensure that the Statements are free from material misstatements due to fraud or errors.

## Auditor's Report (Continued)

In the preparation of the financial statements, the management's responsibility also includes assessing the continuing operation of ShinKong Insurance Co., Ltd., the disclosure of the relevant matters, and the adoption of the continuing operation accounting base, unless the management intends to liquidate ShinKong Insurance Co., Ltd. or cease business operation, or there is a lack of any option except for liquidation or suspension.

The governance units (including the Audit Committee) of ShinKong Insurance Co., Ltd. is responsible for supervising the financial reporting process.

### **Auditors' Responsibilities for auditing the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error, and to issue an auditors' report that summarizes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that the auditing conducted in accordance with generally-accepted auditing standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material, whether individually or aggregately, if they can reasonably be expected to influence the economic decisions of financial statement users.

As part of an audit in accordance with the accounting principles generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also perform the following works:

1. Identifying and assessing the risk arising from material misstatements due to fraud or error in the financial statements, designing and executing audit procedures to deal with the risk, and obtaining sufficient and appropriate audit evidence for the basis of 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 the necessary understanding on the internal control related to the audit in order to design appropriate audit procedures under the circumstances, but the purpose is not to express an opinion on the effectiveness of the internal control of ShinKong Insurance Co., Ltd..
3. Assess the appropriateness of the accounting policies adopted by the management; also, the reasonableness of the accounting estimates and related disclosures made.
4. Based on the audit evidence obtained, judging the appropriateness of the management's adoption of the going concern accounting basis and whether material uncertainty or conditions exist that may cast significant doubt on the ability of ShinKong Insurance Co., Ltd. in continuing to be a going concern. If we conclude that material uncertainties or conditions exist, in the auditors' report we are required to draw the users' attention to note the related disclosures in the financial statements, or modify our opinion if such disclosures are inappropriate. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause ShinKong Insurance Co., Ltd. to cease to continue as a going concern.

## Auditor's Report (Continued)

5. Evaluate the overall presentation, structure, and contents of the financial statements including any related disclosures, and whether the financial statements have represented related transactions and events in an appropriate manner.

The accountants communicate the following events with the governance unit, including the planned scope and audit time, as well as major audit findings (including significant nonconformities of internal control identified during the audit process).

The accountants also provide a statement to the governance unit that the personnel of the CPA Firm who are subject to the regulation of independence are indeed complying with the independence requirements in accordance with the Code of Professional Ethics. Also, they communicate to the governance unit all relationships and matters (including related protective measures) that may be considered as affecting the independence of the accountants.

The independent auditor has used the communications with the governing unit as the basis to determine the key audit matters to be performed on the 2020 financial statements of ShinKong Insurance Co., Ltd.. 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 communications.

Ernst & Young Global Limited  
The competent authorities approved the processing of financial reports of  
the public company  
Auditing and Certification No.: (90) Tai-Tsai-Cheng (VI) No. 100690  
Chin-Kuan-Cheng-Shen-Zi No.  
1030025503

FuhAndrew

CPA:

ChangBob

March 11, 2021

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd

Balance Sheet

December 31, 2020 and 2019

Unit: NTD thousands

Assets		Note	December 31, 2020		December 31, 2019	
Code	Account titles		Amount	%	Amount	%
11000	Cash and cash equivalents	4, 6 and 7	\$10,975,768	28	\$9,607,479	27
12000	Accounts receivable	4, 6 and 7	1,857,006	5	1,843,051	5
14110	Financial assets at fair value through profit or loss	4, 6 and 7	7,178,293	18	6,338,247	18
14145	Financial assets based on cost after amortization	4, 6 and 7	5,777,353	14	5,997,684	17
14190	Financial assets at fair value through other comprehensive profit or loss	4, 6 and 7	1,318,579	3	1,352,070	4
14200	Investment property	4 and 6	2,451,904	6	2,332,606	7
15000	Reinsurance contract assets	4 and 6	7,781,387	20	5,840,010	16
16000	Property, plant, and equipment	4 and 6	1,080,035	3	1,110,073	3
16700	Right-of-use assets.	4 and 6	34,595	-	37,716	-
17000	Intangible assets	4 and 6	19,525	-	30,808	-
17800	Deferred income tax assets	4 and 6	236,467	1	215,991	1
18000	Other assets	6	761,429	2	840,659	2
1XXXX	Total assets		<u>\$39,472,341</u>	<u>100</u>	<u>\$35,546,394</u>	<u>100</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

## (English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd

Balance Sheet (continue)

December 31, 2020 and 2019

Unit: NTD thousands

Liabilities and equity		Note	December 31, 2020		December 31, 2019	
Code	Account titles		Amount	%	Amount	%
21000	Accounts Payables	6 and 7	\$2,438,589	6	\$2,700,923	9
21700	Current income tax liabilities	4 and 6	161,727	-	175,939	-
23200	Financial liabilities at fair value through profit or loss	4, 6 and 7	3,831	-	-	-
23800	Lease liability	4 and 6	35,124	-	38,048	-
24000	Insurance liability	4 and 6	23,224,171	59	20,509,924	58
27000	Reserve for liabilities	4 and 6	127,546	-	174,626	-
28000	Deferred tax liabilities	4 and 6	62,103	-	40,286	-
25000	Others		195,550	1	232,382	1
2XXXX	Total liabilities		<u>26,248,641</u>	<u>66</u>	<u>23,872,128</u>	<u>68</u>
31000	Capital stock	6	3,159,633	8	3,159,633	9
32000	Capital reserves	4	64,800	-	64,777	-
33000	Retained earnings					
33100	Legal reserve	4	2,873,498	7	2,561,087	7
33200	Special reserve	4	4,881,819	13	4,190,636	12
33300	Undistributed earnings	6	946,864	3	882,228	2
34000	Other equity		1,297,086	3	815,905	2
3XXXX	Total equity		<u>13,223,700</u>	<u>34</u>	<u>11,674,266</u>	<u>32</u>
	Total Liabilities and Equity		<u>\$39,472,341</u>	<u>100</u>	<u>\$35,546,394</u>	<u>100</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statement of Comprehensive Income

January 1 to December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan dollars, except for Earnings Per Share)

Unit: NTD thousands

Code	Account titles	Note	2020		2019	
			Amount	%	Amount	%
41000	Operating revenues:					
41110	Written premiums	4 and 7	\$20,054,819	122	\$18,692,441	120
41120	Reinsurance premium income	4 and 7	695,470	4	717,155	5
41100	Premium revenues		20,750,289	126	19,409,596	125
51100	Less: Reinsurance premiums ceded	4 and 7	(4,846,626)	(29)	(4,422,098)	(28)
51310	Unearned premium reserve net change	4 and 7	(676,967)	(4)	(609,305)	(4)
41130	Retained earned premium		15,226,696	93	14,378,193	93
41300	Reinsurance commission income	7	409,558	2	406,913	3
41400	Income from handling fees		37,210	-	35,611	-
41500	Net gain from investment		810,399	5	701,324	4
41510	Interest revenue		322,363	2	338,287	2
41521	Gain (loss) on financial assets and liabilities at fair value through profit or loss		1,066,489	7	692,528	5
41526	Derecognized financial assets based on cost after amortization net profit or loss		-	-	3,842	-
41527	Realized gain on financial assets at fair value through other comprehensive profit or loss		41,622	-	20,643	-
41550	Profit or loss from foreign exchange		(228,739)	(1)	(143,582)	(1)
41570	Profit or loss from investment property		74,859	-	69,002	-
41585	Expected credit impairment loss and reversal gain on investment		(4,795)	-	176	-
41600	Profit or loss reclassified using the overlay approach		(461,400)	(3)	(279,572)	(2)
41800	Other operating revenue		26,251	-	9,109	-
	Total operating revenues		16,510,114	100	15,531,150	100
51000	Operating cost:					
51200	Insurance claims and benefits		(10,837,979)	(66)	(10,223,880)	(66)
41200	Less: Benefits & Claims Recovered from reinsurers		2,597,525	16	2,411,358	16
51260	Retained claims and benefits		(8,240,454)	(50)	(7,812,522)	(50)
51300	Other insurance liabilities net change		(179,445)	(1)	5,426	-
51500	Commission expense	7	(2,676,451)	(16)	(2,547,138)	(16)
51800	Other operating cost		(111,123)	(1)	(65,925)	(1)
	Total operating cost		(11,207,473)	(68)	(10,420,159)	(67)
58000	Operating expenses:					
58100	Business expense	6	(3,009,803)	(18)	(2,877,125)	(19)
58200	Administrative expenses	6	(360,646)	(2)	(345,935)	(2)
58300	Employee training expense		(16,392)	-	(18,361)	-
	Total operating expenses		(3,386,841)	(20)	(3,241,421)	(21)
61000	Operating revenues		1,915,800	12	1,869,570	12
59000	Non-operating revenues and expenses		13,844	-	21,323	-
62000	Income from continuing operations before tax		1,929,644	12	1,890,893	12
63000	Income tax expense	4 and 6	(299,920)	(2)	(328,840)	(2)
66000	Net income		1,629,724	10	1,562,053	10
83000	Other comprehensive income	6				
83100	The items that are not re-classified as profit or loss					
83110	Reevaluation of determined benefit plan		9,488	-	1,232	-
83180	Incomes tax related to titles not subject to reclassification		(1,898)	-	(246)	-
83190	Evaluation of the capital gain/loss from equity instrument at fair value through comprehensive income statement as other comprehensive income		(25,472)	-	57,159	-
83200	Items that may be re-classified subsequently under profit or loss					
83290	Capital gain/loss of debts instrument at fair value through comprehensive income statement as other comprehensive income		62,159	-	(568)	-
83295	Other comprehensive income reclassified using the overlay approach		461,400	3	279,572	2
83280	Income tax related to items possibly be reclassified		(17,256)	-	20,536	-
	Other Comprehensive income in current period (net after tax)		488,421	3	357,685	2
85000	Total comprehensive income in current period		\$2,118,145	13	\$1,919,738	12
	Earnings per share					
97500	Basic earnings per share (denominated in New Taiwan dollars)	6	\$5.16		\$4.94	

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statement of Changes in Equity

January 1 to December 31, 2020 and 2019

Unit: NTD thousands

Item	Capital stock	Capital reserves	Retained earnings			Other equity		Treasury stock	Total equity
			Legal reserve	Special reserve	Undistributed earnings	Unrealized gain on financial assets measured at fair value through other comprehensive profit or loss	Other comprehensive income reclassified using the overlay approach		
Balance as of January 1, 2019	\$3,159,633	\$64,777	\$2,207,013	\$3,510,078	\$1,195,190	\$(7,894)	\$463,034	\$-	\$10,591,831
The 2018 appropriation and distribution of earnings									
Appropriation of Legal reserve	-	-	354,074	-	(354,074)	-	-	-	-
Appropriation of Special reserves	-	-	-	680,558	(680,558)	-	-	-	-
Common Stocks cash dividends distributed	-	-	-	-	(837,303)	-	-	-	(837,303)
Net income in January 1 to December 31, 2019	-	-	-	-	1,562,053	-	-	-	1,562,053
Other Comprehensive income in January 1 to December 31, 2019	-	-	-	-	986	56,761	299,938	-	357,685
Total comprehensive income in current period	-	-	-	-	1,563,039	56,761	299,938	-	1,919,738
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	(4,066)	4,066	-	-	-
Balance as of December 31, 2019	<u>\$3,159,633</u>	<u>\$64,777</u>	<u>\$2,561,087</u>	<u>\$4,190,636</u>	<u>\$882,228</u>	<u>\$52,933</u>	<u>\$762,972</u>	<u>\$-</u>	<u>\$11,674,266</u>
Balance as of January 1, 2020	\$3,159,633	\$64,777	\$2,561,087	\$4,190,636	\$882,228	\$52,933	\$762,972	\$-	\$11,674,266
The 2019 appropriation and distribution of earnings									
Appropriation of Legal reserve	-	-	312,411	-	(312,411)	-	-	-	-
Appropriation of Special reserves	-	-	-	691,183	(691,183)	-	-	-	-
Common Stocks cash dividends distributed	-	-	-	-	(568,734)	-	-	-	(568,734)
Net income in January 1 to December 31, 2020	-	-	-	-	1,629,724	-	-	-	1,629,724
Other comprehensive income in January 1 to December 31, 2020	-	-	-	-	7,590	24,300	456,531	-	488,421
Total comprehensive income in current period	-	-	-	-	1,637,314	24,300	456,531	-	2,118,145
Treasury Stocks Repurchase	-	-	-	-	-	-	-	(1,528)	(1,528)
Disposal of equity instrument at fair value through other comprehensive income	-	-	-	-	(350)	350	-	-	-
Cost of share-based payment transactions	-	23	-	-	-	-	-	1,528	1,551
Balance as of December 31, 2020	<u>\$3,159,633</u>	<u>\$64,800</u>	<u>\$2,873,498</u>	<u>\$4,881,819</u>	<u>\$946,864</u>	<u>\$77,583</u>	<u>\$1,219,503</u>	<u>\$-</u>	<u>\$13,223,700</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG

(English Translation of Financial Statements Originally Issued in Chinese)

ShinKong Insurance Co., Ltd.

Statements of Cash Flows

January 1 to December 31, 2020 and 2019

Unit: NTD thousands

Item	2020	2019
Cash flow from operating activities:		
Income from continuing operations before tax	\$1,929,644	\$1,890,893
Adjusted Items:		
Revenue, expense and loss		
Depreciation expenses	75,269	66,896
Amortization expenses	27,205	24,539
Net income on financial assets and liabilities at fair value through	(1,066,489)	(692,528)
Net income on financial assets at fair value through other	(41,622)	-
Interest expenses	858	839
Derecognized financial assets based on cost after amortization net	-	(3,842)
Interest revenue	(322,363)	(338,287)
Various insurance liabilities net change	856,412	603,879
Expected credit impairment loss and reversal gain/loss on investment	4,795	(176)
Cost of share-based payment service	23	-
Profit or loss reclassified using the overlay approach	461,400	279,572
Profit or loss from disposal and scrapping of property and equipment	286	(917)
Expenses for reclassified property and equipment	-	6,851
Changes in assets/liabilities related to business activities		
Increase (decrease) of accounts receivable	(13,020)	26,766
Decrease (increase) of financial assets measured at fair value	102,480	(2,088,244)
Decrease (increase) of financial assets measured at fair value	(183,311)	(432,358)
Decrease of financial assets on the basis of cost after amortization	469,085	851,402
Decrease (increase) of reinsurance contracts assets	(83,542)	62,745
Decrease (increase) of other assets	68,634	(22,217)
Increase (decrease) of payables	(262,334)	439,223
Increase of financial liabilities measured at fair value through profit or loss	3,831	-
Provisions decrease	(37,592)	(56,002)
Other liabilities (decrease) increase	(36,832)	85,902
Cash inflow from operating activities	<u>1,952,817</u>	<u>704,936</u>
Interest received	324,265	350,914
Dividend received	162,747	148,887
Interest paid	(140)	(88)
Income tax paid	(331,945)	(279,386)
Net cash inflow from operating activities	<u>2,107,744</u>	<u>925,263</u>
Cash flows from investment activities:		
Purchase of property and equipment	(40,778)	(139,406)
Disposal of property and equipment	1,490	1,124
Purchase of investment property	(115,397)	(1,128,064)
Purchase of intangible asset	(79)	(3,369)
Net cash used in investing activities	<u>(154,764)</u>	<u>(1,269,715)</u>
Cash flows from financing activities:		
Cash dividends paid	(568,734)	(837,303)
Repayment of the principal portion of lease liabilities	(15,957)	(14,463)
Repurchase cost of treasury stocks	(1,528)	-
Employee purchase of treasury stocks	1,528	-
Net cash outflows from financing activities	<u>(584,691)</u>	<u>(851,766)</u>
Increase (decrease) of cash and cash equivalents in current period	1,368,289	(1,196,218)
Balance of cash and cash equivalents at the beginning of period	9,607,479	10,803,697
Balance of cash and cash equivalents at the ending of period	<u>\$10,975,768</u>	<u>\$9,607,479</u>

(Please refer to Notes to the Financial Statements)

Chairman: WU, HSIN-HUNG

President: HO, YING-LAN

Accounting Supervisor: TSENG, YA-FANG



(English Translation of Financial Statements Originally Issued in Chinese)  
ShinKong Insurance Co., Ltd.  
Notes to financial statements  
January 1 to December 31, 2020  
and January 1 to December 31, 2019  
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

1. Company history and business scope

Shin Kong Insurance Co., Ltd. (hereinafter referred to as the Company) held a founding shareholders' meeting on March 20, 1963, and officially started the business on May 1 of the same year. With the main business of property insurance, the Company was initially settled at No. 43 Guanqian Road, Taipei City, and later moved to No. 35, Section 1, Wuchang Street, Taipei City on April 24, 1965 to meet the business expansion, and then moved to No. 34, Baoqing Road, Taipei City on January 30, 1973, and then again moved to the new corporate building at No. 15, Section 2, Jianguo North Road on January 20, 1983 for business expansion and restructuring. Capital: Initially NT\$ 32,000 thousand in 1963, and increased to NT\$ 54,400 thousand in 1977. Through the years of capital increase, as of December 31, 2020, the paid-in capital amounted to NT\$ 3,159,633 thousand.

Organization:

The Company has a total of 26 branches, including offices in Banqiao, Taoyuan, Hsinchu, Miaoli, Taichung, Shalu, Changhua, Yunlin, Chiayi, Tainan, Kaohsiung, Pingtung, Shilin, Xinying, Yuanlin, Fengshan, Nantou, Zhongli, Lanyang, Xizhi, Shuanghe, Neihu, Dali, Fengyuan, Xinzhuang, and international insurance businesses. The branches have a total of 34 communications offices, with service posts established all over Taiwan.

Head office: 11F., No. 15, Sec. 2, Jianguo N. Rd., Taipei City  
Tel: (02) 2507-5335 (pilot)

Branches:

- (1) Banqiao Branch: 15F, No. 266, Section 1, Wenhua Road, Banqiao District, New Taipei City  
TEL: (02) 2254-5568
- (2) Taoyuan Branch: 21F, Building A, No. 205, Fuxing Road, Taoyuan City  
Tel: (03) 338-4003
- (3) Hsinchu Branch: 5F, No. 192 Minsheng Road, Hsinchu City  
TEL: (03) 533-9121
- (4) Miaoli Branch: 4F, No. 462, Zhongzheng Road, Miaoli City  
TEL: (037) 352-311
- (5) Taichung branch: 12F, No. 340, Section 2, Taiwan Boulevard, North District, Taichung City  
Tel: (04) 2322-1158
- (6) Shalu Branch: No. 609, Section 2, Zhonghua Road, Wuqi District, Taichung City  
Tel: (04) 2662-0099
- (7) Changhua Branch: No. 326, Section 2, Zhongshan Road, Changhua City  
Tel: (04) 724-2147

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- (8) Yunlin Branch: 3F, No. 148, Xincheng Road, Huwei Town, Yunlin County  
Tel: (05) 632-1389
- (9) Chiayi Branch: 5F, No. 427, Minquan Road, Chiayi City  
Tel: (05) 225-3190
- (10) Tainan Branch: 12F, No. 32, Section 1, Yonghua Road, West Central District, Tainan City  
Tel: (06) 227-1313
- (11) Kaohsiung Branch: 12F, No. 154, Zhongzheng 3rd Road, Xinxing District, Kaohsiung City  
Tel: (07) 235-3197
- (12) Pingtung Branch: Suite 1-2, 8F, No. 450, Ziyou Road, Pingtung City  
Tel: (08) 738-2000
- (13) Shilin Branch: 2F, No. 222, Wenlin North Road, Beitou District, Taipei City  
Tel: (02) 2828-7010
- (14) Xinying Branch: 5F, No. 10, Zhongzheng Road, Xinying District, Tainan City  
Tel: (06) 635-6569
- (15) Yuanlin Branch: 2F, No. 2, Section 2, Datong Road, Yuanlin Township, Changhua County  
Tel: (04) 835-5151
- (16) Fengshan Branch: Suite 1, 10F, No. 224, Ziyou Road, Fengshan District, Kaohsiung City  
Tel: (07) 745-6131
- (17) Nantou Branch: No. 24, Datong South Street, Nantou City, Nantou County  
Tel: (049) 224-5747
- (18) Zhongli Branch: Suite A, 9F, No. 121, Huanxi Road, Zhongli City, Taoyuan County  
Tel: (03) 491-1808
- (19) Lanyang Branch: 1F, No. 398, Gongzheng Road, Luodong Town, Yilan County  
Tel: (03) 955-2640
- (20) Xizhi Branch: 13F, Building D, No. 82, Section 1, Xintai 5th Road, Xizhi District, New Taipei City  
Tel: (02) 2696-0606
- (21) Shuanghe Branch: 14F, No. 2, Jianba Road, Zhonghe District, New Taipei City  
Tel: (02) 8226-2620
- (22) Neihu Branch: 6F, No. 295 Ruiguang Road, Neihu District, Taipei City  
Tel: (02) 2627-2026
- (23) Dali Branch: 4F, No. 82, Yonglong First Street, Dali District, Taichung City  
Tel: (04) 2406-9671
- (24) Fengyuan Branch: 6F, No. 23 Yuanhuan West Road, Fengyuan District, Taichung City  
Tel: (04) 2529-0748
- (25) Xinzhuang Branch: 4F, No.149, Zhongzheng Road, Xinzhuang District, New Taipei City  
Tel: (02) 2277-0903
- (26) International Insurance Branch: 10F, No. 15, Section 2, Jianguo North Road, Taipei City  
Tel: (02) 2507-5335

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2. Financial Reporting Date and Procedures

This financial report was approved by the Board of Directors and released on March 11, 2021.

3. Application of New and Revised Standards and Interpretation

1. Changes in accounting policies resulting from the first application of International Financial Reporting Standards (IFRS)

The Company has adopted the International Financial Reporting Standards, International Accounting Standards, International Financial Reporting Interpretations or Interpretation Announcements that have been approved by the Financial Supervisory Committee (FSC) and applicable for fiscal years beginning after January 1, 2020. The first application of the new standards and amendments does not have significant impact on the Company.

2. The Company has not yet adopted the following newly issued, revised and amended standards or interpretations that have been released by the International Accounting Standards Board (IASB) and approved by the FSC:

Items	New issue/amendment/revision of standards and interpretations	Effective date issued by the IASB
1	Reform of interest rates — Phase III (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)	January 1, 2021

(1) Reform of interest rates — Phase II (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4, and IFRS 16)

The amendments in this final stage mainly focus on the impact of interest rates reform on corporate financial statements, including the following stipulations:

- A. the book values of financial instruments, despite changes in their contractual cash flows as required by the reform, are not delisted or adjusted; instead, update of effective interest rates is taken to reflect changes in the alternative target interest rates;
- B. when hedging still meets the requirements of hedge accounting, the applicability of hedge accounting remains effective despite the changes required by the reform; and
- C. it is required to disclose new risks arising from the reform and how to manage the transition to alternative target interest rates.

The Company has estimated that the aforementioned amendments effective as of January 1, 2021, have not made significant corporate impact.

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3. As of the release date of this approved financial report, the Company has not adopted the following newly issued, revised and amended standards or interpretations that have been released by the IASB but have not been approved by the FSC:

Items	New issue/amendment/revision of standards and interpretations	Effective date issued by the IASB
1	Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures” – Sale or investment of assets between investors and their associates or joint ventures	To be decided by the IASB
2	IFRS17 “Insurance Contracts”	January 1, 2023
3	Liabilities classified as current or non-current (Amendment to IAS 1)	January 1, 2023
4	Limited amendments to the IFRS, including amendments to IFRS 3, IAS 16, and IAS 37, as well as annual improvements	January 1, 2022
5	Disclosure Initiative – Accounting Policy (Amendment to IAS 1)	January 1, 2023
6	Definition of Accounting Estimates (Amendment to IAS 8)	January 1, 2023

- (1) Amendments to IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures” – sale or investment of assets between investors and their associates or joint ventures

This program deals with IFRS 10 “Consolidated Financial Statements” and IAS 28 “Investment in Associates and Joint Ventures” concerning inconsistency rising from loss of control by investing in affiliates or joint ventures at the price of subsidiaries. IAS 28 requires that when non-monetary assets are invested in exchange for equity in affiliates or joint ventures, the share of profits or losses should be eliminated in accordance with downstream transactions; IFRS 10 requires recognition of all the profits or losses at the time of losing control of the subsidiary. This amendment puts restrictions on the aforementioned IAS 28 provisions, requiring that the profits or losses from selling or investing business assets as defined by IFRS 3 shall be fully recognized.

This amendment also modifies IFRS 10 so that when investors sell or invest in the assets of their associates or joint ventures that are not defined as subsidiaries by IFRS 3, only the profits or losses incurred from the shares not owned by the investors need to be recognized.

- (2) IFRS 17 “Insurance Contracts”

This standard provides a comprehensive model of insurance contracts, including all accounting-related parts (principles of recognition, measurement, expression and disclosure) and the core of the standard is a general model, under which the original recognition is based on the sum of fulfillment cash flows and contract service margin to measure the group of insurance contracts, where the fulfillment cash flows include:

- A. Estimates of future cash flows

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- B. Discount rate: reflecting the adjustment of the time value of money and the financial risks associated with future cash flows (with financial risks not included in the scope of estimated future cash flows); and
- C. Risk adjustment for non-financial risks

The book value of the insurance contract group at the end of each reporting period is the sum of the liabilities for remaining coverage and liabilities for incurred claims.

In addition to the general model, it also provides:

- A. specifically applicable approaches for contracts with direct participation features (variable fee approach)
- B. Simplified approach for short-term contracts (premium allocation method)

This standard was promulgated in May of 2017, and an amendment was issued in June of 2020, whose transitional provisions not only postpone the effective date by 2 years (i.e. January 1, 2021 put off to January 1, 2023), but also provide additional exemptions, as well as reduce the implementation cost by simplifying some of the regulations, and make some amendments for easier explanation of some circumstances. The transitional provisions will be replaced by this standard (i.e. IFRS 4 “Insurance Contracts”) when it takes effect.

(3) Liabilities are classified as current or non-current (Amendment to IAS 1)

This is amendment of the classification of liabilities as current and non-current stipulated in Paragraphs 69 to 76 of IAS 1 “Expression of Financial Statements.”

(4) Limited amendments to the IFRS, including amendments to IFRS 3, IAS 16, and IAS 37, as well as annual improvements

A. Update of the conceptual framework index (Amendment to IFRS 3)

This amendment updates IFRS 3 based on the latest version released in March 2018, to replace the old version of the index on the conceptual framework of financial reporting. An exception to the recognition principle is added to avoid possible “Day 2” gains or losses due to liabilities and contingent liabilities. In addition, clarify existing guidelines for contingent assets that are not affected by the framework index replacement.

B. Property, plant and equipment: income before intended use (Amendment to IAS 16)

This amendment is to prohibit deduction of sales amount from the cost of property, plant and equipment that are prepared for intended use; instead, such sales revenues and related costs should be recognized as gains or losses.

C. Onerous contracts – contract fulfillment cost (Amendment to IAS 37)

This amendment clarifies the cost that should be included in assessment of whether a contract is loss-making.

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D. IFRS improvement 2018-2020

Amendment to IFRS 1

This amendment simplifies the measurement of cumulative conversion adjustments for applying IFRS 1 by the subsidiary for the first time following the parent company.

Amendment to IFRS 9 “Financial Instruments”

This amendment clarifies the expenses involved if the contract’s new terms or revised terms of the financial liabilities are significantly different from the original ones.

Amendments to the Interpretation of IFRS 16 “Leasing”

This Interpretation 13 revises the lease incentives to improve the lessee’s rights.

Amendment to IAS 41

This amendment removes the stipulations that exclude cash flows from taxes when measuring fair value, so that the fair value measurement of IAS 41 is consistent with that of other international financial reporting standards.

(5) Disclosure Initiative – Accounting Policy (Amendment to IAS 1)

This amendment is aimed to improve the disclosure of accounting policies in order to provide more useful information to investors and other major users of financial statements.

(6) Definition of accounting estimates (Amendments to IAS 8)

This amendment directly defines accounting estimates and makes other amendments to IAS 8 “Accounting Policies, Changes in Accounting Estimates and Errors” to help businesses distinguish changes between accounting policies and accounting estimates.

For the above standards or interpretations released by the IASB but not yet endorsed by the FSC, the actual application date is subject to the FSC’s regulations. The Company is currently assessing the potential impact of (2) newly released or amended standards or interpretations. For the time being, it is impossible to reasonably estimate the impact of the aforementioned standards or interpretations on the Company, while other newly announced or amended standards or interpretations have no significant impact on the Company.

4. Summary of Significant Accounting Policies

1. Compliance Statement

This financial statements are prepared in accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, as well as IFRS, IAS, and interpretations and interpretation announcements released by the International Financial Reporting Interpretations Committee (IFRIC), which have been approved and promulgated by the FSC.

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2. Basis of preparation

The financial statements are prepared on the basis of historical costs, except for financial instruments measured at fair value and the net defined benefit liabilities recognized by deducting the present values of defined benefit obligations from the fair value of plan assets. Unless otherwise specified, amounts in financial statements are expressed in thousand NT dollars.

3. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits, and time deposits or investments that are short-term, highly liquid, convertible to fixed amounts of cash at any time with little risk of value changes (including time deposits within 12 months of contractual period).

4. Transactions in foreign currencies

The Company's financial statements are expressed in NT dollars, which is the Company's functional currency. Transactions in foreign currencies are converted to the functional currency based on the exchange rate on the transaction date. At the end of each reporting period, monetary items in foreign currencies are converted at the closing exchange rate of that day; non-monetary items in foreign currencies measured at fair value are converted at the exchange rate on the day that the fair value is determined; non-monetary items in foreign currencies measured at historical cost are converted at the exchange rate of the transaction day.

Except for the following, the exchange differences arising from the delivery or conversion of monetary items are recognized as gains or losses of the current period:

- (1) If the exchange differences from foreign currencies borrowed to obtain qualified assets are regarded as adjustments to interest costs, becoming part of the borrowing costs, they are capitalized as the costs of the assets.
- (2) Foreign currencies applicable to IFRS 9 "Financial Instruments" are treated in accordance with the accounting policies of financial instruments.
- (3) For monetary items that form part of the reporting entity's net investment in foreign institutions, the exchange differences resulting from initial recognition are recognized as other comprehensive profit or loss, and reclassified from equity to gains and losses when the net investment is disposed.

When the profits and losses of non-monetary items are recognized as other comprehensive gains or losses, any components of the conversion of the profits and losses are recognized as other comprehensive profit or loss. When the profits and losses of non-monetary items are recognized as gains and losses, any components of the conversion of the profits and losses are recognized as gains and losses.

5. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual terms of the financial instrument.

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Financial assets and financial liabilities applicable to IFRS 9 “Financial Instruments” are measured at fair value on initial recognition, and are directly attributable to the transaction cost of acquisition or issuance of the financial assets and financial liabilities (except for those measured at fair value through profit or loss), to be deducted from or added to the fair values of the financial assets and financial liabilities.

(1) Recognition and measurement of financial assets

All the recognition and delisting of financial assets through the Company’s normal trade practice are accounted for on the transaction day.

The Company classifies financial assets into the following categories: those subsequently measured at amortized cost, those measured at fair value through other comprehensive profit or loss, and those measured at fair value through profit or loss, based on the following features:

- A. Operating models
- B. Contractual cash flows

Financial assets based on cost after amortization

Financial assets that meet the following two conditions are measured at amortized cost and listed on the balance sheet as financial assets and other assets measured at accounts receivable and amortized cost:

- A. Operating models: holding financial assets to collect contractual cash flows
- B. Contractual cash flows: cash flows entirely for paying principals and interests on the principals in circulation

Such financial assets (excluding those involved in hedging) are subsequently measured at amortized cost [the amount measured on initial recognition, minus the principal paid, plus or minus the accumulated amortization of the difference between the original amount and the maturity amount (using the effective interest method), and adjustment of allowance for losses]. Upon derecognition, through amortization or recognition of impaired profits or losses, the profits or losses are recognized as gains and losses.

The interests calculated by the effective interest method (multiplying the effective interest rate by the total book value of the financial asset) or based on following conditions are recognized as gains and losses:

- A. For purchased or originated credit-impaired (POCI) financial assets, it is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost.
- B. For financial assets other than the aforementioned, but subsequently become credit impairment, it is calculated as the effective interest rate multiplied by the amortized cost.

Financial assets at fair value through other comprehensive profit or loss

Financial assets that meet the following two conditions are measured at fair value through other comprehensive profit or loss, and are listed on the balance sheet as financial assets measured at fair value through other comprehensive profit or loss:

- A. Operating model: collecting contractual cash flows and selling financial assets.
- B. Contractual cash flows: cash flows entirely for paying principals and interests on the principals in circulation



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Recognition of gains and losses related to such financial assets are explained as follows:

- A. Before derecognition or reclassification, except for impaired profits or losses and foreign exchange profits or losses that are recognized as gains and losses, the profits and losses of the financial assets are recognized as other comprehensive profit or loss.
- B. Upon derecognition, the cumulative profits or losses previously recognized as other comprehensive gains and loss are reclassified from equity to gains or losses for adjustment.
- C. The interests calculated by the effective interest method (multiplying the effective interest rate by the total book value of the financial asset) or based on following conditions are recognized as gains and losses:
  - (a) For POCI financial assets, it is calculated as the credit-adjusted effective interest rate multiplied by the amortized cost.
  - (b) For financial assets other than the aforementioned, but subsequently become credit impairment, it is calculated as the effective interest rate multiplied by the amortized cost.

In addition, for equity instruments applicable for IFRS 9 and are neither held for trading, nor recognized as contingent consideration by the acquirer in a merger under IFRS 3, and on initial recognition, it is optional (irrevocably) to list its subsequent fair value changes as other comprehensive profit and loss. The amount listed as other comprehensive profit or loss shall not subsequently be transferred to gains and loss (when disposing such equity instruments, the cumulative amount listed as other equity are directly transferred to retained earnings), and shall be listed on the balance sheet as financial assets measured at fair value through other comprehensive profit or loss. Dividends from investments are recognized as gains or losses, unless the dividends clearly represent part of the recovery of investment costs.

Financial assets at fair value through profit or loss

Except for the measurement by amortized cost under specific conditions as mentioned above or at fair value through other comprehensive profit or loss, financial assets are measured at fair value through profit or loss, and are listed on the balance sheet as financial assets and accounts receivable measured at fair value through profit or loss.

The profits or losses generated from remeasurement of such financial assets measured at fair value are recognized as gains and losses, whose profits or losses include any and all dividends or interests generated from the financial assets.

(2) Impairment of financial assets

The Company's debt instruments measured at fair value through other comprehensive profit or loss and financial assets measured at amortized cost are recognized as expected credit losses to measure allowance for losses. For the debt instruments measured at fair value through other comprehensive profit or loss, the allowance for losses is recognized as other comprehensive profit or loss, without reducing the book value of the investment.

The Company measures expected credit losses to reflect the following:

- A. unbiased and probability-weighted amounts determined by evaluating all possible outcomes.
- B. Time value of money
- C. Reasonable and supportable information related to past events, current conditions and forecasts of future economic conditions (that can be obtained without excessive costs or investment on the balance sheet date)

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Measurement of allowance for losses is explained as follows:

- A. It is measured by the amount of 12-month expected credit losses: including financial assets whose credit risk has not significantly increased since initial recognition, or those that are determined to be low in credit risk at the balance sheet date. In addition, it also includes the allowance for losses which are measured at lifetime expected credit losses in the duration of previous financial reports, but on the current balance sheet day no longer meets the criteria for a significant increase in credit risk since initial recognition.
- B. Measurement of lifetime expected credit losses: including financial assets with credit risk significantly increased since initial recognition, or POCI financial assets.
- C. For accounts receivable or contract assets arising from transactions under IFRS 15, the Company uses lifetime expected credit losses to measure allowance for losses.
- D. For lease receivables arising from transactions under IFRS 16, the Company uses lifetime expected credit losses to measure allowance for losses.

In addition to the above assessments, the Company has also provided adequate allowance for bad debts in accordance with the “Guidelines for Handling Assessment of Assets, Overdue and Non-Performing Loans and Bad Debts by Insurance Enterprises,” and the amount shall not be lower than the following standards: (1) 0.5% of the 1st type loan assets after deducting from life insurance loans, advanced premiums, and the balance of claims to government agencies, and 2%, 10%, 50%, respectively, of the balances of claims of loan assets from 2nd to 5th types (attention required, recovery expected, recovery difficult, and recovery hopeless), as well as the total of all the balances. 2. 1% of the total of the 1st to 5th types of loan assets after deducting from life insurance loans, advanced premiums and the balance of claims to government agencies. 3. Overdue and non-performing loans that have been reasonably assessed as free of secured claims. 4. If the sum of the minimum allowances for bad debts assessed in accordance with the criteria stated above in the 1st to 3rd subparagraphs is lower than the amount required by generally accepted accounting principles, the latter shall prevail. If the competent authority requires that the allowance for bad debts of specific loan assets be increased in accordance with its standards and deadlines in order to strengthen the capacity for losses of the specific loan assets, the Company shall comply.

On each balance sheet day, the Company compares the changes in the default risk of financial instruments from the initial recognition day, in order to assess whether the credit risk of the financial instruments has increased significantly after the initial recognition. For further information about the credit risks, please see Note 7.

(3) Derecognition of financial assets

The Company’s financial assets are derecognized when one of the following conditions is met:

- A. The contractual rights from the cash flows of financial assets are terminated.
- B. The financial assets have been transferred and almost all the risks and rewards from the ownership of the assets have been transferred to others.
- C. Almost all risks and rewards of asset ownership have neither been transferred nor retained, but control of the assets has been transferred.

When a financial asset is derecognized as a whole, the difference between its book value and the received or receivable consideration plus any cumulative profits or losses recognized as other comprehensive profit or loss is recognized as gains and loss.

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(4) Financial liabilities and equity instruments

Classification of liabilities or equity

The liabilities and equity instruments issued by the Company are classified as financial liabilities or equity based on the substance of the contractual agreement and the definitions of financial liabilities and equity instruments.

Equity instruments

The Company's equity instruments refer to any contract with remaining equity after deducting all liabilities from assets. Equity instruments issued by the Company are recognized with the amount received deducting the cost of direct issuance.

Financial liabilities

Financial liabilities applicable to IFRS 9 are classified on initial recognition as financial liabilities measured at fair value through profit or loss or financial liabilities measured at amortized cost.

Financial liabilities at fair value through profit and loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated to be measured at fair value through profit or loss.

When one of the following conditions is met, financial liabilities are classified as held for trading:

- A. The main purpose of acquisition is to sell them in a short time;
- B. on initial recognition, it is a part of the portfolio of identifiable financial instruments under merger management, and there is evidence that the portfolio is to be operated for short-term profits in the near future; or
- C. Derivative instruments (except for financial guarantee contracts or designated derivatives that are effective hedging instruments).

For a contract containing one or more embedded derivatives, the overall hybrid (combined) contract can be designated as a financial liability measured at fair value through profit and loss; when one of the following factors is met to provide more relevant information, the hybrid contract can be designated on initial recognition as measured at fair value through profit and loss:

- A. The designation can eliminate or significantly reduce inconsistencies in measurement or recognition; or
- B. A group of financial liabilities or a group of financial assets and financial liabilities are managed and evaluated on the fair value basis, based on written risk management or investment strategies, and the information on the investment portfolio provided to the management within the consolidated company is also based on fair value.

The profits or losses out of remeasurement of such financial liabilities are recognized as gains and losses, including any interests paid for the financial liabilities.

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Financial liabilities measured at mortized cost

Financial liabilities measured at amortized cost include payables and lease liabilities, which are measured by the effective interest method after initial recognition. When financial liabilities are derecognized and amortized by the effective interest method, the related profit or loss and amortization are recognized as gains and losses.

The calculation of the amortized cost considers the discount or premium at the time of acquisition and transaction costs.

Derecognition of financial liabilities

A financial liability is derecognized when its obligation is discharged, cancelled or invalidated.

When the Company and creditors exchange debt instruments with materially different terms, or make major changes to all or part of the terms of existing financial liabilities (whether or not due to financial difficulties), the original liabilities are derecognized and new ones recognized, and when the financial liabilities are derecognized, the difference between their book values and the total considerations paid or payable (including transferred non-cash assets or liabilities assumed) is recognized as gains and losses.

(5) Offset of financial assets and liabilities

Financial assets and financial liabilities can be offset and listed on the balance sheet as a net amount only when the recognized amount currently has legal exercise rights of mutual offsetting and is intended to settle on a net amount or to realize assets and liquidate liabilities at the same time.

(6) Derivative instruments

The derivative instruments signed by the Company include forward foreign exchange contracts and exchange contracts, mainly for managing the risk of changes in exchange rates. The initial recognition and subsequent measurement of such derivatives are based on fair value, and when the fair value is positive, the derivatives are recognized as assets, otherwise recognized as liabilities.

(7) Overlay approach for financial assets

When the Company applied IFRS 9 for the first time, the overlay approach described in IFRS 4 “Insurance Contracts” was adopted, and for the designated financial assets, an amount was reclassified between gains and losses and other comprehensive profit or loss, making the gains and losses of the designated assets at the closing day of the reporting period equal to the gains and losses of such financial assets if designated to comply with IAS 39. Accordingly, the reclassified amount is the difference between the following two items:

- A. Gains and losses of the designated financial assets applicable to IFRS 9; and
- B. Gains and losses of such financial assets if designated to comply with IAS 39.

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A financial asset meets the specific requirements of the overlay approach only when the following conditions are met:

- A. The financial asset is applicable to IFRS 9 through gains and losses measured at fair value, but if IAS 39 is applied, it will not be measured at fair value through gains or losses as a whole; and
- B. The financial asset is not held for activities linked to contracts within the scope of IFRS 4 “Insurance Contracts.”

Thereafter, a financial asset is designated as qualified for overlay approach only when one of the following conditions is met:

- A. The asset is initially recognized; or
- B. The asset is newly qualified for being held for activities linked to the contract within the scope of the IFRS 4 “Insurance Contracts,” but previously did not meet the requirements.

The overlay approach should continue to be applied to the designated financial asset until it is derecognized; however, when the financial asset no longer meets the requirements of being held for activities linked to contracts within the scope of IFRS 4 “Insurance Contracts,” it should be de-designated; also, on the beginning day of any annual period, designations of financial assets to the overlay approach may all be ceased, and when such an act occurs, IAS 8 “Accounting Policy Changes” should be applied.

#### 6. Measurement at fair value

Fair value refers to the price under which an amount is received from selling an asset or paid for transferring a liability in an orderly transaction among market participants on the measurement day. The measurement of fair value assumes that the sale of assets or transfer of liabilities takes place in one of the following markets:

- (1) The main market for such assets or liabilities, or
- (2) If there is no such a main market, the most favorable market shall apply.

The main market or the most favorable market must be accessible by the market participants.

The fair value of an asset or a liability is assumed by the market participants to price the asset or liability, and it is assumed that the market participants are acting in their best economic interests.

The measurement at fair value of a non-financial asset takes into account the efficacy that the buyer will take the asset to its highest and best use or the seller will sell the asset to the counterpart who will take the asset to its highest and best use, in order to generate economic benefits.

The Company adopts evaluation techniques which allow collection of appropriate and sufficient information under relevant circumstances so as to measure fair values, as well as maximize the use of observable input values and minimize the use of unobservable input values.

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7. Property, plant, and equipment

Property, plant, and equipment are recognized based on the acquisition costs, and are listed after deducting accumulated depreciation and accumulated impairment. The said costs include the costs of dismantling and removing the property, plant and equipment and restoring the venue, as well as the necessary interests incurred out of unfinished projects. Significant components of the property, plant, and equipment are depreciated separately. Significant components of the property, plant and equipment that need to be periodically replaced are treated as individual assets, recognized based on their individual service life and depreciated separately. The book value of the replacement cost is derecognized in accordance with IAS 16 “Property, Plant and Equipment.” A major maintenance cost qualified for recognition is regarded as replacement cost and recognized as part of the book value of the equipment, while other repair and maintenance expenses are recognized as gains and losses.

Depreciation of the following assets is accrued using the straight-line method, based on the estimated service life:

Buildings and structures	5–50 years
Miscellaneous equipment	3.5~5 years

The property, plant and equipment or any of its significant components after initial recognition that are disposed of or not expected to generate inflow of economic benefits from future use or disposal are derecognized into gains and losses.

The residual value, service life and depreciation method of the property, plant and equipment are assessed at the end of each fiscal year, and if the expected value is different from the previous estimate, the change is regarded as a change in accounting estimates.

8. Investment property

The company’s own investment property is measured at the original cost, including the acquisition cost. The book value of investment property includes the cost of repairing or adding new investment to the property if only the cost is recognizable; however, the maintenance expenses incurred from day to day are not regarded as part of the cost. After initial recognition, the investment property, except for being qualified as a non-current asset held for sale (or included in the disposal group of being held for sale) according to IFRS 5 “Non-current Assets held for Sale and Discontinued Operations,” the measurement of investment property is based on the cost model in accordance with IAS 16 “Property, Plant and Equipment”; however, if it is held by the lessee as a right-of-use asset and regarded as not being held for sale according to IFRS 5, the stipulations of IFRS 16 are applied.

Depreciation of the following assets is accrued using the straight-line method, based on the estimated service life:

Buildings and structures	30–50 years
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Investment property is derecognized into gains and losses when it is disposed of or will no longer be used and economic benefits out of future disposal are not expected.

Assets are transferred into or out of investment property based on their actual use.

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When a property either meets or no longer meets the definition of investment property and evidence shows change of use, the property is either transferred into or out of investment property, accordingly.

9. Leases

On the execution date, a contract is assessed whether it is attributed to, or includes, leasing. If a contract has transferred control of use of identified assets for a period of time in exchange for consideration, it is (or includes) a lease. Whether a contract has transferred control of use of identified assets for a period of time is determined on the basis of the following two factors over the entire period of use:

- (1) Obtaining the right to almost all economic benefits from the use of the identified assets; and
- (2) The right to direct the use of the identified assets.

For a contract that is attributed to (or includes) a lease, the lease components in the contract are regarded as individual ones and are treated separately from the non-lease components. For a contract that includes one lease component and one or more additional lease or non-lease components, the consideration is allocated to the lease components, based on the relative stand-alone price of each lease component and the aggregate of stand-alone prices of the non-lease components. The relative stand-alone prices of lease and non-lease components are determined on the basis of the prices charged by the lesser (or similar suppliers) separately for the components (or similar components). If the observable stand-alone price is not readily available, the maximized observable information is used to estimate the stand-alone price.

The Company as a lessee

In addition to compliance and selection of short-term leases or leases of low-value target assets, when the Company is the lessee of the lease contract, all the leases are recognized using the right-of-use assets and lease liabilities.

The lease liabilities are measured at present value of the lease payment not yet paid on the commencement date. If the lease implied interest rate is easy to determine, the lease payment is discounted at the said implied interest rate. If it is not, the interest rate for the lessee's incremental borrowing is used. On the commencement date, the lease payments included in the lease liabilities include the following due payments related to the right-to-use assets during the lease period but not yet paid on that date:

- (1) Fixed payments (including substantive fixed payments), minus any collectable lease incentives;
- (2) Lease payments that vary depending on changes in an index or rate (initial measurement by the index or rate on the commencement date);
- (3) The amount expected to be paid by the lessee under the residual value guarantee;
- (4) The price of exercising the purchase option, if exercising the option is reasonably assured; and
- (5) The penalty payable for the termination of the lease, if in the lease period it shows that the lessee will exercise the option to terminate the lease.

After the commencement date, the lease liabilities are measured at amortized cost, and the effective interest rate method is used to increase the book value of the lease liabilities to reflect the interests on lease liabilities; fulfilled lease payments reduce the book value of lease liabilities.

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On the commencement date, the right-of-use asset is measured by the costs, which include:

- (1) The amount from initial measurement of the lease liabilities;
- (2) Any lease payments paid on or before the commencement date, minus any lease incentives received;
- (3) Any initial direct costs incurred by the lessee; and
- (4) The estimated cost for the lessee to dismantle and remove the target asset and restore the venue, or restore the target asset to the state required by the lease terms and conditions.

The right-of-use asset is subsequently measured by deducting the accumulated depreciation and accumulated impairment loss from the cost, i.e. using the cost model to measure the right-of-use asset.

If the ownership of the target asset is transferred to the Company, or if the cost of the right-of-use asset reflects that the company will exercise the purchase option, when the lease period expires, the right-of-use asset is depreciated from the commencement date till the end of the service life of the target asset. Otherwise, the right-of-use asset is depreciated from the commencement date till the end of the service life of the right-of-use asset or till the expiration of the lease period, whichever is earlier.

The Company applies IAS 36 “Impairment of Assets” to determine whether the right-of-use asset is impaired and deal with any identified impairment losses accordingly.

In addition to compliance and selection of short-term leases or leases of low-value target assets, the right-of-use assets and lease liabilities are listed in the balance sheet, and the lease-related depreciation and interests are listed in the consolidated income statement.

For short-term leases and leases of low-value target assets, the lease payments are recognized as expenses on a straight-line basis or another systematic basis during the lease period.

#### The Company as a lesser

The leases are classified into operating and financial ones on the date of contract establishment. A lease transferring almost all the risks and rewards attached to the ownership of the target asset is classified as a financial lease; otherwise, as an operating lease. On the commencement date, the assets held under the financial leases are listed in the balance sheet as financial lease payments receivable based on the net lease investment.

For contracts including lease and non-lease components, the consideration in the contract is allocated in accordance with IFRS 15.

The lease payments out of operating leases are recognized as rental income on a straight-line basis or another systematic basis. Variable lease payments of operating leases that are not dependent on a certain index or rate are recognized as rental income when they occur.



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10. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of an intangible asset acquired through a merger is the fair value on the acquisition date. An intangible asset after being initially recognized has its book value based on its cost minus accumulated amortization and accumulated impairment losses. An internally generated intangible asset not qualified for recognition is not capitalized; instead, it is recognized as gains and losses when it occurs.

The service life of intangible assets is assessed as limited.

The intangible asset with a limited service life is amortized over its service life, and an impairment test is performed when a sign of impairment appears. The amortization period and amortization method of intangible assets with limited service life are reviewed at least at the end of each fiscal year. If the estimated service life of an asset is different from the previous estimate or the expected pattern of future economic benefit consumption has changed, the amortization method or amortization period are adjusted and considered as changes in accounting estimates.

The profit or loss arising from derecognition of intangible assets is recognized as gains and losses.

11. Impairment of non-financial assets

On the closing date of each reporting period, assets applicable to IAS 36 are assessed for signs of impairment. If an asset has signs of impairment or is scheduled for an annual impairment test, the asset or the cash-generating unit of the asset is the test target. If the book value of the tested asset or its cash-generating unit is greater than its recoverable amount, an impairment loss is recognized. The recoverable amount is the net fair value or use value, whichever is greater.

At the end of each reporting period, assets other than goodwill are assessed for signs that the impairment loss previously recognized is reduced or no longer exists. If such signs appear, the recoverable amount of the asset or its cash-generating unit is assessed. If the recoverable amount increases due to changes in the estimated service potential of the asset, the impairment loss is reversed. However, if the book value after the reversal does not exceed the value before the impairment loss was recognized, the accrued depreciation or amortization is deducted from the book value.

The impairment loss and the number of reversals of continuing operations are recognized as gains and losses.

12. Segmentation requirements for specific assets

The Company's business of compulsory automobile liability insurance (hereinafter referred to as the Insurance) is based on Article 4 of the "Regulations for the Accounting Arrangement and Procedure of Submitting Business and Financial Reports of Compulsory Automobile Liability Insurance" stipulated in Article 47, Paragraph 3 of the "Compulsory Automobile Liability Insurance Act" for the insurance-related accounting.

The special reserve fund for the Insurance in accordance with Article 5 of the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance" is used for purchase of treasury bills or time deposits in financial institutions. However, funds approved by the competent authority may be used to purchase the following domestic securities:

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- (1) Non-exchangeable government bonds;
- (2) Financial bonds, negotiable certificates of deposit, bank acceptance drafts, commercial promissory notes guaranteed by financial institutions. However, financial bonds are limited to general financial bonds.

The amount of the purchased treasure bills and the time deposits in financial institutions shall not be less than 30% of the total retained pure premiums earned that has been certified by a CPA in the most recent period, and the competent authority may also consider the Company's operations to appropriately increase the lower limit of loan-deposit ratio of the time deposits.

If the balance of the special reserve fund has not reached 30% of the retained pure premiums earned that has been certified by a CPA in the most recent period, the reserve shall be fully used to purchase treasure bills or for time deposits in financial institutions.

In accordance with Article 6 of the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance," the funds (various reserves, payables, temporary credits and pending transfers) held for the Insurance, except for special reserves as stipulated above, shall be used for demand deposits and time deposits in financial institutions. However, funds approved by the competent authority may be used to purchase the following domestic securities:

- (1) Treasury bills;
- (2) Negotiable certificates of deposit, bank acceptance drafts, and commercial promissory notes guaranteed by financial institutions;
- (3) Repurchase government bonds.

The above demand deposits in financial institutions shall neither be less than 45% of the funds held by the Company for the Insurance after deducting the special reserve and nor be less than 30% of the retained pure premiums earned that has been certified by a CPA in the most recent period, and the competent authority may appropriately increase the loan-deposit ratio of the demand deposits based on the Company's operating conditions.

If the total amount of unearned premium reserve and claims reserve of the Insurance is less than 30% of the retained pure premiums earned that has been certified by a CPA in the most recent period, the funds held for the Insurance shall be fully used for demand deposits in financial institutions.

In accordance with Article 11 of the "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance," when the property insurance business ceases to operate or ceases to deal with the aforementioned insurance, the various reserves of such insurance shall be transferred and merged into the various reserves of other insurers undertaking such insurance. If there is no other insurer to undertake such insurance, and the liability for the Insurance is over and the special reserve has a positive balance, the asset corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

When the property insurance business is ordered to suspend operations for liquidation, or ordered to dissolve, or its license for the Insurance is revoked, if no other insurer undertakes the Insurance, and the liability for the Insurance is over and the special reserve has a positive balance, the asset corresponding to the special reserve shall be transferred to the Motor Vehicle Accident Compensation Fund.

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13. Classification of insurance contracts

An insurance contract refers to an agreement in which the insurer accepts the transfer of significant insurance risks from the policyholder, and agrees to compensate the policyholder when an uncertain event (insurance event) occurs in the future and causes damage to the policyholder. The significant insurance risks refer to the occurrence of any insurance event that causes the Company to pay significant amounts of additional benefits.

An insurance contract with a financial product nature refers to a contract that transfers significant financial risks. The financial risk refers to the risk that one or more specific interest rates, financial product prices, commodity prices, exchange rates, price indices, rate indices, credit ratings, credit indices or other variables may change in the future. If any of the above variables is non-financial, it is not regarded as held by a party to the contract.

An insurance policy that meets the definition of an insurance contract at initial judgment remains an insurance contract before all its rights and obligations disappear or expire, even if the insurance risks it undertakes during the policy period has been significantly reduced. However, if an insurance contract with a financial product nature transfers significant insurance risks to the Company after its renewal, it is reclassified as an insurance contract.

14. Insurance liability

The insurance liability reserve provided for insurance contracts is based on the “Regulations on Insurance Companies Various Reserves,” “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance,” “Risk Spreading Mechanism of Residential Earthquake Insurance,” “Regulations on Property Insurance Companies Various Reserves for Energy Insurance,” “Property Insurance Companies Reserves for Commercial Earthquake Insurance and Typhoon Flood Insurance,” and “Notes on Strengthening Property Insurance Companies Reserves for Natural Disaster Insurances (Commercial Earthquake Insurance and Typhoon Flood Insurance),” and certified by an FSC-licensed actuary. The insurance liability reserves are provided as follows:

(1) Unearned premium reserve

For valid contracts not yet expired or underwriting risks not yet terminated during the insurance period, the unearned premium reserve is set aside based on calculated unexpired risks of individual insurances.

(2) Claims reserve

The claims reserve is calculated based on the insurance types and past claims experience and expenses by actuarial principles, and provided in accordance with the reported but not settled (RBNS) and unreported claims, while the RBNS claims are calculated on a case-by-case basis by the insurance types.

(3) Special reserves

Special reserves are divided into “Special Reserves for Major Accidents” and “Special Reserves for Risk Changes,” and in accordance with IAS 12 “Income Taxes,” the annually added provisions are deducted by the income taxes and listed in the special surplus reserve under equity. The amount to be written down or recovered as required by statutory regulations and deducted by income tax in accordance with IAS 12 can be carried out from the appropriated retained earnings of the special surplus reserve under equity.

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On January 1, 2013, the special reserves initially set aside under insurance liabilities, including special reserves for major accidents and special reserves for risk changes for insurance types other than compulsory automobile liability insurance, nuclear energy insurance, policy-based basic residential earthquake insurance, commercial earthquake insurance, and typhoon flood insurance, have the highest priority to supplement the special reserves for major accidents and special reserves for risk changes to full level, listed under liabilities, and in accordance with IAS 12, the special reserves for major accidents and special reserves for risk changes of other insurance types are deducted by income taxes and listed in the special surplus reserve under equity.

Special reserves for major accidents

The reserve for each insurance type is set aside in accordance with the ratio of special reserve for major accidents as stipulated by the competent authority.

For an accident qualified for the major disaster conditions issued by the authority, where the total amount of individual company's accumulated retained claims for each insurance type amounts to NT\$30,000 thousand, and the total amount of the overall property insurance industry's claims payable for each insurance type exceeds NT\$2,000,000 thousand, the claims can be written down from the special reserve for the major accidents.

Major accident special reserves for commercial earthquake insurance and typhoon flood insurance provided for more than 30 years can be withdrawn; major accident reserves for other insurance types provided for more than 15 years can have a withdrawal mechanism established by an actuary and sent to the competent authority for reference.

Special reserves for risk changes

When the balance of the actual indemnity of an insurance written down from the insurance's major accident special reserve exceeds the expected indemnity, if it is a commercial earthquake insurance or a typhoon flood insurance, a special reserve for risk changes equal to 75% of the difference is set aside, and for the other insurance types, the special reserve is 15% of the difference.

When the balance of the actual indemnity of an insurance written down from its special reserve for major accidents exceeds the expected indemnity, the excess may be written down from the special reserve for risk changes. If the special reserve for risk changes is insufficient to write down the indemnity, special reserves for risk changes provided for other insurance types may be used for the write-down, and the insurance types as well as the amounts of the substitute write-down should comply with relevant regulations set by the competent authority and sent to the authority for reference.

When the accumulated special reserve for the risk changes in commercial earthquake insurance exceeds 18 times its current year's retained premiums earned, or such a reserve for the typhoon flood insurance exceeds 8 times its current year's retained premiums earned, or such a reserve for the accident insurance or the health insurance exceeds 30% of its current year's retained premiums earned, or such a reserve for other type insurance exceeds 30% of its current year's retained earned premium, the excess is withdrawn.

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(4) Premium insufficiency reserve

The unexpired contracts or undertaken risks during the insurance period are assessed for possible claims and expenses in the future, and if the assessment exceeds the unearned premium reserve and expected future premium revenues, the premium insufficiency reserve is provided.

(5) Reserve for Liabilities

The minimum liability reserve of a health insurance with a period of more than one year is regularly revised on an annual basis. The liability reserve for a health insurance with special features is determined by the competent authority.

15. Liability adequacy test

In accordance with Article 24-1 of the “Regulations on Insurance Companies Various Reserves” to test an insurance contract for its liability adequacy required by IFRS 4, the insurance’s future cash flow is assessed based on the current information on each balance sheet date to test the adequacy of recognized insurance liabilities, and a reserve for the inadequacy is provided based on the principle of actuarial practice.

16. Treasury stock

Treasury stocks are recognized at the acquisition cost and listed as a deduction of equity. The trading spread of treasury stocks is recognized under equity.

17. Share-based payment transactions

The cost of stock-based payment transactions between the Company and employees for equity delivery is measured at fair value of the equity instrument on the date of grant, and the fair value is measured by an appropriate pricing model. The date that the subscription price and the number of shares are confirmed is the grant date, on which the expenses are recognized at the fair value of the equity instruments, and the equity is increased accordingly.

18. Insurance premium revenues and acquisition costs

The insurance premium revenues of the direct underwriting business are recognized based on all the insurance policies undertaken and approved in the current period; the ceded-in reinsurance premium revenues are regularly booked on the bill arrival date, and on the balance sheet date the unreached reinsurance premium revenues are assessed with a reasonable and systematic method. The related acquisition costs (such as commission expenses, agency fees, handling fees and reinsurance commissions) are recognized in the same period without being deferred.

The unearned premium reserve is set aside for valid insurance contracts not expired or with undertaking risks not yet terminated during the insurance period, and the unearned premiums are calculated based on the unexpired risks of individual insurances, for which the reserves are set aside by the insurance categories.

The unearned premium reserve for the compulsory automobile liability insurance is set aside in accordance with the provisions of the “Regulations for the Various Reserves for Compulsory Automobile Liability Insurance.”

The unearned premium reserve for the residential earthquake insurance is set aside in accordance with the “Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.”

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The unearned premium reserve for the nuclear energy insurance is set aside in accordance with the “Regulations on Property Insurance Companies Various Reserves for Energy Insurance” (Jinguanbaocai Zi No. 10102517091).

Unless otherwise stipulated by laws, provision for the unearned premium reserve is decided by an actuary based on the insurance attributes, and the amount (no change permitted unless approved by the competent authority) is certified by a certified actuary.

Taxes related to insurance business incomes are recognized on an accrual basis in accordance with the laws of value-added taxes, non-value-added taxes and stamp taxes.

#### 19. Costs of insurance claims

Insurance claims of direct underwriting are recognized based on the reported and settled claims (including indemnity expense) incurred and accepted in the current period, and if the claims department has determined the amount of the claims while the accounting and financial department has not yet performed the payment procedure, or if the claims department has not yet determined the amount of the claims, the claims are estimated according to actual data on a case-by-case basis by insurance category, and recognized as a net change in reserve for RBNS claims.

The reinsurance claims of ceded-in reinsurance are booked on the bill arrival date, and on the balance sheet date, unreached reinsurance claims are estimated with a reasonable and systematic method and recognized as a net change in the claims reserve.

Unreported insurance claims of ceded-in reinsurance and direct underwriting are calculated based on past claims experience and expenses by the insurance type, in accordance with actuarial principles, and are recognized as a net change in the reserve for unreported claims.

The claims recoverable from reinsurers (including claim expenses) of a ceded reinsurance contract, if already paid, are recognized as claims recovered from reinsurers; if they are RBNS or unreported (including claim expenses), they are recognized as a net change in the claims reserve.

The claims reserve is not calculated by discount.

Claims reserve for the compulsory automobile liability insurance is set aside in accordance with the “Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.”

Claims reserve for the residential earthquake insurance is set aside in accordance with the “Risk Spreading Mechanism of Residential Earthquake Insurance.”

Claims reserve for the nuclear energy insurance is set aside in accordance with the “Regulations on Property Insurance Companies Various Reserves for Energy Insurance” (Jinguanbaocai Zi No. 10102517091).

#### 20. Undertaking remnants and subrogation rights

The remnants of the direct underwriting business that are accepted by law as a result of the claims settlement are recognized at fair value; for the right of recovery of the equity of an underwriting object obtained by law, if the actual recovery situation is clear (likely future inflow of economic benefits) and the amount can be reliably measured, it is recognized.

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21. Reinsurance

In order to limit the amount of losses that may be caused by certain risk exposure events, the Company operates the reinsurance business in accordance with the business needs and relevant insurance laws and regulations. For the ceded reinsurance, the Company shall not refuse to perform its obligations to the insured on the grounds that the reinsurer has failed to perform its obligations.

The ceded reinsurance business is recognized as reinsurance expenses by ceded reinsurance contracts. Its financial report includes considerations for the deadline and should be consistent with the premium revenues. On the balance sheet date, unreached reinsurance expenses are estimated with a reasonable and systematic method. Its related income (e.g. reinsurance commission income) are recognized in the same period. The relevant reinsurance gains and losses are not deferred.

Reinsurance reserves include: ceded unearned premium reserve, ceded claims reserve, ceded liability reserve, ceded premium insufficiency reserve, and ceded liabilities adequacy reserve, which are the rights to the reinsurer in accordance with the “Regulations on Insurance Companies Various Reserves” and the reinsurance contracts.

The Company’s rights to the reinsurer are reinsurance contract assets, including reinsurance reserve assets, claims recoverable from reinsurers, and net due from reinsurers and ceding companies, which are regularly assessed to determine whether they have been impaired or cannot be recovered. When objective evidence shows that events that occurred after the initial recognition of the reinsurance contract assets may make it impossible to recover all of the receivables specified in the contract, and the impact on the amounts recoverable from the reinsurer can be reliably measured, the portion of the recoverable amounts less than the book value of the reinsurance contract assets is recognized as impairment losses. The reinsurance contracts are classified by determining whether they transfer significant insurance risks to the reinsurer, and if not, the contracts are measured and recognized by deposit accounting.

22. Co-insurance organization, co-insurance and guarantee fund agreement

The Company has entered into a “Compulsory Automobile Liability Insurance Co-Insurance Contract” with all member companies that have been approved by the competent authority to operate compulsory automobile liability insurance, agreeing that all the underwritten business is included in the co-insurance, and violators must pay liquidated damages, and the co-insurance organization may audit the business. The underwritten co-insurance business is calculated based on pure premiums, which are allocated according to the agreed co-insurance ratio. Any member company participating in the co-insurance shall not arbitrarily withdraw from the business, except for liquidation or closure. Ceasing to operate the automobile liability insurance business spells withdrawal from the co-insurance at the same time, and the natural maturity mechanism is applied to the unexpired liabilities.

The company has entered into a “Travel Agency Performance Bond Co-Insurance Contract” with property insurance companies in the underlying business and reinsurance companies, agreeing that all the underwritten business is included in the co-insurance, and violators must pay liquidated damages, and the co-insurance organization may audit the business. The underwritten co-insurance business is calculated based on the inclusion of co-insurance premiums (i.e. risk premiums), and each member company bears its own co-insurance liabilities according to its underwriting portion, and is not jointly liable. A member company may notify the co-insurance organization in writing to withdraw from the co-insurance three months before the beginning of the following year; its initial co-insurance underwriting portion remains till the end of the current year, and it continues to be responsible for the unfulfilled liabilities till their natural maturity.

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23. Stability fund

To protect the basic rights and interests of the insured and maintain financial stability according to Article 143-1 of the Insurance Law, a stability fund is established, of which a fund for compulsory insurance is set aside with the contribution rate based on Article 44 of the Compulsory Automobile Insurance Act, and another fund for non-compulsory insurance is also set aside according to the "Life Insurance and Property Insurance Stability Fund Contribution Standard," both of which are deposited in the Property Insurance Stability Fund, and booked under the account of Stability Fund Expenditure.

24. Retirement Benefits Plan

The Company's employee retirement plan is applicable to all employees who are officially employed, and a retirement fund is fully set aside for the management by the Supervisory Committee of Business Entities' Labor Retirement Reserve and deposited into a dedicated pension fund account; since the retirement fund is deposited in the name of the committee, it is completely separated from the Company, and therefore not included in the above financial statements.

For the post-retirement benefit plan of the defined contribution plan, the monthly pension contribution rate shall not be less than 6% of the employee's monthly salary, and the amount allocated is recognized as current expenses.

The post-retirement benefit plan of the defined benefit plan is listed based on an actuarial report with the projected unit credit method on the closing date of the reporting period. The remeasurement of the net defined benefit liability (asset) includes any changes in the return of plan assets and the impact of the asset ceiling, minus the net interest of the net defined benefit liability (asset), and actuarial gains and losses. When the remeasurement of the net defined benefit liability (asset) occurs, it is listed under other comprehensive profit or loss, and immediately recognized in retained surplus. The service cost of previous period is the amount of change in the present value of the defined benefit obligation caused by the planned revision or reduction, and is recognized as an expense on the earlier date of the following two:

- (1) When the planned revision or reduction occurs; and
- (2) When the related restructuring costs or resignation benefits are recognized.

The net interest of the net definite benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both of which are determined at the beginning of the annual reporting period, and then in consideration of any change in the net defined benefit liability (asset) due to the appropriated amount and benefit payment.

When the loss is recognized as gains and losses, any exchange component of the profit or loss is recognized as gains and losses.

25. Taxation

The income tax expense (benefit) refers to the aggregate amount related to the current income tax and deferred income tax included in the current gains and losses.

Income tax expenses in the current period

The current income tax liability (asset) related to the current and previous periods is measured by the tax rate and tax laws that have been legislated or substantively legislated at the end of the reporting period. The current income tax and those recognized as other comprehensive profit or loss or directly recognized as equity are respectively recognized as other comprehensive profit or loss other than gains and losses.

The additional profit-making enterprise income tax on the undistributed surplus is recognized as income tax expense on the day when the shareholders' meeting decides the surplus distribution.



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Deferred tax

The deferred income tax is calculated based on the temporary difference between the tax basis of assets and liabilities and the book value on the balance sheet at the end of the reporting period.

Except for the following two, all the taxable temporary differences are recognized as deferred income tax liabilities:

- (1) The initial recognition of goodwill; or the initially recognized assets or liabilities that are not generated by a business merger and does not affect accounting profits at the time of the transaction, nor does it affect the taxable incomes (losses);
- (2) Taxable temporary differences arising from investment in subsidiaries, affiliates and joint agreement equity, whose reversal timing is controllable and is unlikely to be reversed in the foreseeable future.

Except for the following two, deductible temporary differences, unused tax losses and deferred income tax assets arising from unused tax deductions are recognized within the range of possible future taxable incomes:

- (1) Deductible temporary differences related to the initially recognized assets or liabilities from non-merger transactions that neither affect accounting profits nor taxable incomes (losses) at the time of the transaction;
- (2) Deductible temporary differences related to investment in subsidiaries, affiliates, and joint agreement equity that are likely to be reversed only in the foreseeable future, and recognized with sufficient taxable income at the time of reversal for use by the temporary differences.

Deferred income tax assets and liabilities are measured by the tax rate for the period in which the assets are expected to be realized or the liabilities settled, and the tax rate is based on the tax rate and tax law that has been legislated or substantively legislated at the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences arising from the book value of the assets expected to be recovered or the liabilities to be settled at the end of the reporting period. The deferred income tax related to items not recognized as gains and losses is not recognized as gains and losses; instead, it is recognized as other comprehensive profit or loss or directly as equity depending on it transaction. Deferred income tax assets are reviewed and recognized at the end of the reporting period.

The deferred income tax assets and liabilities have the statutory enforcement power to offset only the current income tax assets and liabilities, where the deferred income tax belongs to the same taxpayer and levied by the same tax authority.

5. Main Source of Significant Accounting Judgment, Estimates and Assumptions Uncertainty

The preparation of the Company's financial statements requires the corporate management to make judgments, estimates and assumptions at the end of the reporting period, which affects the disclosure of revenues, expenses, and assets and liabilities as well as contingent liabilities. However, the uncertainties in these major assumptions and estimates may result in significant future adjustments to the book value of the assets or liabilities.

1. Judgments

In the process of adopting the Company's accounting policies, the corporate management makes the following judgments that have a significant impact on the amounts recognized in the financial statements:

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- (1) The level of significance of insurance risk transfer measured based on the risk ratio of the initial insurance policy.

Insurance policy risk ratio

= (Amount paid by the insurance company under the scenario of an insured accident/Amount paid by the insurance company under the scenario of a non-insured accident-1)×100%

The initial insurance policy that meets one of the following conditions is recognized as an insurance contract:

- A. The insurance period is greater than or equal to 5 years, and at least 5 policy years with the risk ratio greater than 10% (or 5%);
- B. The insurance period is less than 5 years, and more than half of the policy years with the risk ratio greater than 10% (or 5%).

The formula to calculate the insurance risk ratio shows that apparently property insurance policies usually meet the conditions for transferring significant insurance risks, and therefore insurers can often directly recognize most property insurance policies as insurance contracts without calculating the risk ratio of the initial insurance policy.

- (2) Use the risk ratio of the reinsurance policy to measure the level of significance of the insurance risk transfer.

The reinsurance policy risk ratio = ( $\Sigma$  present value of the net loss incurred by the ceded-in reinsurer × probability of occurrence/present value of the expected premium of the ceded-in reinsurer) × 100%

The reinsurance policy with risk ratio greater than 1% is recognized as a reinsurance contract.

## 2. Estimates and assumptions

The main information source of uncertainty about the future estimates and assumptions made at the end of the reporting period has a significant risk of causing significant adjustments in the book value of assets and liabilities in the next fiscal year. It is described as follows:

- (1) Fair value of financial instruments

When the fair value of financial assets and financial liabilities recognized on the balance sheet cannot be obtained from the active market, the fair value is determined using valuation techniques, including income approach (such as discounted cash flow model) or market approach, whose assumed changes will affect the fair value of the reported financial instruments. Please see Note 7 for details.

- (2) Insurance liabilities

The insurance liabilities are measured in accordance with the “Regulations on Insurance Companies Various Reserves”

The unearned premium reserve is calculated based on the unexpired risks by risk types, and the reserves are set aside in accordance with the risk characteristics determined by the actuary.

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The claim reserve is estimated based on the past claim experiences and settlement expenses and actuarial principles. The main assumptions are the loss development factor and the expected claim rate, leading to the final indemnity cost. The loss development factors and expected claim rates are based on the Company's historical claim experiences, taking into account adjustments to the Company's policies such as fee rates and claims management.

The estimation of the liability adequacy reserve complies with the "Actuarial Standards of Practice of Promulgation 40 - Contract Classification and Liability Adequacy Test" promulgated by the Actuarial Association of Chinese Taipei. When the liability adequacy reserve is assessed, the current estimate of the insurance contract future cash flow is based on reasonable estimation of future insurance benefits, premium revenues and related expenses.

The professional judgment used in the above liability assessment affects the net change in insurance liabilities and the insurance liabilities recognized in the financial statements.

(3) Reinsurance reserve asset

It includes ceded unearned premium reserve, ceded claims reserve, ceded liability reserve, ceded premium deficiency reserve, and ceded liability adequacy reserve. The reserves are estimated in accordance with the "Regulations on Insurance Companies Various Reserves" and by the terms of the reinsurance contracts.

(4) Post-retirement benefit plan

The pension costs of the post-retirement benefit plan and the present value of the defined benefit obligations are decided by the actuarial valuation. The actuarial valuation involves a variety of assumptions, including: determined discount rates as well as increases in future wages, mortality and pension payments. For detailed descriptions of the assumptions used to measure the pension costs and the defined benefit obligations, please see Note 6.

6. Major accounting items described

1. Cash and cash equivalents

(1) This item is detailed as follows:

Item	2020.12.31	2019.12.31
Cash on hand	\$8,395	\$9,863
Working capital	2,098	2,688
Check deposit	38,503	19,648
Demand deposits	2,151,286	2,066,838
Time deposits	8,775,486	7,508,442
Total	<u>\$10,975,768</u>	<u>\$9,607,479</u>

(2) For the guarantee provided with the Company's bank deposits, please see Note 9.

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2. Accounts receivable

(1) This item is detailed as follows:

Item	2020.12.31	2019.12.31
Notes receivable	\$311,664	\$194,201
Notes receivable- Non-performing loans	56	169
Less: Allowance for losses	(3,172)	(2,111)
Net amount	<u>\$308,548</u>	<u>\$192,259</u>
Insurance premium receivable	\$949,649	\$1,127,796
Insurance premium receivable – Non-performing loans	103,728	306,567
Less: Allowance for losses	(24,480)	(46,782)
Net amount	<u>\$1,028,897</u>	<u>\$1,387,581</u>
Other receivables	\$521,609	\$264,590
Other receivable- Non-performing loans	246	168
Less: Allowance for losses	(2,294)	(1,547)
Net amount	<u>\$519,561</u>	<u>\$263,211</u>

(2) The aging analysis of accounts receivable:

Item	2020.12.31	2019.12.31
Notes receivable		
Less than 90 days	\$311,664	\$194,201
91–365 days	56	169
More than 366 days	-	-
Total	<u>\$311,720</u>	<u>\$194,370</u>
Insurance premium receivable		
Less than 90 days	\$949,649	\$1,127,796
91–365 days	94,792	292,155
More than 366 days	8,936	14,412
Total	<u>\$1,053,377</u>	<u>\$1,434,363</u>
Other receivables		
Less than 90 days	\$496,540	\$250,050
91–365 days	23,765	13,856
More than 366 days	1,550	852
Total	<u>\$521,855</u>	<u>\$264,758</u>

(3) The Impairment is assessed according to the “Guidelines for Handling Assessment of Assets, Overdue and Non-Performing Loans and Bad Debts by Insurance Enterprises” and IFRS 9. For the details of allowance for losses, please see Note 7.

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3. Financial assets and financial liabilities measured at fair value through profit or loss

(1) This item is detailed as follows:

Item	2020.12.31	2019.12.31
Financial assets compulsorily measured at fair value through profit or loss:		
Fund	\$1,374,197	\$1,745,850
Stock	4,723,517	3,802,904
Financial bonds	51,081	52,925
Asset securities	928,796	661,868
Derivatives	100,702	74,700
Total	<u>\$7,178,293</u>	<u>\$6,338,247</u>
Item	2020.12.31	2019.12.31
Financial liabilities compulsorily measured at fair value through profit or loss:		
Derivatives	<u>\$3,831</u>	<u>\$-</u>

(2) No guarantee provided for the financial assets measured at fair value through profit or loss.

(3) For the details of derivatives, please see Note 23.2.

(4) Since the application of IFRS 9, the Company has also adopted the overlay approach of IFRS 4 “Insurance Contracts” to express the gains and losses of designated financial assets. The financial assets related to the invested insurance contracts and designated to the overlay approach are as follows:

Item	2020.12.31	2019.12.31
Financial assets compulsorily measured at fair value through profit or loss:		
Fund	\$1,374,197	\$1,745,850
Stock	4,723,517	3,802,904
Asset securities	928,796	661,868
Total	<u>\$7,026,510</u>	<u>\$6,210,622</u>

(5) In 2020 and 2019 respectively, the amounts of reclassification between gains and losses and other comprehensive profit or loss of such financial assets designated to the overlay approach are as follows:

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	<u>2020</u>	<u>2019</u>
The profits (losses) of gains and losses applied with IFRS 9.	\$898,470	\$672,154
If IAS 39 is applied for the (profits) losses of gains and losses,	<u>(437,070)</u>	<u>(392,582)</u>
the reclassified profits (losses) are applied with the overlay approach.	<u>\$461,400</u>	<u>\$279,572</u>

Due to the adjustment of the overlay approach, the profits of the 2020 and 2019 financial assets measured at fair value through profit or loss changed from NT\$ 1,066,489 thousand to NT\$ 605,089 thousand and from NT\$ 692,528 thousand to NT\$ 412,956 thousand, respectively.

4. Financial assets measured at fair value through other comprehensive profit or loss

(1) This item is detailed as follows:

<u>Item</u>	<u>2020.12.31</u>	<u>2019.12.31</u>
Equity instruments measured at fair value through other comprehensive profit or loss:		
Unlisted stocks (including OTC)	\$292,104	\$345,515
Preference shares	614,325	636,423
Debt instruments measured at fair value through other comprehensive profit or loss:		
Corporate bonds	412,150	370,132
Total	<u>\$1,318,579</u>	<u>\$1,352,070</u>

(2) The 2020 and 2019 dividend incomes from equity instruments measured at fair value through other comprehensive profit or loss are as follows:

	<u>2020</u>	<u>2019</u>
Investments still held on the balance sheet date	\$41,622	\$22,705
Dividend income recognized in the current period	<u>\$41,622</u>	<u>\$22,705</u>

(3) The 2020 and 2019 derecognitions of unlisted stocks liquidated from the equity instruments measured at fair value through other comprehensive profit or loss are as follows:

	<u>2020</u>	<u>2019</u>
The fair value on the derecognition date	\$5,702	\$6,222
The cumulative unrealized valuation profits (losses) from the disposal of retained earnings transferred from other equity.	(350)	(4,066)

(4) No guarantee provided for the financial assets measured at fair value through other comprehensive profit or loss. For details of relevant credit risks, please see Note 7.

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5. Financial assets at amortized cost

Item	2020.12.31	2019.12.31
Government bonds	\$533,792	\$586,870
Corporate bonds	5,101,391	4,935,857
Financial liabilities	685,705	1,046,856
minus: Refundable deposits	(533,656)	(566,590)
Less: Allowance for losses	(9,879)	(5,309)
Total	<u>\$5,777,353</u>	<u>\$5,997,684</u>

There was no disposal of financial assets measured at amortized cost in 2020; the disposition benefit of NT\$ 3,842 thousand was generated from early redemption in 2019.

The security deposit takes the government bonds as its collateral and re-recognized as a refundable deposit. Please see Note 9 for more information. For information about the credit risks, please see Note 7.

6. Reinsurance contract assets

Item	2020.12.31	2019.12.31
Claims Recoverable from Reinsurers - net	\$396,648	\$299,216
Claims Recoverable from Reinsurers – Non-Performing Loans	-	-
Less: Allowance for losses	(3,967)	(2,996)
Net amount	<u>\$392,681</u>	<u>\$296,220</u>
Due from Reinsurers & Ceding Companies	\$346,596	\$364,383
Due from Reinsurers & Ceding Companies – Non-Performing Loans	72,962	60,463
Less: Allowance for losses	(27,765)	(20,134)
Net amount	<u>\$391,793</u>	<u>\$404,712</u>
Reinsurance reserve assets		
Ceded unearned premium reserve	\$2,664,359	\$2,361,437
Ceded Reserve for Claims	4,332,554	2,777,641
Total	<u>\$6,996,913</u>	<u>\$5,139,078</u>

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7. Property, plant, and equipment

(1) This item is detailed as follows:

	Land	Buildings and structures	Miscellaneous equipment	Prepayments for equipment	Total
Costs:					
2020.1.1	\$695,661	\$497,951	\$402,749	\$25,242	\$1,621,603
Additions	-	758	18,191	21,829	40,778
Disposition	-	-	(20,662)	-	(20,662)
Transfer	(8,425)	(17,150)	22,129	(27,438)	(30,884)
2020.12.31	<u>\$687,236</u>	<u>\$481,559</u>	<u>\$422,407</u>	<u>\$19,633</u>	<u>\$1,610,835</u>
2019.1.1	\$635,206	\$458,540	\$392,549	\$17,881	\$1,504,176
Additions	60,455	39,411	14,171	25,369	139,406
Disposition	-	-	(10,706)	-	(10,706)
Transfer	-	-	6,735	(18,008)	(11,273)
2019.12.31	<u>\$695,661</u>	<u>\$497,951</u>	<u>\$402,749</u>	<u>\$25,242</u>	<u>\$1,621,603</u>
Depreciation & impairment:					
2020.1.1	\$-	\$(213,433)	\$(298,097)	\$-	\$(511,530)
Depreciation	-	(7,839)	(38,932)	-	(46,771)
Disposition	-	-	18,886	-	18,886
Transfer	-	8,615	-	-	8,615
2020.12.31	<u>\$-</u>	<u>\$(212,657)</u>	<u>\$(318,143)</u>	<u>\$-</u>	<u>\$(530,800)</u>
2019.1.1	\$-	\$(206,162)	\$(273,222)	\$-	\$(479,384)
Depreciation	-	(7,271)	(35,374)	-	(42,645)
Disposition	-	-	10,499	-	10,499
2019.12.31	<u>\$-</u>	<u>\$(213,433)</u>	<u>\$(298,097)</u>	<u>\$-</u>	<u>\$(511,530)</u>
Net book values:					
2020.12.31	<u>\$687,236</u>	<u>\$268,902</u>	<u>\$104,264</u>	<u>\$19,633</u>	<u>\$1,080,035</u>
2019.12.31	<u>\$695,661</u>	<u>\$284,518</u>	<u>\$104,652</u>	<u>\$25,242</u>	<u>\$1,110,073</u>

(2) No guarantee provided for the above assets.



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8. Investment property

(1) This item is detailed as follows:

	Land	Buildings and structures	Prepayments for premises	Total
Costs:				
2020.1.1	\$2,017,790	\$459,344	\$-	\$2,477,134
Additions	-	699	114,698	115,397
Transfer	8,425	17,150	-	25,575
2020.12.31	<u>\$2,026,215</u>	<u>\$477,193</u>	<u>\$114,698</u>	<u>\$2,618,106</u>
2019.1.1	\$1,026,901	\$322,169	\$-	\$1,349,070
Additions	990,889	137,175	-	1,128,064
2019.12.31	<u>\$2,017,790</u>	<u>\$459,344</u>	<u>\$-</u>	<u>\$2,477,134</u>
Depreciation & impairment:				
2020.1.1	\$(22,608)	\$(121,920)	\$-	\$(144,528)
Depreciation	-	(13,059)	-	(13,059)
Transfer	-	(8,615)	-	(8,615)
2020.12.31	<u>\$(22,608)</u>	<u>\$(143,594)</u>	<u>\$-</u>	<u>\$(166,202)</u>
2019.1.1	\$(22,608)	\$(111,715)	\$-	\$(134,323)
Depreciation	-	(10,205)	-	(10,205)
2019.12.31	<u>\$(22,608)</u>	<u>\$(121,920)</u>	<u>\$-</u>	<u>\$(144,528)</u>
Net book values:				
2020.12.31	<u>\$2,003,607</u>	<u>\$333,599</u>	<u>\$114,698</u>	<u>\$2,451,904</u>
2019.12.31	<u>\$1,995,182</u>	<u>\$337,424</u>	<u>\$-</u>	<u>\$2,332,606</u>
			2020	2019
Rental income from investment property			\$74,859	\$69,002
minus: direct operating expenses incurred by investment property that generates rental income in the current period			(7,689)	(4,480)
Total			<u>\$67,170</u>	<u>\$64,522</u>

(2) No guarantee provided for the above assets.

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- (3) The investment property is not measured at fair value, but the fair value information is revealed, and the fair value is of level 3. The fair values of the investment property was NT\$ 2,901,157 thousand and NT\$ 2,881,184 thousand, respectively on December 31, 2020 and 2019, and the fair values were evaluated by an external independent valuation expert. The fair values were determined and supported by market evidence, using at least two evaluation methods, such as comparative approach and cost approach, and estimated with the weighted score method, in which the main parameters used are:

	2020.12.31	2019.12.31
Discounted rate	0.89%~3.36%	0.86%~3.65%

9. Intangible assets

Item	2020.12.31	2019.12.31
Computer software cost	\$231,477	\$223,686
Increase in the current period	79	3,369
Transfer in the current period	5,309	4,422
Total	\$236,865	\$231,477
Computer software cost – cumulative amortization	\$(200,669)	\$(186,658)
Increase in the current period	(16,671)	(14,011)
Total	\$(217,340)	\$(200,669)
Net book values:	\$19,525	\$30,808

10. Other assets

- (1) This item is detailed as follows:

Item	2020.12.31	2019.12.31
Prepayments	\$25,911	\$28,331
Refundable deposits	641,265	702,318
Other assets - others	94,253	110,010
Total	\$761,429	\$840,659

- (2) The refundable deposits are detailed as follows:

Item	2020.12.31	2019.12.31
Insurance business deposits	\$533,656	\$566,590
Club deposits	37,679	37,679
Other deposits	71,409	99,528
minus: cumulative impairment losses	(1,479)	(1,479)
Total	\$641,265	\$702,318

- (3) In accordance with Articles 141 and 142 of the Insurance Law, bonds are deposited in the Central Bank as the insurance deposits.

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11. Accounts Payables

Item	2020.12.31	2019.12.31
Claims and benefits payable	\$19,723	\$17,704
Commission payable	272,185	253,058
Due to Reinsurers & Ceding Companies	1,327,774	1,274,687
Other payables	818,907	1,155,474
Total	<u>\$2,438,589</u>	<u>\$2,700,923</u>

12. Insurance liabilities

Item	2020.12.31	2019.12.31
Unearned premium reserve	\$11,189,285	\$10,209,396
Loss reserve	9,635,014	7,739,789
Special reserve	2,397,022	2,552,615
Premium deficiency reserve	2,829	8,124
Reserve for Liabilities	21	-
Total	<u>\$23,224,171</u>	<u>\$20,509,924</u>

(1) Unearned premium reserve

① Unearned premium reserve & ceded unearned premium reserve

Item	2020.12.31		
	Unearned premium reserve	Ceded unearned premium reserve	
Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention	
Fire insurance	\$1,701,572	\$(740,013)	\$961,559
Marine insurance	430,601	(285,812)	144,789
Motor insurance	5,801,844	(745,014)	5,056,830
Engineering insurance	1,173,762	(701,273)	472,489
Liability insurance	875,704	(104,932)	770,772
Accident & health insurance	1,205,802	(87,315)	1,118,487
Total	<u>\$11,189,285</u>	<u>\$(2,664,359)</u>	<u>\$8,524,926</u>

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Item	2019.12.31		
	Unearned premium reserve	Ceded unearned premium reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Fire insurance	\$1,558,025	\$(672,788)	\$885,237
Marine insurance	262,233	(131,977)	130,256
Motor insurance	5,420,948	(746,586)	4,674,362
Engineering insurance	1,044,158	(641,320)	402,838
Liability insurance	695,974	(94,051)	601,923
Accident & health insurance	1,228,058	(74,715)	1,153,343
Total	\$10,209,396	\$(2,361,437)	\$7,847,959

② Adjustment of changes in unearned premium reserve & ceded unearned premium reserve

Item	2020		2019	
	Unearned premium reserve	Ceded unearned premium reserve	Unearned premium reserve	Ceded unearned premium reserve
Opening amount	\$10,209,396	\$2,361,437	\$9,457,732	\$2,219,078
Current deposits	11,189,285	2,664,359	10,209,396	2,361,437
Current recovery	(10,209,396)	(2,361,437)	(9,457,732)	(2,219,078)
Closing amount	\$11,189,285	\$2,664,359	\$10,209,396	\$2,361,437

(2) Claims reserve

① Claims reserve & ceded claims reserve

Item	2020.12.31		
	Loss reserve	Ceded Reserve for Claims	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$7,460,902	\$(3,625,544)	\$3,835,358
IBNR	2,174,112	(707,010)	1,467,102
Total	\$9,635,014	\$(4,332,554)	\$5,302,460

Item	2019.12.31		
	Loss reserve	Ceded Reserve for Claims	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Outstanding losses	\$5,675,889	\$(2,146,416)	\$3,529,473
IBNR	2,063,900	(631,225)	1,432,675
Total	\$7,739,789	\$(2,777,641)	\$4,962,148

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② Net changes in claims reserve and ceded claims reserve

2020						
Item	Direct underwriting (including ceded-in reinsurance)		Net change in loss reserve (3)=(1)-(2)	Ceded reinsurance		Net change in ceded claims reserve (6)=(4)-(5)
	Deposit (1)	Recovery (2)		Deposit (4)	Recovery (5)	
Outstanding						
losses	\$7,460,902	\$5,675,889	\$1,785,013	\$3,625,544	\$2,146,416	\$1,479,128
IBNR	2,174,112	2,063,900	110,212	707,010	631,225	75,785
Total	<u>\$9,635,014</u>	<u>\$7,739,789</u>	<u>\$1,895,225</u>	<u>\$4,332,554</u>	<u>\$2,777,641</u>	<u>\$1,554,913</u>
2019						
Item	Direct underwriting (including ceded-in reinsurance)		Net change in loss reserve (3)=(1)-(2)	Ceded reinsurance		Net change in ceded claims reserve (6)=(4)-(5)
	Deposit (1)	Recovery (2)		Deposit (4)	Recovery (5)	
Outstanding						
losses	\$5,675,889	\$4,937,841	\$738,048	\$2,146,416	\$1,687,630	\$458,786
IBNR	2,063,900	2,322,684	(258,784)	631,225	812,374	(181,149)
Total	<u>\$7,739,789</u>	<u>\$7,260,525</u>	<u>\$479,264</u>	<u>\$2,777,641</u>	<u>\$2,500,004</u>	<u>\$277,637</u>

③ Outstanding losses and IBNR claim liabilities to policyholders

Item	2020.12.31		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$3,012,852	\$7,099	\$3,019,951
Marine insurance	615,287	67,809	683,096
Motor insurance	2,307,973	1,331,987	3,639,960
Engineering insurance	501,822	42,608	544,430
Liability insurance	840,777	245,826	1,086,603
Accident & health insurance	182,191	478,783	660,974
Total	<u>\$7,460,902</u>	<u>\$2,174,112</u>	<u>\$9,635,014</u>
Item	2019.12.31		
	Claims reserve		
	Outstanding losses	IBNR	Total
Fire insurance	\$1,053,977	\$8,979	\$1,062,956
Marine insurance	875,343	63,146	938,489
Motor insurance	2,275,589	1,397,695	3,673,284
Engineering insurance	530,862	15,999	546,861
Liability insurance	785,754	208,797	994,551
Accident & health insurance	154,364	369,284	523,648
Total	<u>\$5,675,889</u>	<u>\$2,063,900</u>	<u>\$7,739,789</u>

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④ Reinsurance assets – ceded claims reserve for Outstanding losses and IBNR claim liabilities to policyholders

Item	2020.12.31		
	Claims reserve (ceded)		
	Outstanding losses	IBNR	Total
Fire insurance	\$2,329,920	\$1,499	\$2,331,419
Marine insurance	490,100	43,666	533,766
Motor insurance	242,613	467,918	710,531
Engineering insurance	210,045	18,913	228,958
Liability insurance	331,568	99,840	431,408
Accident & health insurance	21,298	75,174	96,472
Total	\$3,625,544	\$707,010	\$4,332,554

Item	2019.12.31		
	Claims reserve (ceded)		
	Outstanding losses	IBNR	Total
Fire insurance	\$591,340	\$4,832	\$596,172
Marine insurance	735,451	36,830	772,281
Motor insurance	271,312	520,920	792,232
Engineering insurance	216,267	3,941	220,208
Liability insurance	306,524	27,217	333,741
Accident & health insurance	25,522	37,485	63,007
Total	\$2,146,416	\$631,225	\$2,777,641

⑤ Adjustment of changes in claims reserve and ceded claims reserve

Item	2020		2019	
	Loss reserve	Ceded Reserve for Claims	Loss reserve	Ceded Reserve for Claims
Opening amount	\$7,739,789	\$2,777,641	\$7,260,525	\$2,500,004
Current deposits	9,635,014	4,332,554	7,739,789	2,777,641
Current recovery	(7,739,789)	(2,777,641)	(7,260,525)	(2,500,004)
Closing amount	\$9,635,014	\$4,332,554	\$7,739,789	\$2,777,641

(3) Special reserves

① Special reserve – compulsory automobile liability insurance

Item	2020	2019
Opening amount	\$212,714	\$391,280
Current deposits	7,533	9,851
Current recovery	(139,743)	(188,417)
Closing amount	\$80,504	\$212,714

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② Special reserve – non-compulsory automobile liability insurance

Item	Liabilities			
	2020			
	Major accidents	Risk changes	Property appreciation	Total
Opening amount	\$537,804	\$1,576,248	\$225,849	\$2,339,901
Current deposits	-	-	-	-
Current recovery	(23,383)	-	-	(23,383)
Closing amount	\$514,421	\$1,576,248	\$225,849	\$2,316,518

Item	Liabilities			
	2019			
	Major accidents	Risk changes	Property appreciation	Total
Opening amount	\$561,187	\$1,576,248	\$225,849	\$2,363,284
Current deposits	-	-	-	-
Current recovery	(23,383)	-	-	(23,383)
Closing amount	\$537,804	\$1,576,248	\$225,849	\$2,339,901

According to Article 32 of the original “Regulations Governing the Preparation of Financial Reports by Insurance Enterprises,” property appreciation measured at fair value in the initial IAS application should be used to make up the adverse effects of other accounting items caused by the initial application, and the remaining appreciation should be fully listed as a special reserve on the date of conversion.

According to the “Guidelines for Strengthening Property Insurance Companies Reserves for Natural Disaster Insurances (Commercial Earthquake Insurance and Typhoon Flood Insurance),” starting from January 1, 2013, property insurance companies should use the special reserves for major accidents and risk changes provided under liabilities before December 31, 2012 for insurances other than the compulsory automobile liability insurance, nuclear energy insurance, policy-based basic residential earthquake insurance, commercial earthquake insurance, and typhoon flood insurance, to make up with higher priority the special reserves for major accidents and risk changes of the commercial earthquake insurance and typhoon flood insurance to their full level, and list them under liabilities, and then deduct the taxes from the balance of the above special reserves in accordance with IAS 12 and list the remainder in the special surplus reserve under owner’s equity.

- (1) Matters to be attended and disclosed in accordance with the “Guidelines on Strengthening Property Insurance Companies Reserves for Natural Disaster Insurances (Commercial Earthquake Insurance and Typhoon Flood Insurance)” are:

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Impact on the 2020 and 2019 gains and losses, liabilities, equities and earnings per share before tax due to failure to apply the above Guidelines were a decrease of NT\$ 23,383 thousand, a decrease of NT\$ 1,859,750 thousand, an increase of 1,469,094 thousand, and a decrease of NT\$ 0.06 per share, respectively in 2020; and a decrease of NT\$ 23,383 thousand, a decrease of NT\$1,883,132 thousand, an increase of NT\$ 1,487,799 thousand, and a decrease of NT\$ 0.06 per share, respectively in 2019.

- (2) Matters to be disclosed in accordance with the “Guidelines for Strengthening Reserves of Residential Earthquake Coinsurance Organization Members” are:

Impact on the 2020 and 2019 liabilities and equities due to failure to apply the above Guidelines were a decrease of NT\$ 171,516 thousand and an increase of NT\$ 137,213 thousand, respectively, and no change of earnings per share, in both years.

- (3) Matters to be disclosed in accordance with the “Regulations on Property Insurance Companies Various Reserves for Energy Insurance” are:

The impact on the 2020 and 2019 liabilities and equities due to failure to apply the regulations was a decrease of NT\$ 59,405 thousand and an increase of NT\$ 47,524 thousand, respectively, and no change in earnings per share, in both years.

- (4) Premium insufficiency reserve

① Details of premium deficiency reserve

Item	2020.12.31		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Marine insurance	\$2,829	\$-	\$2,829

Item	2019.12.31		
	Premium deficiency reserve	Ceded premium deficiency reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Marine insurance	\$8,124	\$-	\$8,124



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- ② Recognized loss of net premium deficiency reserve – net change in premium deficiency reserve and net change in ceded premium deficiency reserve

2020							
Item	Direct underwriting (including ceded-in reinsurance)		Net change in premium deficiency reserve	Ceded reinsurance		Net change in ceded premium deficiency reserve	Current recognized loss (profit) of net premium deficiency reserve
	Deposit	Recovery		Deposit	Recovery		
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(6)
Marine insurance	\$2,829	\$8,124	\$(5,295)	\$-	\$-	\$-	\$(5,295)

2019							
Item	Direct underwriting (including ceded-in reinsurance)		Premium deficiency Net change in reserve	Ceded reinsurance		Net change in ceded premium deficiency reserve	Current recognized loss (profit) of net premium deficiency reserve
	Deposit	Recovery		Deposit	Recovery		
	(1)	(2)	(3)=(1)-(2)	(4)	(5)	(6)=(4)-(5)	(7)=(3)-(6)
Marine insurance	\$8,124	\$137,627	\$(129,503)	\$-	\$124,399	\$(124,399)	\$(5,104)

- ③ Adjustment of changes in premium deficiency reserve and ceded premium deficiency reserve

Item	2020		2019	
	Premium deficiency reserve	Ceded premium deficiency reserve	Premium deficiency reserve	Ceded premium deficiency reserve
Opening amount	\$8,124	\$-	\$137,627	\$124,399
Current deposits	2,829	-	8,124	-
Current recovery	(8,124)	-	(137,627)	(124,399)
Closing amount	\$2,829	\$-	\$8,124	\$-

- ④ Impact of changes in estimates and assumptions

The premium deficiency reserve is estimated by anticipated cost approach, where the anticipated final loss rate is based on the Company's loss experience in the past five years, taking into account the impact of large claims on the loss rate, while the anticipated maintenance cost takes reference to expense items such as salaries and information expenses listed in the Insurance Expense Exhibit for the past six years. However, the estimates and assumptions are uncertain, so the anticipation estimates may not match the actual ones in the future.

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(5) Reserve for Liabilities

① Details of Reserve for Liabilities

Item	2020.12.31		
	Reserve for Liabilities	Ceded liability reserve	
	Direct underwriting (including ceded-in reinsurance)	Ceded reinsurance	Retention
Accident & health insurance	\$21	\$-	\$21

No such an item in the fiscal year of 2019.

② Net change in liability reserve and net change in ceded liability reserve

Item	2020					
	Direct underwriting (including ceded-in reinsurance)		Net change in liability reserve	Ceded reinsurance		Net change in ceded liability reserve
	Recovery		(3)=(1)-(2)	Recovery		(6)=(4)-(5)
	Deposit (1)	(2)		Deposit (4)	(5)	
Accident & health insurance	\$21	\$-	\$21	\$-	\$-	\$-

No such an item in the fiscal year of 2019.

③ Adjustment of changes in liability reserve and ceded liability reserve

Item	2020		2019	
	Reserve for Liabilities	Ceded liability reserve	Reserve for Liabilities	Ceded liability reserve
Opening amount	\$-	\$-	\$-	\$-
Current deposits	21	-	-	-
Current recovery	-	-	-	-
Closing amount	\$21	\$-	\$-	\$-

13. Retirement benefits plan

Defined contribution pension plan

The Company's "Labor Pension Regulations" set forth in accordance with the "Labor Pension Act" is a defined contribution pension plan. According to the Act, the Company's monthly labor pension contribution rate shall not be less than 6% of the employee's monthly salary. Based on the "Labor Pension Regulations," 6% of the employee's salary is contributed to the individual retirement account established in the Bureau of Labor Insurance on a monthly basis.

The amounts of expenses on the defined contribution pension plan recognized in 2020 and 2019 were NT\$ 50,311 thousand and NT\$ 45,845 thousand, respectively.

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Defined benefit plan

The Company's "Labor Pension Regulations" set for in accordance with the "Labor Standards Act" is a define benefit plan, where the employee retirement pension is calculated based on the number of service years as the basis points and the monthly average salary at the time when the retirement is approved. Employees with 15 years (or less) of service are given 2 basis points for every full service year, and for every full service year after the 15 years are given 1 basis point, till 45 basis points topped. In accordance with the "Labor Standards Act," the Company allocates a certain percentage of the total salary on a monthly basis, and deposits it in a dedicated account in the Bank of Taiwan in the name of the Supervisory Committee of Business Entities' Labor Retirement Reserve. In addition, before the end of each year, the Company estimates the balance of the dedicated account based on the above calculation, and if the balance is not enough to pay the pension amount for the estimated number of workers illegible for retirement in the next year, the difference will be allocated by the end of March of the next year.

The Ministry of Labor carries out asset allocation in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund," where the investment of the fund is executed by self-operations and entrusted operations, adopting both active and passive management of medium and long-term investment strategies. Taking into account the market risks, credit risks, and liquidity risks, the Ministry of Labor sets forth fund risk limits and control plans to make it flexible enough to achieve target returns without over-taking the risks. For the use of the fund, the minimum income allocated to the annual final account shall not be less than the income calculated on the basis of the two-year fixed deposit of the local bank, and if there is a deficiency, the Department of the Treasury shall make up for it after approval by the competent authority. Having no right to participate in the operation and management of the fund, the Company is unable to disclose the fair value of the plan assets as required in Paragraph 142 of IAS 19. As of December 31, 2020, the Company's defined benefit plan was expected to be allocated NT\$ 12,228 thousand in the next year.

As of December 31, 2020 and 2019, the weighted average durations of the defined benefit plan were 11 years and 8 years, respectively.

The following table summarizes the costs of the defined benefit plan recognized in gains and losses:

	2020	2019
Current service cost	\$6,507	\$8,074
Net interests of net defined benefit obligations (assets)	1,153	1,885
Total	<u>\$7,660</u>	<u>\$9,959</u>

The adjustments of present value of defined benefit obligations and fair value of plan assets are as follows:

	2020.12.31	2019.12.31	2019.1.1
Present value of the defined benefit obligations	\$690,693	\$732,035	\$786,606
Fair value of plan assets	(563,147)	(557,409)	(569,978)
Number of account of net defined benefit obligations(assets)	<u>\$127,546</u>	<u>\$174,626</u>	<u>\$216,628</u>

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Adjustment of net defined benefit obligations (assets):

	Present value of the defined benefit obligations	The fair value of plan assets	Net defined benefit obligations (assets)
2019.1.1	\$786,606	\$(569,978)	\$216,628
Current service cost	8,074	-	8,074
Interest expense (revenue)	6,843	(4,958)	1,885
Recognized in the profit or loss	14,917	(4,958)	9,959
Defined benefit obligations/Number of asset remeasurements:			
Actuarial gains and losses arising from changes in demographic assumptions	(1,303)	-	(1,303)
Actuarial gains and losses arising from changes in financial assumptions	8,641	-	8,641
Adjustment of experiences	12,272	-	12,272
Number of remeasurements of defined benefit assets	-	(20,842)	(20,842)
Recognized in the other comprehensive profit of loss	19,610	(20,842)	(1,232)
Benefit paid	(89,098)	89,098	-
Employer appropriation	-	(50,729)	(50,729)
2019.12.31	732,035	(557,409)	174,626
Current service cost	6,507	-	6,507
Interest expense (revenue)	4,831	(3,678)	1,153
Recognized in the profit or loss	11,338	(3,678)	7,660
Defined benefit obligations/Number of asset remeasurements:			
Actuarial gains and losses arising from changes in demographic assumptions	465	-	465
Actuarial gains and losses arising from changes in financial assumptions	20,513	-	20,513
Adjustment of experiences	(3,023)	-	(3,023)
Number of remeasurements of defined benefit assets	-	(27,443)	(27,443)
Recognized in the other comprehensive profit of loss	17,955	(27,443)	(9,488)
Benefit paid	(70,635)	70,635	-
Employer appropriation	-	(45,252)	(45,252)
2020.12.31	\$690,693	\$(563,147)	\$127,546

The following assumptions are used to determine the Company's defined benefit plan:

	2020.12.31	2019.12.31
Discounted rate	0.32%	0.66%
Anticipated salary increase rate	1.00%	1.00%

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Sensitivity analysis of each major actuarial hypothesis:

	2020		2019	
	Increase of defined benefit obligations	Decrease of defined benefit obligations	Increase of defined benefit obligations	Decrease of defined benefit obligations
Increase of discount rate by 0.5%	\$-	\$25,297	\$-	\$19,865
Decrease of discount rate by 0.5%	48,265	-	42,246	-
Anticipated increase of salary by 0.5%	47,680	-	41,794	-
Anticipated decrease of salary by 0.5%	-	25,270	-	19,895

The above sensitivity analysis assumes that other assumptions remain unchanged, and when a single actuarial assumption (e.g. discount rate or anticipated salary) incurs a reasonable change, the resulting impact on the defined benefit obligations is analyzed. Since some actuarial assumptions are related to each other, and practically it is very rare to have only a single actuarial assumption that changes, and therefore such an analysis has its limitations.

The methods and assumptions used in the sensitivity analysis of the current period are the same as those used in the previous period.

14. Common stock

As of December 31, 2020 and 2019, the Company's authorized capital was NT\$ 3,500,000 thousand and the paid-up capital was NT\$ 3,159,633 thousand in both years, and the par value per share was NT\$ 10, consisting of 315,963,300 shares.

15. Treasury stock

(1) Reasons to reacquire shares and change in share quantity (unit: thousand shares)

2020:

Cause	Opening balance	Increase in current period	Decrease in current period	Balance as of end of the term
For transfer of shares to employees	-	50	(50)	-

2019: no occurrence

(2) The Company's Board of Directors resolved in July 2020 to transfer the treasury stocks to employees who meet specific conditions, and the fair value of the equity instruments granted was estimated based on the option pricing model on the grant date. The salary expense recognized for the transfer of treasury stocks to employees in 2020 is NT\$ 23 thousand.

16. Capital reserve

Item	2020.12.31	2019.12.31
Share premium	\$50,355	\$50,355
Treasury stock trade	14,213	14,190
Others	232	232
Total	\$64,800	\$64,777

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According to the statutory regulations, the capital reserve shall be used only to make up for corporate losses, and in the case of no business losses, the capital reserve from the surplus of shares issued in excess of the par value as well as donations can be appropriated to the capital by a fixed ratio of the paid-in capital, while the capital surplus may also be distributed in cash in proportion to the shareholders' initial shares.

17. Earnings distribution and dividend policy

- (1) According to the Corporate Charter, if there is a surplus in the annual final accounts, it shall be distributed in the following order:
  - A. Withholding for taxes
  - B. Make-up for losses
  - C. Twenty percent of the surplus deposited as the statutory surplus reserve.
  - D. Provision or reversal of special surplus reserve in accordance with other statutory regulations or orders from the competent authority.
  - E. For the remaining surplus, setting up a surplus distribution plan by the Board of Directors in accordance with the dividend policy and submitting it to the shareholders' meeting.

The Company's dividend policy must be based on the current and future corporate investment environment, capital needs, domestic and foreign competitions, capital budgets, among other factors, taking into account the interests of shareholders, balance between dividends and the corporate long-term financial planning, etc., by which the surplus distribution plan is set by the Board of Directors in compliance with relevant statutory regulations on an annual basis, and submitted to the shareholders' meeting.

- (2) The Board of Directors proposes a distribution plan for the distributable surplus, and submits it to the shareholders' meeting for resolution, and the relevant information of which is available from the Public Information Observatory.
- (3) According to the Company Law, the statutory surplus reserve shall be allocated until its total amount has reached the total capital. The statutory surplus reserve can be used to make up for the business losses. If there is no business loss, the part of the statutory surplus reserve exceeding 25% of the paid-in capital can be used to issue new shares or distribute cash in proportion to the initial shares subscribed by shareholders. However, according to the Interpretation Decree No. 10202501991 of Jinguanbaocai Zi, cash distribution can be made according to Article 241 of the Company Law on conditions that the statutory surplus reserve must be allocated until its total amount has reached the total paid-in capital according to Article 145-1 of the Insurance Law and other requirements listed in the Decree are also met, before the application for cash distribution from the statutory surplus reserve according to Article 241 of the Company Law is sent to the competent authority for approval.
- (4) The Company provides and reverses the special surplus reserves in accordance with the FSC decree coded Jinguanbaocai Zi No. 10102508861 and Jinguanbaocai Zi No. 10502066461, and the stipulations of "Questions and Answers on Special Surplus Reserves after IFRS adoption."

In accordance with the "Regulations on Insurance Companies Various Reserves," the annually added provisions to the special surplus reserves for major accidents and for risk changes are accounted at the end of the current year as the accounting entry point, and this part of the surplus are not distributed or used for other purposes. The accumulated provisions in 2020 and 2019 were NT\$ 4,881,819 thousand and NT\$ 4,181,782 thousand, respectively.

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The Company's shareholders' meetings on June 10, 2020 and June 13, 2019, respectively, resolved the 2019 and 2018 proposals on distribution of retained earnings and dividends per share, which are listed as follows:

	Distribution of retained earnings		Dividend per share (NTD)	
	2019	2018	2019	2018
Legal reserve	\$312,411	\$354,074	\$-	\$-
Special reserve	669,679	609,029	-	-
Common stock cash dividends	568,734	837,303	1.80	2.65

Please refer to Note 6.18 for the details of the assessment basis and recognized amounts of the remunerations for employees and directors.

18. Summary of employee benefits, depreciation and amortization expenses by functions

By functions By attributes	2020			2019		
	Operating costs	Allocated as operating expenses	Total	Operating costs	Allocated as operating expenses	Total
Employee benefits						
Salaries and wages	\$-	\$1,336,303	\$1,336,303	\$-	\$1,330,999	\$1,330,999
Labor insurance and national health insurance	-	120,563	120,563	-	121,547	121,547
Pension expenses	-	57,971	57,971	-	55,804	55,804
Remuneration to directors	-	43,244	43,244	-	41,523	41,523
Depreciation expenses	-	75,269	75,269	-	66,896	66,896
Amortization expenses	-	27,205	27,205	-	24,539	24,539

Note 1: The number of employees of the Company in 2020 and 2019 was 1,704 and 1,721, respectively, and among them 12 and 12 were directors, respectively, who did not serve as working employees.

Note 2: The average employee benefit costs in 2020 and 2019 were NT\$ 895 thousand and NT\$ 876 thousand, respectively; the average employee salary costs were NT\$ 790 thousand and NT\$ 773 thousand, respectively; the adjusted change in average employee salary costs increased by 2.12%.

Note 3: In accordance with Article 14-4 of the Securities and Exchange Act, the Company has established the Audit Committee composed of all independent directors, whose remunerations are included in the above summary table.

Note 4: The policies on the salaries and remunerations for directors, managers and employees are stipulated as follows:

Directors' remuneration policy: according to the Corporate Charter, the Board of Directors is authorized to determine the remunerations of individual directors based on their participation in the business operations and contributions, taking into consideration the average level of the insurance industry, and the resolution is proposed by the Remuneration Committee and submitted to the Board of Directors for approval.

Managers' remuneration policy: it is based on the factors including business strategy,

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profitability, and performance, taking into consideration the average compensation level in the talent marketplace and reasonably associated future risks, and the resolution is regularly reviewed by the Remuneration Committee and sent to the Board of Directors for approval.

Employees' remuneration policy: it is based on the employee's responsibilities, the current overall corporate economic environment, operating profits, personal performance and long-term goal incentives, taking into considering the average level in the marketplace and reasonably associated future risks, to decide relatively reasonable remunerations for the job undertaken.

In accordance with the Corporate Charter, no less than 1% of the business profits, if any, shall be appropriated for the employees' remunerations, and no more than 2% for the directors' remunerations. The profits, however, shall be used to make up for the accumulated business losses, if any. The above employee remunerations are paid in stock or cash, depending on the resolution by the Board of Directors, with more than two-thirds of the directors present and approved by more than half of the attending directors, and the resolution is reported in the shareholders' meeting. For more information about the employee and director remunerations approved by the Board of Directors, please visit the "Public Information Observatory" website of the Taiwan Stock Exchange.

In 2020, 5.3% and 1.2% of the profits were appropriated to the remunerations for employees and directors, respectively, and the remunerations recognized for employees and directors were NT\$ 109,381 thousand and NT\$ 24,765 thousand, respectively; in 2019, 5.4% and 1.2% of the profits were appropriated to the remunerations for employees and directors, respectively, and remunerations recognized for employees and directors were NT\$ 109,324 thousand and NT\$ 24,294 thousand, respectively, which were accounted for under the item of salary expenses. The discrepancy between the estimated amounts and the amounts resolved by the Board, if any, will be listed as gains and losses of the next year.

The Board resolved on March 18, 2020 to distribute NT\$ 109,324 thousand and NT\$ 24,294 thousand in cash for the 2019 employee and director remunerations, respectively. For the 2019 profit distribution, there is no discrepancy between the amounts actually distributed to the employee and director remunerations and the amounts accounted for as expenses in the financial report.

19. Components of other comprehensive profit or loss

The components of other comprehensive profit or loss in 2020 are:

	Current reclassification adjustment	that occurs in current period	Other comprehensive income	Income tax benefits (expenses)	After-tax amount
Items not reclassified to gains and losses:					
Reevaluation of determined benefit plan	\$9,488	\$-	\$9,488	\$(1,898)	\$7,590
Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive profit or loss	(25,472)	-	(25,472)	-	(25,472)
Items that may be subsequently reclassified to gains and losses:					
Unrealized appraisal gains and losses of debt instruments measured at fair value through other comprehensive profit or loss	62,159	-	62,159	(12,387)	49,772
Other comprehensive profit or loss reclassified by overlay approach	461,400	-	461,400	(4,869)	456,531
Total	<u>\$507,575</u>	<u>\$-</u>	<u>\$507,575</u>	<u>\$(19,154)</u>	<u>\$488,421</u>



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The components of other comprehensive profit or loss in 2019 are:

	Current reclassification adjustment	that occurs in current period	Other comprehensive income	Income tax benefits (expenses)	After-tax amount
Items not reclassified to gains and losses:					
Reevaluation of determined benefit plan	\$1,232	\$-	\$1,232	\$(246)	\$986
Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive profit or loss	57,159	-	57,159	-	57,159
Items that may be subsequently reclassified to gains and losses:					
Unrealized appraisal gains and losses of debt instruments measured at fair value through other comprehensive profit or loss	(568)	-	(568)	170	(398)
Other comprehensive profit or loss reclassified by overlay approach	279,572	-	279,572	20,366	299,938
Total	<u>\$337,395</u>	<u>\$-</u>	<u>\$337,395</u>	<u>\$20,290</u>	<u>\$357,685</u>

## 20. Income tax

Components of income tax:

### Income tax recognized as gains and losses

	2020	2019
Current income tax expenses (benefits):		
Current income tax payable	\$323,914	\$310,922
Current year adjustment of previous years' current income taxes	(6,181)	1,521
Deferred income tax expenses (benefits):		
Deferred income tax expenses (benefits) related to initially generated and reversed temporary differences	(17,813)	16,397
Income tax expense	<u>\$299,920</u>	<u>\$328,840</u>

### Income tax recognized in the other comprehensive profit or loss

	2020	2019
Deferred income tax expenses (benefits):		
Unrealized appraisal gains and losses of debt instruments measured at fair value through other comprehensive profit or loss	\$12,387	\$(170)
Reevaluation of determined benefit plan	1,898	246
Other comprehensive profit or loss reclassified by overlay approach	4,869	(20,366)
Income tax related to the components of other comprehensive profit or loss	<u>\$19,154</u>	<u>\$(20,290)</u>

	2020	2019
Net profit before tax from continuing operations	<u>\$1,929,644</u>	<u>\$1,890,893</u>
Taxes calculated at statutory income tax rate	\$385,929	\$378,179
Income tax impact from tax-free profits	(81,033)	(51,687)
Income tax impact from non-deductible expenses on tax returns	708	597
Additional income tax on undistributed surplus	497	89
Current year adjustment of previous years' current income taxes	(6,181)	1,521
Others	-	141
Total income tax expenses recognized as profit or loss	<u>\$299,920</u>	<u>\$328,840</u>

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The balance of deferred income tax assets (liabilities) related to the following items:

2020

	Opening balance	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Recognized as equity	Balance as of end of the term
Temporary difference					
Valuation of financial assets and liabilities measured at fair value through profit or loss	\$(14,940)	\$(4,434)	\$-	\$-	\$(19,374)
Land appreciation tax	(15,378)	-	-	-	(15,378)
Gains and losses reclassified by overlay approach and valuation of financial assets measured at fair value through other comprehensive profit or loss.	(9,968)	-	(17,256)	-	(27,224)
Exchange losses	45,123	28,807	-	-	73,930
Assets impairment	98,635	959	-	-	99,594
Bad debt losses	36,804	-	-	-	36,804
Pension appropriation	-	(127)	-	-	(127)
Net determined benefit liability	34,925	(7,392)	(1,898)	-	25,635
Investment property recognized as cost at fair value on conversion date	504	-	-	-	504
Deferred income tax (expenses)/benefits		<u>\$17,813</u>	<u>\$(19,154)</u>	<u>\$-</u>	
Net deferred income tax assets/(liabilities)	<u>\$175,705</u>				<u>\$174,364</u>
Information expressed on the balance sheet is as follows:					
Deferred income tax assets	<u>\$215,991</u>				<u>\$236,467</u>
Deferred tax liabilities	<u>\$(40,286)</u>				<u>\$(62,103)</u>

2019

	Opening balance	Recognized in the profit or loss	Recognized in the other comprehensive profit of loss	Recognized as equity	Balance as of end of the term
Temporary difference					
Valuation of financial assets and liabilities measured at fair value through profit or loss	\$(1,543)	\$(13,397)	\$-	\$-	\$(14,940)
Land appreciation tax	(15,378)	-	-	-	(15,378)
Gains and losses reclassified by overlay approach and valuation of financial assets measured at fair value through other comprehensive profit or loss.	(27,641)	-	20,536	(2,863)	(9,968)
Exchange losses	39,933	5,190	-	-	45,123
Assets impairment	98,670	(35)	-	-	98,635
Bad debt losses	36,804	-	-	-	36,804
Net determined benefit liability	43,326	(8,155)	(246)	-	34,925
Investment property recognized as cost at fair value on conversion date	504	-	-	-	504
Deferred income tax (expenses)/benefits		<u>\$(16,397)</u>	<u>\$20,290</u>	<u>\$(2,863)</u>	
Net deferred income tax assets/(liabilities)	<u>\$174,675</u>				<u>\$175,705</u>
Information expressed on the balance sheet is as follows:					
Deferred income tax assets	<u>\$219,512</u>				<u>\$215,991</u>
Deferred tax liabilities	<u>\$(44,837)</u>				<u>\$(40,286)</u>

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Approval of income tax declaration

As of December 31, 2020, the Company's declaration of profit-making business income tax returns has been approved by the Revenue Service Office up to the fiscal year 2018.

21. Earnings per share

The basic earnings per share is calculated by dividing the net profit after tax by the weighted average number of common shares outstanding, of the current period. The diluted earnings per share is calculated by dividing the net profit attributable to the holders of common shares of the parent company by the weighted average number of common shares outstanding, of the current period, plus the weighted average number of common shares to be issued when all dilutive potential common shares are converted into common shares. Earnings per share of 2020 and 2019 are as follows:

Item	2020	2019
continuing operations	\$1,629,724	\$1,562,053
Weighted average number of common shares (in thousands) of basic earnings per share	315,946	315,963
Basic earnings per share (NTD)	\$5.16	\$4.94

After the reporting period and before the financial statements were approved for release, there were no other transactions that materially changed the number of common shares outstanding or the number of potential common shares at the end of the period.

22. Expected credit losses (profits)

	2020	2019
Financial assets at fair value through other comprehensive profit or loss	\$225	\$283
Financial assets based on cost after amortization	4,570	(459)
Total	\$4,795	\$(176)

For information about the credit risks, please see Note 7.

23. Lease

(1) The company as a lessee

The Company leases a number of different assets, including property (houses and buildings) and other equipment. The lease periods of various contracts are from 1 year to 6 years.

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The impact of the leasing business on the Company's financial status, financial performance and cash flow is described as follows:

A. Amounts recognized in the balance sheet

(a) Right-of-use assets

Book values of right-of-use assets

	2020.12.31	2019.12.31
Buildings and structures	\$21,889	\$21,308
Other equipment	12,706	16,408
Total	<u>\$34,595</u>	<u>\$37,716</u>

The right-of-use assets increased NT\$ 12,594 thousand and NT\$ 31,582 thousand in 2020 and 2019, respectively.

(b) Lease liabilities

	2020.12.31	2019.12.31
Lease liability	<u>\$35,124</u>	<u>\$38,048</u>

The interest expenses of the lease liabilities recognized in 2020 and 2019 were NT\$ 718 thousand and NT\$ 750 thousand, respectively.

The maturities of lease liabilities as of December 31, 2020 and 2019 are analyzed as follows:

December 31, 2020

	Maturity period			Total
	less than 1 year	1–5 years	over 5 years	
Lease liability	<u>\$14,167</u>	<u>\$21,527</u>	<u>\$213</u>	<u>\$35,907</u>

December 31, 2019

	Maturity period			Total
	less than 1 year	1–5 years	over 5 years	
Lease liability	<u>\$13,868</u>	<u>\$25,176</u>	<u>\$-</u>	<u>\$39,044</u>

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B. Amounts recognized in the consolidated income statement

Depreciation of right-of-use assets

	2020	2019
Buildings and structures	\$11,049	\$9,631
Other equipment	4,390	4,415
Total	\$15,439	\$14,046

C. The lessee's income and expenses related to leasing activities

	2020	2019
Short-term leasing expenses	\$30,066	\$15,857

D. The lessee's cash outflows related to leasing activities

The total cash outflows in 2020 and 2019 were NT\$ 46,023 thousand and NT\$ 30,320 thousand, respectively.

(2) The Company as a lessor

The Company owned investment properties are disclosed in Note 6.8. The Company owned investment properties are classified as operating leases because almost all the risks and rewards attached to the ownership of the underlying assets have not been transferred.

	2020	2019
Lease income recognized under operating lease		
Fixed lease payments	\$74,859	\$69,002

The lease contracts with undiscounted lease payments received and total amounts for remaining years ranged on December 31 of 2020 and 2019 were:

	2020.12.31	2019.12.31
no more than 1 year	\$80,509	\$82,718
over 1 year but no more than 2 years	54,877	41,488
over 2 years but no more than 3 years	31,319	16,765
over 3 years but no more than 4 years	23,698	3,128
over 4 years but no more than 5 years	10,147	1,766
over 5 years	5,310	2,754
Total	\$205,860	\$148,619

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7. Risk management of insurance contracts and financial instruments

1. The objectives, policies, procedures and methods of risk management:

(1) The structure, organization, and accountability and empowerment

A. Board of Directors

- a. The Board of Directors is the Company's highest decision-making body on risk management and undertakes the ultimate responsibility for the company's overall risk management.
- b. The Board of Directors resolves the overall risk management policy and risk appetite in accordance with the corporate overall operating strategy and environment.

B. Risk Management Committee

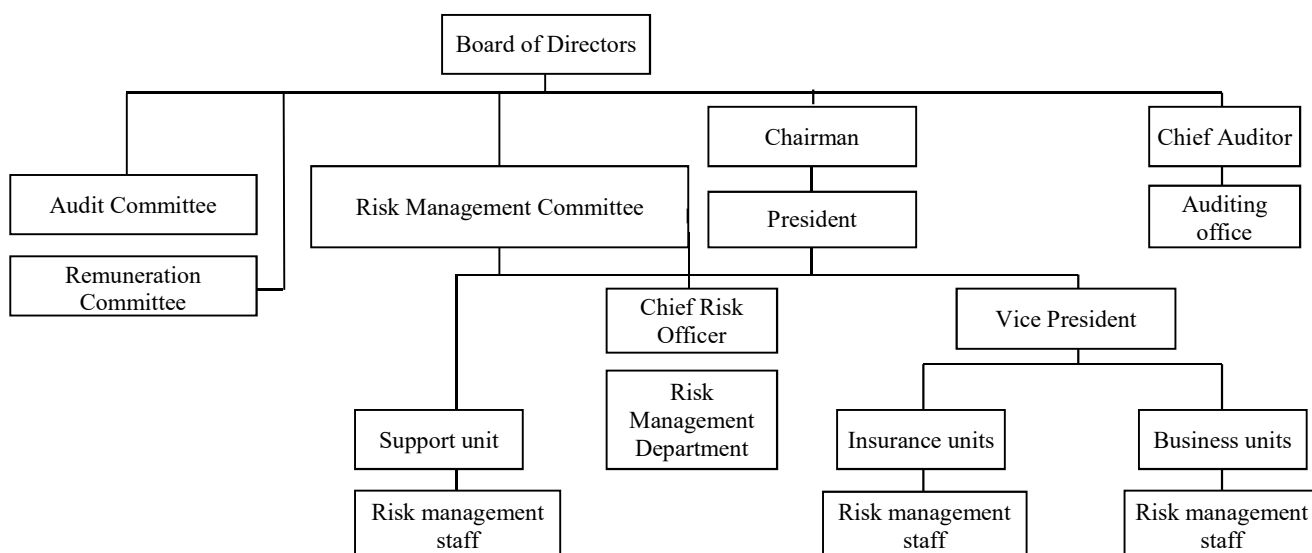
To meet the legal requirements of internal control and audit, the Committee is established to set up a complete internal risk control management structure for effective formulation, implementation, and tracking of the overall risk management policies and related affairs, to prevent potential risks affecting the Company's operating stability, and create substantive values from it.

C. Risk Management Department

The department assists the Board of Directors in formulating and implementing risk management policies and driving the practices by consolidating the risk management in individual departments for an integrated operation.

D. Business Department

- a. The department performs daily risk management affairs and provides feedback on risk information to the Risk Management Department.
- b. The department has a risk management person working as a window to the Risk Management Department and handles risk management business under the instructions from the department head.



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(2) The scope and features of the risk reporting and measurement system of the property insurance industry

A. Risk reporting

- a. The business unit regularly sends risk information to the risk management unit for monitoring, and when the risk limit is exceeded, proposes an over-limit handling report along with corresponding measures.
- b. The risk management unit summarizes the risk information received from the business unit, to review and track the use of major risk limits, and report to the Chairman every quarter for regular monitoring.

B. The scope and features of the market risk measurement system

The Company's market risk measurement is based on the Bloomberg Algor Model, expressed with the market risk value VaR, which covers the risk of changes in exchange rates and interest rates, where the information system is shared by the Investment Department and the Risk Management Department, while the measurement is performed by the Middle Platform of the Risk Management Department.

(3) Procedures for the property insurance industry to undertake, measure, supervise and control insurance risks, and underwriting policies to ensure appropriate risk classification and premium levels

The Company's Risk Management Department is responsible for monitoring and integrating the corporate insurance risks, and requires relevant departments to set up risk indicators and management mechanisms as the basis for the Risk Management Department to monitor, while all the relevant departments manage the underlying insurance risks, and regularly provide implementation status to the Risk Management Department in accordance with the statutory regulations, internal regulations, and their professional knowledge and experience, and the Risk Management Department submits quarterly risk management reports to the Board of Directors.

(4) Assessment of insurance risks and scope of insurance risk management

The Company's insurance risk management covers product design and pricing, underwriting, reinsurance, catastrophes, and risks related to claims and reserves, for which appropriate management mechanisms are established and implemented.

(5) Approaches used by the property insurance industry to limit exposure to insurance risks and avoid concentration risks:

When an insurance business is introduced, the Company's underwriters evaluate the business quality based on the underwriting standards of the insurance types to determine whether to undertake it, in order to appropriately avoid and control risks for lower level of exposure.

The Company operates ceded-in/out retention and reinsurance based on the "Regulations on Insurance Companies Engaging in Ceding Reinsurance and Other Risk Spreading Mechanisms," for which a risk retention mechanism is established, and a reinsurance risk management plan is also established based on the risk undertaking capacity, while the limit of the risk retention is set according to individual risk units by insurance types. The risk retention limits of individual risk units by insurance types are disclosed as follows:

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Insurance types	2020	2019
A. Fire insurance	\$2,500,000	\$2,000,000
B. Marine insurance		
a. Cargo insurance	650,000	650,000
b. Hull insurance	36,000	36,000
c. Fishing vessel insurance	70,000	70,000
C. New insurance types		
a. Engineering insurance	320,000	260,000
b. Liability insurance	400,000	400,000
c. Accident insurance	1,300,000	1,300,000
d. Health insurance	5,000	2,500
D. Car insurance		
a. Damage insurance	6,000	6,000
b. Third-party liability insurance	78,750	78,750

2. Management of assets and liabilities

Based on the business features, the Company regularly measures various reserves to ensure that the current capital allocation and asset investment liquidity are sufficient to cover possible future claims. Cash flow management is carried out on a daily basis by a fund dispatch unit independent of the trading unit, and the dispatch and management of the funds takes into account the fund demands and schedules of individual departments.

Also, the Company has established the Operational Crisis Response Guidelines based on the “Key Attributes for Handling Financial Institutions’ Operational Crisis” set by the FSC, and in the event of a huge loss of funds or a severe liquidity shortage, a crisis taskforce will be established immediately to quickly assess the impact on the fund liquidity and the amount needed to fill the fund gap as well as the funding schedule and efficacy, to protect the interests of the policyholders and the Company.

3. The procedure for managing, monitoring and controlling commitments on liabilities or additional investment in owner’s equity to be undertaken by insurance companies when a specific event occurs.

The Company has established a capital adequacy management mechanism, which includes a capital adequacy index to facilitate regular reviews and preparation of capital adequacy reports biannually.

If the capital adequacy ratio exceeds the risk limit, or an abnormality occurs, the cause of the event will be explored and responses be set forth to evaluate the impact on the capital adequacy.



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4. Receivables (payables) of insurance contracts

(1) Receivables of insurance contracts

Item	Notes receivable (note)	
	2020.12.31	2019.12.31
Fire insurance	\$17,407	\$15,019
Marine insurance	56,169	51,463
Motor insurance	78,887	75,133
Engineering insurance	90,399	15,362
Liability insurance	18,753	12,408
Accident & health insurance	5,004	7,595
Others	45,045	17,221
Total	311,664	194,201
plus: non-performing loans	56	169
Less: Allowance for losses	(3,172)	(2,111)
Net amount	<u>\$308,548</u>	<u>\$192,259</u>

Note: The notes receivable on December 31, 2020 and 2019 included non-performing loans of NT\$ 56 thousand and NT\$ 169 thousand respectively, and accordingly allowances for losses of NT\$ 56 thousand and NT\$ 169 thousand were provided respectively.

Item	Premiums receivable (note)	
	2020.12.31	2019.12.31
Fire insurance	\$379,649	\$374,073
Marine insurance	202,204	127,673
Motor insurance	67,066	93,211
Engineering insurance	64,122	296,929
Liability insurance	131,740	123,334
Accident & health insurance	104,868	112,576
Total	949,649	1,127,796
plus: non-performing loans	103,728	306,567
Less: Allowance for losses	(24,480)	(46,782)
Net amount	<u>\$1,028,897</u>	<u>\$1,387,581</u>

Note: The premiums receivable on December 31, 2020 and 2019 included non-performing loans of NT\$ 103,728 thousand and NT\$ 306,567 thousand, and accordingly allowances for losses of NT\$ 14,984 thousand and NT\$ 35,505 thousand were provided respectively.

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- (2) Reinsurance assets – claims recoverable from reinsurers for the claims reported and settled with the policyholders

Item	2020.12.31	2019.12.31
	Actually paid	Actually paid
Fire insurance	\$109,799	\$24,272
Marine insurance	19,828	22,176
Motor insurance	183,785	201,984
Engineering insurance	14,476	11,932
Liability insurance	7,671	2,186
Accident & health insurance	61,089	36,666
Total	396,648	299,216
Less: Allowance for losses	(3,967)	(2,996)
Net amount	\$392,681	\$296,220

- (3) Commissions payable for insurance contracts

Item	2020.12.31	2019.12.31
Fire insurance	\$36,656	\$41,985
Marine insurance	25,396	22,644
Motor insurance	99,181	87,456
Engineering insurance	17,388	15,413
Liability insurance	36,425	32,910
Accident & health insurance	57,139	52,650
Total	\$272,185	\$253,058

- (4) Due from (to) Reinsurers & Ceding Companies – holding reinsurance

Item	2020.12.31	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$97,918	\$161,696
JOH	84,936	16,827
PIB	51,261	30,496
SWH	53,795	244,042
Others	131,648	874,713
Subtotal	419,558	1,327,774
Less: Allowance for losses	(27,765)	-
Net amount	\$391,793	\$1,327,774

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Item	2019.12.31	
	Due from Reinsurers & Ceding Companies (note)	Due to Reinsurers & Ceding Companies
The Non-Life Insurance Association	\$100,797	\$160,858
AON	51,971	21,768
JOH	36,358	89,133
PIB	78,237	29,267
SWH	19,343	111,836
WIT	21,089	5,796
Others	117,051	856,029
Subtotal	424,846	1,274,687
Less: Allowance for losses	(20,134)	-
Net amount	\$404,712	\$1,274,687

Note: The dues from reinsurers & ceding companies on December 31, 2020 and 2019 included non-performing loans of NT\$ 72,962 thousand and NT\$ 60,463 thousand respectively, and accordingly allowances for losses of NT\$ 24,911 thousand and NT\$ 16,969 thousand were respectively provided.

- (5) The notes receivable, premiums receivable, other receivables, claims recoverable from reinsurers, and due from reinsurers and ceding companies are grouped based on the counterparty's credit rating, region and industry, and the allowances for losses measured with the provision matrix are as follows:

	2020.12.31				Total
	0-90 days	91-180 days	181-365 days	over 366 days	
Expected credit losses	0%~1%	1%-100%	2%-100%	50%-100%	
Total book value	\$2,416,014	\$144,562	\$88,001	\$54,581	\$2,703,158
Allowance for losses (expected credit losses)	(20,043)	(2,288)	(8,328)	(31,019)	(61,678)
Total	\$2,395,971	\$142,274	\$79,673	\$23,562	\$2,641,480

	2019.12.31				Total
	0-90 days	91-180 days	181-360 days	over 360 days	
Expected credit losses	1%	1%-100%	2%-100%	50%-100%	
Total book value	\$2,105,959	\$329,740	\$139,115	\$42,739	\$2,617,553
Allowance for losses (expected credit losses)	(18,952)	(5,822)	(20,562)	(28,234)	(73,570)
Total	\$2,087,007	\$323,918	\$118,553	\$14,505	\$2,543,983

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The company does not hold any collateral for the balance of such receivables.

5. Information related to business performance

(1) Insurance contract acquisition cost

Item	2020				
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
Fire insurance	\$197,344	\$-	\$21,618	\$3,868	\$222,830
Marine insurance	77,031	-	-	73	77,104
Motor insurance	1,339,366	-	329,552	-	1,668,918
Engineering insurance	82,862	-	-	12	82,874
Liability insurance	190,365	-	-	144	190,509
Accident & health insurance	434,076	-	-	140	434,216
Total	\$2,321,044	\$-	\$351,170	\$4,237	\$2,676,451

Item	2019				
	Commission expense	Agency expense	Handling fee expense	Reinsurance commission expense	Total
Fire insurance	\$199,864	\$-	\$20,337	\$4,530	\$224,731
Marine insurance	74,700	-	-	78	74,778
Motor insurance	1,241,847	-	323,655	-	1,565,502
Engineering insurance	76,415	-	-	153	76,568
Liability insurance	189,364	-	-	378	189,742
Accident & health insurance	415,460	-	-	357	415,817
Total	\$2,197,650	\$-	\$343,992	\$5,496	\$2,547,138

(2) Analysis of insurance profit and loss

A. Analysis of the profit and loss of the underwriting and ceded-in reinsurance

Item	2020							
	Premium revenues	Reinsurance premium revenues	Net changes in unearned premium reserve	Insurance contract acquisition cost	Insurance claims (including indemnity expense)	Reinsurance claims	Net change in loss reserve	Insurance profit and loss
Fire insurance	\$3,371,033	\$97,733	\$(143,547)	\$(222,830)	\$(395,897)	\$(16,042)	\$(1,956,995)	\$733,455
Marine insurance	1,283,496	1,991	(168,368)	(77,104)	(967,859)	(604)	255,393	326,945
Motor insurance	10,643,723	584,630	(380,896)	(1,668,918)	(6,608,698)	(667,287)	33,324	1,935,878
Engineering insurance	1,050,109	(12)	(129,604)	(82,874)	(360,774)	(1,894)	2,431	477,382
Liability insurance	1,500,322	3,107	(179,730)	(190,509)	(490,594)	(650)	(92,052)	549,894
Accident & health insurance	2,206,136	8,021	22,256	(434,216)	(1,326,978)	(702)	(137,326)	337,191
Total	\$20,054,819	\$695,470	\$(979,889)	\$(2,676,451)	\$(10,150,800)	\$(687,179)	\$(1,895,225)	\$4,360,745

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2019

Item	Premium revenues	Reinsurance premium income	Net changes in unearned premium reserve	Insurance				
				Insurance contract acquisition cost	Insurance claims (including indemnity expense)	Reinsurance claims	Net change in loss reserve	Insurance profit and loss
Fire insurance	\$3,009,742	\$97,785	\$73,233	\$(224,731)	\$(711,846)	\$(14,955)	\$282,198	\$2,511,426
Marine insurance	996,971	2,496	10,975	(74,778)	(562,867)	(1,005)	(583,476)	(211,684)
Motor insurance	10,004,493	601,115	(277,703)	(1,565,502)	(6,280,584)	(727,416)	30,325	1,784,728
Engineering insurance	1,099,810	1,547	(377,017)	(76,568)	(290,699)	(2,104)	(72,334)	282,635
Liability insurance	1,408,148	4,642	(121,874)	(189,742)	(534,114)	(1,534)	(125,143)	440,383
Accident & health insurance	2,173,277	9,570	(59,278)	(415,817)	(1,096,325)	(431)	(10,834)	600,162
<b>Total</b>	<b>\$18,692,441</b>	<b>\$717,155</b>	<b>\$(751,664)</b>	<b>\$(2,547,138)</b>	<b>\$(9,476,435)</b>	<b>\$(747,445)</b>	<b>\$(479,264)</b>	<b>\$5,407,650</b>

B. Current profit and loss recognized for purchased reinsurance contracts

2020

Item	Net change in ceded			Claims recovered from reinsurers	Net change in ceded claims reserve	Ceded reinsurance (loss) profit
	Reinsurance premiums ceded	unearned premium reserve	Reinsurance commission income			
Fire insurance	\$(1,752,431)	\$67,225	\$107,622	\$185,169	\$1,735,247	\$342,832
Marine insurance	(860,210)	153,835	90,458	736,092	(238,515)	(118,340)
Motor insurance	(1,294,950)	(1,572)	132,681	1,271,970	(81,701)	26,428
Engineering insurance	(517,468)	59,953	41,522	103,326	8,750	(303,917)
Liability insurance	(199,701)	10,881	19,910	55,245	97,667	(15,998)
Accident & health insurance	(221,866)	12,600	17,365	245,723	33,465	87,287
<b>Total</b>	<b>\$(4,846,626)</b>	<b>\$302,922</b>	<b>\$409,558</b>	<b>\$2,597,525</b>	<b>\$1,554,913</b>	<b>\$18,292</b>

2019

Item	Net change in ceded			Claims recovered from reinsurers	Ceded claims Net change in reserve	Ceded reinsurance (loss) profit
	Reinsurance premiums ceded	unearned premium reserve	Reinsurance commission income			
Fire insurance	\$(1,600,942)	\$(140,103)	\$96,789	\$408,947	\$(198,203)	\$(1,433,512)
Marine insurance	(592,799)	(37,169)	61,625	354,978	523,505	310,140
Motor insurance	(1,290,256)	(7,209)	142,497	1,340,462	(121,213)	64,281
Engineering insurance	(526,641)	316,632	48,970	72,714	49,946	(38,379)
Liability insurance	(209,436)	20,166	24,415	67,784	57,593	(39,478)
Accident & health insurance	(202,024)	(9,958)	32,617	166,473	(33,991)	(46,883)
<b>Total</b>	<b>\$(4,422,098)</b>	<b>\$142,359</b>	<b>\$406,913</b>	<b>\$2,411,358</b>	<b>\$277,637</b>	<b>\$(1,183,831)</b>

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6. Sensitivity of insurance risks

Insurance contract type	Premium revenues	Expected loss rate	Expected impact on profit or loss with 5% increase of loss rate	
			Before holding reinsurance	After holding reinsurance
Fire insurance	\$3,371,351	70.22%	\$168,568	\$80,944
Marine insurance	1,243,417	70.60%	62,171	21,164
Land and air insurance	8,456,990	65.68%	422,849	402,221
Liability insurance	1,157,947	71.53%	57,897	50,289
Engineering Guarantee Insurance	1,091,590	73.42%	54,579	28,179
Other property insurance	300,893	62.62%	15,045	13,196
Accident insurance	2,166,043	64.60%	108,302	97,270
Health insurance	40,093	66.26%	2,005	1,943
Automobile liability insurance	2,226,813	Not applicable	Not applicable	Not applicable
Total	<u>\$20,055,137</u>		<u>\$891,416</u>	<u>\$695,206</u>

Note: The data period is from January to December 2020; fire insurance premiums are not covered in long-term fire insurance.

According to the data from January to December 2020, although the assumed increase of expected loss rate by 5% have a certain degree of impact on the profit or loss, with the reinsurance arrangement, however, the impact from the change in expected loss rate can be reduced, thereby spreading the risks, and the sensitivity can be maintained within a reasonable range.

7. Explanation of concentrated insurance risks

(1) Circumstances that may lead to concentrated insurance risks:

A. Proportion of premiums for underwriting and ceded-in reinsurance

The insurance contracts underwritten by the company are spread across different types of insurance without concentration on a single type of insurance, and the highest proportion is attributed to automobile insurance, which accounted for 54.11% and 54.64% of the total underwriting in 2020 and 2019, respectively. Although the proportion is higher than that of other insurances, experiences show the relevant loss is stable and the risk variation is not significant; other insurance types do not have risk concentration either.

Proportion of premiums for underwriting and ceded-in reinsurance

Item	2020		2019	
	Amount	Percentage.	Amount	Percentage.
Fire insurance	\$3,468,766	16.72%	\$3,107,526	16.01%
Marine insurance	1,285,487	6.19%	999,467	5.15%
Motor insurance	11,228,353	54.11%	10,605,609	54.64%
Engineering insurance	1,050,097	5.06%	1,101,357	5.67%
Liability insurance	1,503,429	7.25%	1,412,790	7.28%
Accident & health insurance	2,214,157	10.67%	2,182,847	11.25%
Total	<u>\$20,750,289</u>		<u>\$19,409,596</u>	

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## B. Retention ratios

The car insurance has the highest retention ratios, which accounted for 62.46% and 62.15% of its total premiums in 2020 and 2019 respectively, and in consideration of the possibility of significant cumulative losses, reinsurance is arranged to spread the risks, and therefore no risk concentration present.

Also considered are insurances related to natural disasters (e.g. earthquakes and typhoon floods) that may lead to significant cumulative losses, as well as insurances that may result in cumulative losses including property related insurances (fire insurance, engineering insurance), marine insurance and accident insurance, and to avoid concentrated underwriting risks, catastrophe reinsurance contacts are purchased to spread the risks.

Premiums retention ratios:

Item	2020		2019	
	Amount	Percentage.	Amount	Percentage.
Fire insurance	\$1,716,335	10.79%	\$1,506,584	10.05%
Marine insurance	425,277	2.67%	406,668	2.71%
Motor insurance	9,933,403	62.46%	9,315,353	62.15%
Engineering insurance	532,629	3.35%	574,716	3.84%
Liability insurance	1,303,728	8.20%	1,203,354	8.03%
Accident & health insurance	1,992,291	12.53%	1,980,823	13.22%
Total	<u>\$15,903,663</u>		<u>\$14,987,498</u>	

C. The following table shows the concentrated risks of different insurance types before and after reinsurances:

Item	2020			
	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$3,371,033	\$97,733	\$(1,752,431)	\$1,716,335
Marine insurance	1,283,496	1,991	(860,210)	425,277
Motor insurance	10,643,723	584,630	(1,294,950)	9,933,403
Engineering insurance	1,050,109	(12)	(517,468)	532,629
Liability insurance	1,500,322	3,107	(199,701)	1,303,728
Accident & health insurance	2,206,136	8,021	(221,866)	1,992,291
Total	<u>\$20,054,819</u>	<u>\$695,470</u>	<u>\$(4,846,626)</u>	<u>\$15,903,663</u>

Item	2019			
	Premium revenues	Reinsurance premium income	Reinsurance premiums ceded	Net premium revenues
Fire insurance	\$3,009,742	\$97,785	\$(1,600,942)	\$1,506,585
Marine insurance	996,971	2,496	(592,799)	406,668
Motor insurance	10,004,493	601,115	(1,290,256)	9,315,352
Engineering insurance	1,099,810	1,547	(526,641)	574,716
Liability insurance	1,408,148	4,642	(209,436)	1,203,354
Accident & health insurance	2,173,277	9,570	(202,024)	1,980,823
Total	<u>\$18,692,441</u>	<u>\$717,155</u>	<u>\$(4,422,098)</u>	<u>\$14,987,498</u>

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8. Claims development trend

This table discloses the IBNR reserves for the insurance types based on the “Loss Development Triangles.”

◎ Claims development trend:

A. Cumulative reported claims

Accident	Assessment date					Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	Year	2016.12.31	2017.12.31	2018.12.31	2019.12.31				
≤2015							406,102		
2016	9,397,962	9,385,238	9,300,562	9,219,126	9,089,015	9,058,141	30,874		
2017		6,409,289	6,589,715	6,537,614	6,531,323	6,418,997	112,326		
2018			7,005,283	7,378,153	7,256,705	6,899,625	357,080		
2019				8,069,856	8,686,669	7,529,543	1,157,126		
2020					9,736,071	4,840,216	4,895,855		
Total							<u>6,959,363</u>	<u>1,061,355</u>	<u>8,020,718</u>

Accident	Assessment date					Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	Year	2015.12.31	2016.12.31	2017.12.31	2018.12.31				
≤2014							281,075		
2015	5,611,394	5,837,432	5,841,516	5,650,849	5,651,746	5,559,806	91,940		
2016		9,397,962	9,385,238	9,300,562	9,219,126	8,992,722	226,404		
2017			6,409,289	6,589,715	6,537,614	6,343,612	194,002		
2018				7,005,283	7,378,153	6,556,133	822,020		
2019					8,069,856	4,512,620	3,557,236		
Total							<u>5,172,677</u>	<u>850,053</u>	<u>6,022,730</u>

B. Cumulative reported claims

Accident	Assessment date					Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	Year	2016.12.31	2017.12.31	2018.12.31	2019.12.31				
≤2015							98,747		
2016	5,237,772	5,517,370	5,495,545	5,437,567	5,420,862	5,397,813	23,049		
2017		5,383,242	5,476,366	5,441,622	5,441,978	5,360,900	81,078		
2018			5,824,992	6,079,736	6,030,322	5,821,500	208,822		
2019				6,383,975	6,586,879	6,120,012	466,867		
2020					6,976,044	4,331,418	2,644,626		
Total							<u>3,523,189</u>	<u>816,381</u>	<u>4,339,570</u>



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Accident	Assessment date					Cumulative settled claims	Outstanding claims	IBNR claims	Claims reserve
	2015.12.31	2016.12.31	2017.12.31	2018.12.31	2019.12.31				
Year						2019.12.31			
≤2014							86,216		
2015	4,366,690	4,615,453	4,673,094	4,576,392	4,588,547	4,563,469	25,078		
2016		5,237,772	5,517,370	5,495,545	5,437,567	5,374,203	63,364		
2017			5,383,242	5,476,366	5,441,622	5,299,952	141,670		
2018				5,824,992	6,079,736	5,539,105	540,631		
2019					6,383,975	4,009,110	2,374,865		
Total							3,231,824	736,073	3,967,897

Note: The above figures do not include policy-based insurances (i.e. automobile compulsory insurance, residential earthquake insurance, nuclear energy insurance) and the insurances with IBNR reserves not provided based on the “Loss Development Triangles.”

9. Types of financial instruments

Financial instruments	2020.12.31	2019.12.31
<u>Financial assets</u>		
Financial assets measured at fair value through profit or loss:		
Measured at fair value through income under compulsion	\$7,178,293	\$6,338,247
Financial assets at fair value through other comprehensive profit or loss	1,318,579	1,352,070
Financial assets measured at amortized cost:		
Cash and cash equivalents (excluding cash on hand and working capital)	10,965,275	9,594,928
Financial assets based on cost after amortization	5,777,353	5,997,684
Accounts receivable	1,857,006	1,843,051
Refundable deposits	641,265	702,318
Subtotal	19,240,899	18,137,981
Total	\$27,737,771	\$25,828,298
<u>Financial liabilities</u>		
Financial liabilities measured at amortized cost:		
Accounts Payables	\$2,438,589	\$2,700,923
Lease liabilities	35,124	38,048
Subtotal	2,473,713	2,738,971
Financial liabilities measured at fair value through profit or loss:		
Measured at fair value through income under compulsion	3,831	-
Total	\$2,477,544	\$2,738,971

10. Financial risk management objectives and policies

Financial instruments other than derivatives held by the Company mainly include: cash and cash equivalents, and various investments. Such financial instruments are used to adjust the flow of operating funds. The Company also holds other financial assets and liabilities, such as notes receivable, premiums receivable, claims and benefits payable, due from (to) reinsurers & ceding companies, refundable deposits, resulted from business operations.

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The Company also engages in derivatives trading, mainly on forward exchange agreements, to avoid exchange rate risks out of investment activities. The Company's policy is NOT to engage in derivative transactions for trading purposes.

The main risks of the Company's financial instruments are market risks, credit risks and liquidity risks. The risk management policy approved by the Board of Directors is as follows:

(1) Market risk

A. Exchange rate risk

The Company is exposed to the risk of fluctuated exchange rates between the U.S. dollar and the New Taiwan dollar due to holding foreign currencies from trust investments. Since the amounts of such investment positions are significant, forward exchange agreements are carried out to hedge this part of investment activities.

The Company is also exposed to the exchange rate risk arising from reinsurance of business operations denominated in non-functional currencies. However, this type of transactions usually has a short cash collection period with less significant exchange rate fluctuation, and therefore transactions as such are usually not hedged.

The conditions for the hedging tools and for the hedged items are the same based on the Company's self-assessment, so as to maximize the hedging efficacy.

B. Interest rate risk

The interest rate risk is a result from fluctuated fair value of financial instruments or fluctuated cash flows in the future due to changes in market interest rates, and the floating interest rate assets held by the company as well as the floating interest rate debts undertaken by the company may lead risks arising from fluctuated cash flows in the future due to the changes in the market interest rates; however, the Company's financial instruments are all capital-guaranteed, and therefore the impact is not significant.

C. Equity price risk

The company holds domestic and foreign listed and unlisted equity securities, whose prices will be affected by the uncertainty of the future value of their invested targets. These listed and unlisted equity securities held by the Company are included in the fair value measurement through profit or loss and the fair value measurement through other comprehensive profit or loss. Investment portfolios are used to set investment limits on single and overall equity securities to manage the price risks.

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(2) Credit risk

A. Credit risk management policy

The company only deals with third parties that have been recognized as having good credit and, as the corporate policy requires, a credit transaction must go through a credit confirmation procedure before being carried out, and the recovery of premiums and bills receivable are continuously surveyed and evaluated and, as a result, the Company has maintained a good status from bad debts. If the counterparty shows credibility issues, however, relevant contracts will be suspended and the related rights and obligations will not be exercised until it gets back to the transaction status.

The credit risks to which the Company's financial transactions are exposed include issuer credit risk, counterparty credit risk and underlying asset credit risk:

- a. The issuer credit risk refers to the risk of financial losses incurred by the Company due to the holding of financial debt instruments or deposits in banks for which payments or compensation obligations are not performed because of default, bankruptcy or liquidation of the issuer, guarantor or bank, in accordance with the agreed terms.
- b. The counterparty credit risk refers to the risk of financial losses incurred by the Company due to the transactions of financial instruments, with which the counterparty fails to perform the delivery or payment obligations on the agreed date.
- c. The underlying asset credit risk refers to the risk of losses due to the weakened credit quality, increased credit discounts, downgraded credit ratings, or breach of contract concerning the underlying asset linked to financial instruments.

The IFRS 9 is taken to assess expected credit losses, and except for receivables, for which allowance for loss is measured by the lifetime expected credit loss, the rest debt instruments not measured at fair value through profit or loss have the allowance for loss measured based on the lowest risk credit at initial procurement, and on every balance sheet date whether the credit risk is significantly increased since the initial recognition is assessed to determine the method and the loss rate for measuring the allowance for loss. The method and indicators used to assess the impairment of the debt instrument investments are described as follows:

Credit risk ratings	Indicators	Expected credit loss measurement method	Loss rates	
			2020.12.31	2019.12.31
Low credit risk	Credit rating above Baa3	12-month expected credit loss	0.0252%~	0.0008%~
			0.1969%	0.1109%
Credit risk increased significantly	Credit rating below Ba1	Lifetime expected credit loss	7.0157%~	5.4486%~
			10.8262%	8.0072%

The financial assets with recovery unable to be reasonably expected (e.g. the issuer or debtor has major financial difficulties, or has gone bankrupt) are written off.

The debt instruments with increased credit risks are promptly disposed to reduce credit losses. To assess the expected credit losses based on IFRS 9, the forward-looking information (obtained without excessive cost or investment) used also includes general economic information and industry information, and the loss rate is adjusted if the information shows significant impact on the credit losses.

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B. Judgment that the credit risk has increased significantly since initial recognition

- a. The financial instruments are assessed for impairment based on IFRS 9 on every reporting date, to judge whether the credit risk has significantly increased since the initial recognition. This assessment considers reasonable and supportive information (including forward-looking one) that shows a significant increase in the credit risk since the initial recognition, and the main indicators include external credit ratings, credit spreads, and other market information related to the borrowers or issuers showing a significant increase of the credit risk.
- b. Low credit risk: If a financial instrument is judged as having low credit risk on the reporting date, it can be assumed that the credit risk of the financial instrument has not significantly increased since initial recognition.

C. Defaulted and credit impaired financial assets

The default of a financial asset is defined the same as with its credit impairment, and one or more of the following conditions are met, the financial asset is judged as defaulted and credit impaired:

- a. Quantitative indicator: When the contract payment is overdue for more than 90 days, the financial asset is judged as defaulted and credit impaired.
- b. Qualitative indicator: When evidence shows that the issuer or borrower is unable to fulfill the contract payment, or that the issuer or borrower has major financial difficulties, such as:
  - (A) The issuer or borrower is bankrupt or may apply for bankruptcy or financial restructuring; or
  - (B) Failure to pay the principal or interest in accordance with the agreed terms; or
  - (C) The borrower's collateral is under provisional attachment or compulsory collection; or
  - (D) The borrower applies for changing the credit terms due to financial difficulties.
- c. The above definitions of default and credit impairment apply to all financial assets held by the Company, and are consistent with the definitions used for financial assets at stake for internal credit risk management, and are also used in the relevant impairment assessment models.

D. Measurement of expected credit losses

- a. The approach and assumption

The allowance for loss of the financial instruments with no significant increase of credit risks since initial recognition is measured by the 12-month expected credit loss; the allowance for loss of the financial instruments with significant increase of credit risk or credit impairment since initial recognition is measured by the lifetime expected credit loss.

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To measure the expected credit loss, the probability of default (PD) in the next 12 months and in the lifetime of the financial instruments are considered, with the loss given default (LGD) accommodated, multiplied by the exposure at default (EAD), along with additional consideration on the influence of the time value of money, and then the expected credit loss is calculated for the 12 months and for the lifetime duration, respectively.

The PD is the probability that the issuer, guarantee agency or borrower will default, and the LGD is the loss ratio caused by the issuer, guarantee agency or borrower when the default occurs. The LGD used for the impairment assessment is based on the information regularly published by Moody's, an international credit rating agency; the PD is based on the information regularly published by the Taiwan Ratings and Moody's, taking into account historical data adjusted based on currently observable data and general economic information (such as GDP and economic growth rate). The EAD is measured at the amortized cost and interests receivable of financial assets.

b. Consideration of forward-looking information

The forward-looking information is taken into consideration when the expected credit loss of financial assets is measured.

E. Analysis of risk concentration

a. The following table shows the geographical distribution of the credit risk exposure of the financial assets:

December 31, 2020

Financial assets	Taiwan	Australia	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	10,965,275	-	-	-	10,965,275
Financial assets at fair value through profit and loss	51,081	-	-	-	51,081
Financial assets at fair value through other comprehensive profit or loss	-	-	412,150	-	412,150
Financial assets measured at amortized cost (Note 2)	2,816,307	304,519	2,083,826	1,106,357	6,311,009
Total	13,832,663	304,519	2,495,976	1,106,357	17,739,515
Regional proportion to overall	78%	2%	14%	6%	100%

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December 31, 2019

Financial assets	Taiwan	Australia	America	Emerging market and others	Total
Cash and cash equivalents (Note 1)	9,594,928	-	-	-	9,594,928
Financial assets at fair value through profit and loss	52,925	-	-	-	52,925
Financial assets at fair value through other comprehensive profit or loss	-	-	370,132	-	370,132
Financial assets measured at amortized cost (Note 2)	2,951,290	329,468	1,899,830	1,383,686	6,564,274
Total	12,599,143	329,468	2,269,962	1,383,686	16,582,259
Regional proportion to overall	76%	2%	14%	8%	100%

Note 1: Cash and cash equivalents exclude cash on hand and working capital.

Note 2: Including security deposits

- b. The following table shows the industrial distribution of the credit risk exposure of the financial assets:

December 31, 2020

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	10,965,275	-	-	-	10,965,275
Financial assets at fair value through profit and loss	51,081	-	-	-	51,081
Financial assets at fair value through other comprehensive profit or loss	-	-	-	412,150	412,150
Financial assets measured at amortized cost (Note 2)	2,630,167	197,655	587,196	2,895,991	6,311,009
Total	13,646,523	197,655	587,196	3,308,141	17,739,515
Industrial proportion to overall	77%	1%	3%	19%	100%

December 31, 2019

Financial assets	Finance	Manufacture	Communication & technology	Others	Total
Cash and cash equivalents (Note 1)	9,594,928	-	-	-	9,594,928
Financial assets at fair value through profit and loss	52,925	-	-	-	52,925
Financial assets at fair value through other comprehensive profit or loss	-	-	-	370,132	370,132
Financial assets measured at amortized cost (Note 2)	2,993,042	208,080	626,334	2,736,818	6,564,274
Total	12,640,895	208,080	626,334	3,106,950	16,582,259
Industrial proportion to overall	76%	1%	4%	19%	100%

Note 1: Cash and cash equivalents exclude cash on hand and working capital.

Note 2: Including security deposits

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F. Analysis of credit risk quality

The following table shows the credit quality classification of the financial assets:

December 31, 2020

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	10,965,275	-	10,965,275
Financial assets at fair value through profit and loss	51,081	-	51,081
Financial assets at fair value through other comprehensive profit or loss	412,150	-	412,150
Financial assets measured at amortized cost (Note 2)	6,311,009	-	6,311,009
Total	17,739,515	-	17,739,515

December 31, 2019

Financial assets	Normal assets		Total
	Investment grade	Non-investment grade	
Cash and cash equivalents (Note 1)	9,594,928	-	9,594,928
Financial assets at fair value through profit and loss	52,925	-	52,925
Financial assets at fair value through other comprehensive profit or loss	370,132	-	370,132
Financial assets measured at amortized cost (Note 2)	6,564,274	-	6,564,274
Total	16,582,259	-	16,582,259

Note 1: Cash and cash equivalents exclude cash on hand and working capital.

Note 2: Including security deposits

Note 3: Investment grade refers to credit rating above BBB- and non-investment grade refers to BBB- or lower.

G. Maximum total book value of credit risk exposure and credit quality classification

	2020.12.31				Total book value
	Stage 1	Stage 2	Stage 3		
	12-month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss	Purchased or credit-impaired (POCI) financial assets	
Financial assets based on cost after amortization	\$6,713,383	\$40,210	\$-	\$-	\$6,753,593
Debt instruments measured at fair value through other comprehensive profit or loss	380,185	-	-	-	380,185

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	2019.12.31				Total book value
	Stage 1	Stage 2	Stage 3		
	12-month expected credit loss	Lifetime expected credit loss	Lifetime expected credit loss	Purchased or credit-impaired (POCI) financial assets	
Financial assets based on cost after amortization	\$6,833,058	\$40,210	\$-	\$-	\$6,873,268
Debt instruments measured at fair value through other comprehensive profit or loss	381,591	-	-	-	381,591

Note: Including security deposits and interests receivable of financial assets.

H. Reconciliation of allowance for loss from beginning balance to ending balance

	12-month expected credit loss		Lifetime expected credit loss
	Measured at fair value through other comprehensive profit or loss	Measured on the basis of cost after amortization	Measured on the basis of cost after amortization
2020.1.1	\$283	\$2,859	\$2,450
Derecognition of financial assets	-	(98)	-
Originated or purchased financial assets	-	527	-
Change of model/risk parameters	225	3,385	756
2020.12.31	\$508	\$6,673	\$3,206
2019.1.1	\$-	\$3,494	\$2,274
Derecognition of financial assets	-	(464)	-
Originated or purchased financial assets	-	275	810
Change of model/risk parameters	283	(446)	(634)
2019.12.31	\$283	\$2,859	\$2,450

The 2020 allowance for loss of debt instruments measured at fair value through other comprehensive profit or loss and measured at amortized cost increased, mainly attributable to the global COVID-19 pandemic which has led to lockdowns in many countries and caused serious impact on the global economy and daily life and, as a result, the global economic growth rate, a critical parameter to reflect the expected credit loss, has been marked down repeatedly, and hence the increased allowance for loss compared to the beginning balance.



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(3) Operational risk

The purpose is to avoid potential losses out of improper internal control, fraud, corruption, and negligence. The Company has established separate operating procedures and computer systems with the frontend and backend platforms and middleware according to the business features to effectively manage operational risks by way of strict internal control and auditing as well as external reviews and statutory compliance. The company has also formulated and implemented the “Operational Risk Management Mechanism” for risk assessment by each department; also, the “Guidelines for Risk Early Warning and Reporting” is set up to establish a loss experience database.

(4) Liquidity risk

A. Definition and source of liquidity risk

The liquidity risk of financial instruments can be divided as “fund liquidity risk” and “market liquidity risk.” The “fund liquidity risk” refers to the risk that necessary and sufficient funds are not available within a reasonable time and at a reasonable cost, resulting in a funding gap; the “market liquidity risk” refers to the losses incurred due to assets sold below the market price in order to acquire necessary funds.

B. Liquidity risk management

Based on the business features, the short-term cash flows are regularly assessed and monitored under a sound liquidity risk management mechanism, where the market transaction volumes and proportionality of fund positions are considered for prudent control of the market liquidity risk; also, contingency plans are drawn up to deal with major liquidity risks out of abnormal and emergent fund demands.

Stress testing analysis is to test changes in funding liquidity under various combinations of extremely abnormal and unfavorable situations to ensure safe funding liquidity. The stress scenarios assumed include major market fluctuations, occurrences of various credit events, and unexpected tightening of financial market liquidity that may generate liquidity pressures, and the test is to measure the changes in positive and negative funding gaps of the overall corporate fund supply and demand in various periods without affecting normal business operations. Aimed at the funding gaps resulted from the stress testing scenarios, contingency plans have been set up to deal with such major liquidity risks out of the assumed abnormal and emergent demands on funds.

(5) Market risk analysis

Market risk refers to the risk of reduced benefits or investment portfolio values due to changes in the market factors such as exchange rates, commodity prices, interest rates, credit spreads, and stock prices.

The market risk management tools such as Value at Risk (VaR) and stress testing are constantly used to comprehensively and effectively measure, monitor and manage the market risks.

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A. Value at risk (VaR)

The VaR is used to measure the maximum potential loss incurred by investment portfolios due to changes in market risk factors during a specific period and under a certain confidence level. The Company currently take a confidence level of 99% to calculate VaR for the next two weeks.

The VaR of relevant asset positions is shown in the following table:

December 31, 2020

	Equity	Bond	Domestic assets	Foreign assets	Total VaR
Component VaR	\$415,137	\$23,930	\$410,614	\$41,787	\$414,380

December 31, 2019

	Equity	Bond	Domestic assets	Foreign assets	Total VaR
Component VaR	\$234,944	\$23,162	\$225,282	\$40,848	\$240,179

B. Stress testing

With the VaR model, regular stress testing is given to measure potential market risks when extremely abnormal events occur. The stress testing measures the potential impact on the value of the investment portfolio from extreme changes in a series of financial variables.

Currently a simple sensitivity analysis and a scenario simulation are regularly given to carry out the stress test on the financial positions, and the test covers loss of position caused by the change of risk factors in various historical scenarios:

a. Simple sensitivity analysis

The simple sensitivity analysis measures the changed value of the investment portfolio caused by changes in specific risk factors.

b. Scenario Analysis

The scenario analysis measures the changed total value of investment positions that occurs under hypothetical events, and the scenarios include:

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i. Historical scenarios:

A period of historical events is selected, and the fluctuated risk factors in the period are added to the current investment portfolio to calculate the loss out of the historical events.

ii. Hypothetical scenarios:

With a reasonably expected hypothesis that could lead to extreme market changes in the future, its changed risk factors are added to the current investment portfolio to measure the loss out of the hypothetical events.

The Investment Department regularly carries out the stress test under hypothetical scenarios and send the resulted reports to the Risk Management Department for the corporate risk analysis, risk warning and business management.

December 31, 2020

Risk factors	Changed value (+/-)	Position profit and loss (P/L)
Equity risk (stock price index)	-10%	\$(554,798)
Interest rate risk (yield rate curve)	+100bp	(56,292)
Exchange rate risk (exchange rate)	-5%	(50,046)

December 31, 2019

Risk factors	Changed value (+/-)	Position profit and loss (P/L)
Equity risk (stock price index)	-10%	\$(502,810)
Interest rate risk (yield rate curve)	+100bp	(61,001)
Exchange rate risk (exchange rate)	-5%	(98,546)

11. Fair value information of financial instruments

(1) The methods and assumptions used to measure fair values are as follows:

A. The fair values of cash and cash equivalents, receivables and payables are estimated based on their book values on the balance sheet, because such items will become mature shortly and thus their book values are a reasonable basis for measuring the fair values.

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- B. The fair values of financial assets and financial liabilities that have standard terms and conditions and are traded in active markets are determined by reference to market quotes (including beneficiary certificates, listed stocks and bonds).
- C. The fair values of derivatives are based on public quotes. When public quotes are not available, the fair values of non-option derivatives are calculated with the applicable lifetime yield curve by discounted cash flow analysis, while the fair values of option derivatives are calculated by the option pricing model.
- D. The fair values of other financial assets and financial liabilities are determined based on the discounted cash flow analysis, where the assumptions such as interest rates and discount rates are mainly based on the information of similar instruments and applicable lifetime yield curves.

(2) Fair value by amortized cost

Except for those listed in the following table, the book values of financial assets and financial liabilities measured by amortized cost approximate their fair values:

	Book value	
	2020.12.31	2019.12.31
Financial assets		
Financial assets based on cost after amortization	\$5,777,353	\$5,997,684
Refundable deposits – by government bonds	533,656	566,590
	Fair value	
	2020.12.31	2019.12.31
Financial assets		
Financial assets based on cost after amortization	\$6,533,748	\$6,405,736
Refundable deposits – by government bonds	560,025	580,268

(3) Fair value recognized on balance sheet

The following table provides the analysis of financial instruments measured at fair value after initial recognition, by dividing the fair values into the following three levels:

- Level 1: Public quotes (unadjusted) of the same assets or liabilities in the active market.
- Level 2: Except for the Level 1 public quotes, the fair value is derived from the direct observable input values (i.e. prices) and indirect ones (i.e. derivatives from prices) of the assets or liabilities.
- Level 3: The fair value is derived with the appraisal technology that is not based on input values of the assets or liabilities from the observable market data.

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Financial instruments measured at fair value	2020.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets				
Financial assets at fair value through profit and loss				
Stock	\$5,652,313	\$5,323,404	\$-	\$328,909
Bonds	51,081	-	-	51,081
Fund	1,374,197	1,336,157	-	38,040
Swap and forward exchange contracts	100,702	-	100,702	-
Financial assets at fair value through other comprehensive profit or loss				
Stock	906,429	614,325	-	292,104
Bonds	412,150	412,150	-	-
Financial liabilities				
Financial liabilities at fair value through profit and loss				
Swap and forward exchange contracts	3,831	-	3,831	-
Financial instruments measured at fair value				
2019.12.31				
Financial assets				
Financial assets at fair value through profit and loss				
Stock	\$4,464,772	\$4,142,049	\$-	\$322,723
Bonds	52,925	-	-	52,925
Fund	1,745,850	1,704,106	-	41,744
Swap and forward exchange contracts	74,700	-	74,700	-
Financial assets at fair value through other comprehensive profit or loss				
Stock	981,938	636,423	-	345,515
Bonds	370,132	370,132	-	-

The assets and liabilities measured at repetitive fair value in 2020 and 2019 had no transfer between the Level 1 and Level 2 fair values

(4) Details of changes in the Level 3 repetitive fair value

From the beginning to the end of the period, the adjusted balances of the Level 3 assets and liabilities measured at repetitive fair value are as follows:

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	Assets		
	Measured at fair value through profit or loss Measurement at fair value	Measured at fair value through other comprehensive profit or loss	Total
2020.1.1	\$417,392	\$345,515	\$762,907
Recognized total profits (losses) in 2020:			
Recognized as gains and losses (under “Profit or loss on Financial Assets and Liabilities Measured at Fair Value through profit or loss”)	(1,844)	-	(1,844)
Recognized as other comprehensive profit or loss (under “Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive profit or loss”)	-	(3,024)	(3,024)
Recognized as other comprehensive profit or loss (under “Other comprehensive profit or loss reclassified with overlay approach”) disposal/settlement	2,482 -	- (50,387)	2,482 (50,387)
2020.12.31	<u>\$418,030</u>	<u>\$292,104</u>	<u>\$710,134</u>

	Assets		
	Measured at fair value through profit or loss Measurement at fair value	Measured at fair value through other comprehensive profit or loss	Total
2019.1.1	\$304,122	\$376,222	\$680,344
Recognized total profits (losses) in 2019:			
Recognized as gains and losses (under “Profit or loss on Financial Assets and Liabilities Measured at Fair Value through profit or loss”)	2,555	-	2,555
Recognized as other comprehensive profit or loss (under “Unrealized valuation profit or loss on equity instruments measured at fair value through other comprehensive profit or loss”)	-	29,173	29,173
Recognized as other comprehensive profit or loss (under “Other comprehensive profit or loss reclassified with overlay approach”) disposal/settlement	110,715 -	- (59,880)	110,715 (59,880)
2019.12.31	<u>\$417,392</u>	<u>\$345,515</u>	<u>\$762,907</u>

Among the above recognized total profits (losses), those related to the assets held as of December 31, 2020 and 2019, respectively, are as follows:

	2020	2019
Total profits (losses)		
Recognized in the profit or loss	\$(1,844)	\$2,555
Recognized in the other comprehensive profit of loss	(7,275)	124,561

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(5) The significant unobservable input values of the Level 3 fair value

The significant unobservable input values for measuring assets at Level 3 repetitive fair value are listed in the following table:

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	Appraisal technology	Significant unobservable input values	Quantitative information	Relation between input value and fair value
Financial assets:				
Financial assets at fair value through profit and loss				
Unlisted stocks	Income approach	Liquidity and minority share discount	0-10%	The higher liquidity and minority equity discount, the lower fair value estimate
Fund	Asset approach	Liquidity discount	0-30%	The higher liquidity discount, the lower fair value estimate
Bonds			Note	
Financial assets at fair value through other comprehensive profit or loss				
Unlisted stocks	Market approach, income approach, asset approach	Liquidity and minority share discount	0-30%	The higher liquidity and minority equity discount, the lower fair value estimate

Note: The present value of expected return from holding a bond investment is calculated by the discount of expected future cash flow. The significant unobservable inputs are mainly expected cash flows in the future.

December 31, 2019

	Appraisal technology	Significant unobservable input values	Quantitative information	Relation between input value and fair value
Financial assets:				
Financial assets at fair value through profit and loss				
Unlisted stocks	Market approach	Liquidity discount	0-10%	The higher liquidity discount, the lower fair value estimate
Fund	Asset approach	Liquidity discount	0-10%	The higher liquidity discount, the lower fair value estimate
Bonds			Note	
Financial assets at fair value through other comprehensive profit or loss				
Unlisted stocks	Market approach, income approach, asset approach	Liquidity discount	0-30%	The higher liquidity discount, the lower fair value estimate

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Note: The present value of expected return from holding a bond investment is calculated by the discount of expected future cash flow. The significant unobservable inputs are mainly expected cash flows in the future.

(6) Measurement not at fair value with required disclosure of fair value level

	2020.12.31			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets based on cost after amortization	\$6,533,748	\$4,798,476	\$-	\$1,735,272
Refundable deposits – by government bonds	560,025	560,025	-	-
Investment property (see Note 6.8)	2,901,157	-	-	2,901,157
	2019.12.31			
	Total	Level 1	Level 2	Level 3
Assets with fair value disclosed only:				
Financial assets based on cost after amortization	\$6,405,736	\$4,705,736	\$-	\$1,700,000
Refundable deposits – by government bonds	580,268	580,268	-	-
Investment property (see Note 6.8)	2,881,184	-	-	2,881,184

8. Related party transactions

The transaction related parties in the Company's financial reporting period are:

(1) Name and affiliation of the parties:

Name	Affiliation
Taiwan Cement Corporation	Other related parties
Taiwan Shin Kong Security Co., Ltd.	Other related parties
Taiwan Security Co., Ltd.	Other related parties
Waibel Enterprise Inc.	Other related parties
Shin Kong Life Insurance Co., Ltd.	Other related parties
Shin Kong Mitsukoshi Department Store CO., LTD.	Other related parties
Shin Kong Synthetic Fibers Corporation	Other related parties
Shin Kong Textile Co., Ltd.	Other related parties
Shin-Po Express Co., Ltd.	Other related parties
Others	Major transactions of directors, key management personnel and their spouses and second degree relatives with related parties:



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(2) Major transactions with related parties:

1. Premium revenues

Name	2020		2019	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$128,934	0.64%	\$6,783	0.04%

2. Claims and benefits

Name	2020		2019	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$33,049	0.30%	\$-	-%

3. Other expenses (listed as operating expenses)

Name	2020		2019	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$16,180	5.20%	\$-	-%

The conditions for transactions with the above related parties are no difference from that with non-related parties.

4. Lease

Rental expenses (listed as operating expenses)

Name	2020		2019	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$323	1.08%	\$-	-%

Property investment gains and losses – rental income

Name	2020		2019	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$4,076	5.44%	\$3,700	5.36%

Advance rent

Name	2020.12.31		2019.12.31	
	Amount	Percentage of this item	Amount	Percentage of this item
Other related parties	\$1,257	0.17%	\$1,232	0.15%

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Right-of-use assets

Name	2020.12.31		2019.12.31	
	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	\$8,792	25.41%	\$-	-%

Lease liability

Name	2020.12.31		2019.12.31	
	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	\$8,975	25.55%	\$-	-%

Interest expenses

Name	2020		2019	
	Amount	Percentage of this item	Amount	Percentage of this item
Shin Kong Life Insurance	\$194	22.62%	\$-	-%

The lease periods and rent collections are stipulated in the contracts. The general lease term is 1 to 5 years, mainly with monthly collection of rents.

5. Remunerations of key management staff:

	2020	2019
Short-term employee benefits	\$115,312	\$87,292
Retirement benefits	72,907	82,590
Total	\$188,219	\$169,882

9. Pledged assets

As of December 31, 2020 and 2019, respectively, the details of pledged and guarantee assets are as follows:

Asset name	2020.12.31	2019.12.31
Government bonds – insurance deposits	\$533,656	\$566,590
Time deposit – performance bond	25,000	44,500

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10. Major contingent liabilities and unrecognized contractual commitments

No such items

11. Major events after the reporting period

No such items

12. Major disaster losses

No such items

13. Proceeding or termination of major litigation cases

No such items

14. Execution, completion, cancellation or invalidation of major contracts

No such items

15. Employee pension information

See Note 6.13.

16. Discontinued operations information

No such items

17. Receiving from or transferring to other insurance companies the main part of the business, assets and liabilities

No such items

18. Allocation of profits and losses from incomes, costs and expenses due to business transactions, collaborative promotions, information exchange, and shared business equipment or premises made with Shin Kong Financial Holdings and its subsidiaries.

No such items

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19. Fund entrusted operations

The funds were fully entrusted to the securities investment trust companies for operations, and the details as of December 31, 2020 and 2019, respectively, are as follows:

Item	2020.12.31	2019.12.31
Cash and cash equivalents	\$448,122	\$149,163
TWSE (Taiwan Stock Exchange) listed/OTC stocks	1,048,744	1,014,853
Total	<u>\$1,496,866</u>	<u>\$1,164,016</u>
Discretionary contract limit:		
New Taiwan Dollars (NTD)	<u>\$1,050,000</u>	<u>\$1,050,000</u>
RMB	<u>\$120,000</u>	<u>\$120,000</u>

20. Private equity information

No such items

21. Major organizational restructuring and management system reforms

No such items

22. Major impact due to changes in laws and regulations

No such items

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23. Others

1. The total amount of assets and liabilities that are expected to be recovered or paid within 12 months after the balance sheet date, and the total amount to be recovered or paid over the 12-month period

Item	2020.12.31		Total
	Recovery or payment within the 12 months	Recovery or payment over the 12-month period	
Cash and cash equivalents	\$10,975,768	\$-	\$10,975,768
Accounts receivable	1,857,006	-	1,857,006
Investment	7,127,212	9,598,917	16,726,129
Reinsurance contract assets (net)	-	7,781,387	7,781,387
Property and equipment (net)	-	1,080,035	1,080,035
Right-of-use assets.	-	34,595	34,595
Intangible assets	-	19,525	19,525
Deferred income tax assets	-	236,467	236,467
Other assets	37,489	723,940	761,429
Total assets			<u>\$39,472,341</u>
Accounts Payables	\$2,438,589	\$-	\$2,438,589
Current income tax liabilities	161,727	-	161,727
Financial liabilities	3,831	-	3,831
Lease liability	13,743	21,381	35,124
Insurance liability	-	23,224,171	23,224,171
Reserve for liabilities	-	127,546	127,546
Deferred tax liabilities	-	62,103	62,103
Others	151,873	43,677	195,550
Total liabilities			<u>\$26,248,641</u>
Item	2019.12.31		Total
	Recovery or payment within the 12 months	Recovery or payment over the 12-month period	
Cash and cash equivalents	\$9,607,479	\$-	\$9,607,479
Accounts receivable	1,843,051	-	1,843,051
Investment	6,587,053	9,433,554	16,020,607
Reinsurance contract assets (net)	-	5,840,010	5,840,010
Property and equipment (net)	-	1,110,073	1,110,073
Right-of-use assets.	-	37,716	37,716
Intangible assets	-	30,808	30,808
Deferred income tax assets	-	215,991	215,991
Other assets	306,847	533,812	840,659
Total assets			<u>\$35,546,394</u>

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Item	2019.12.31		Total
	Recovery or payment within the 12 months	Recovery or payment over the 12-month period	
Accounts Payables	\$2,700,923	\$-	\$2,700,923
Current income tax liabilities	175,939	-	175,939
Lease liability	13,165	24,883	38,048
Insurance liability	-	20,509,924	20,509,924
Reserve for liabilities	-	174,626	174,626
Deferred tax liabilities	24,908	15,378	40,286
Others	224,227	8,155	232,382
Total liabilities			<u>\$23,872,128</u>

2. Derivative instruments

As of December 31, 2020 and December 31, 2019, respectively, the derivatives not conformable to the hedge accounting and not expired yet are as follows:

SWAP and forward exchange contracts

December 31, 2020

Financial products	Contract amounts (Nominal principal)	Fair value (NTD)	Transaction date/Expiration date	Agreed exchange rate (NTD)
Forward exchange contracts pre-sale	USD 10,000	\$7,593	2020.10.28/2021.10.29	28.816
Forward exchange contracts pre-sale	USD 7,000	5,315	2020.10.28/2021.10.29	28.816
Forward exchange contracts pre-sale	USD 7,000	5,315	2020.10.28/2021.10.29	28.816
Forward exchange contracts pre-sale	USD 1,000	1,215	2020.04.30/2021.02.04	29.72
Forward exchange contracts pre-sale	USD 10,000	9,742	2020.08.27/2021.01.29	29.48
Forward exchange contracts pre-sale	USD 8,000	2,985	2020.10.27/2021.10.29	28.838
Forward exchange contracts pre-sale	USD 2,000	622	2020.11.12/2021.11.16	28.772
Forward exchange contracts pre-sale	USD 8,000	(1,969)	2020.12.10/2021.12.14	28.209
Forward exchange contracts pre-sale	USD 4,000	(931)	2020.12.29/2021.09.30	28.238
Forward exchange contracts pre-sale	USD 4,000	(931)	2020.12.29/2021.09.30	28.238
Forward exchange contracts pre-sale	USD 5,000	7,040	2020.03.11/2021.03.15	29.91
Forward exchange contracts pre-sale	USD 3,000	4,224	2020.03.11/2021.03.15	29.91
Forward exchange contracts pre-sale	USD 2,000	2,816	2020.03.11/2021.03.15	29.91
Forward exchange contracts pre-sale	USD 4,000	5,387	2020.04.13/2021.04.15	29.845
Forward exchange contracts pre-sale	USD 6,000	8,080	2020.04.13/2021.04.15	29.845
Forward exchange contracts pre-sale	USD 10,000	13,467	2020.04.13/2021.04.15	29.845
Forward exchange contracts pre-sale	USD 5,000	6,733	2020.04.13/2021.04.15	29.845
Forward exchange contracts pre-sale	USD 5,000	4,872	2020.08.27/2021.01.29	29.48
Forward exchange contracts pre-sale	USD 9,000	3,595	2020.10.20/2021.10.22	28.866
Forward exchange contracts pre-sale	USD 10,000	3,105	2020.11.13/2021.11.17	28.771
Forward exchange contracts pre-sale	USD 6,000	1,863	2020.11.13/2021.11.17	28.771

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financial products	Contract amounts (Nominal principal)	Fair value (NTD)	Transaction date/Expiration date	Agreed exchange rate (NTD)
Forward exchange contracts pre-sale	USD 10,000	\$6,861	2019.07.22/2020.01.30	30.747
Forward exchange contracts pre-sale	USD 5,000	3,402	2019.07.22/2020.01.30	30.747
Forward exchange contracts pre-sale	USD 4,000	2,544	2019.07.11/2020.04.15	30.601
Forward exchange contracts pre-sale	USD 5,000	3,179	2019.07.11/2020.04.15	30.601
Forward exchange contracts pre-sale	USD 5,000	3,179	2019.07.11/2020.04.15	30.601
Forward exchange contracts pre-sale	USD 6,000	3,815	2019.07.11/2020.04.15	30.601
Forward exchange contracts pre-sale	USD 10,000	6,359	2019.07.11/2020.04.15	30.601
Forward exchange contracts pre-sale	USD 2,000	701	2019.10.30/2020.05.04	30.284
Forward exchange contracts pre-sale	USD 16,000	11,953	2019.07.11/2020.07.15	30.473
Forward exchange contracts pre-sale	USD 9,000	6,108	2019.07.18/2020.07.22	30.512
Forward exchange contracts pre-sale	USD 8,000	9,192	2019.08.08/2020.08.12	30.95
Forward exchange contracts pre-sale	USD 3,000	1,419	2019.10.22/2020.10.26	30.062
Forward exchange contracts pre-sale	USD 8,000	3,048	2019.10.25/2020.10.29	30.078
Forward exchange contracts pre-sale	USD 7,000	3,397	2019.10.29/2020.10.30	30.069
Forward exchange contracts pre-sale	USD 7,000	3,397	2019.10.29/2020.10.30	30.069
Forward exchange contracts pre-sale	USD 10,000	4,853	2019.10.29/2020.10.30	30.069
Forward exchange contracts pre-sale	USD 2,000	555	2019.11.13/2020.11.16	29.951
Forward exchange contracts pre-sale	USD 4,000	369	2019.12.27/2020.12.31	29.708
Forward exchange contracts pre-sale	USD 4,000	369	2019.12.27/2020.12.31	29.708

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3. The financial assets and liabilities in foreign currencies with major impacts as of December 31, 2010 and 2019, respectively, are as follows:

	2020.12.31		
	Foreign currencies (in 1s)	Exchange rate	NTD (in thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$130,570,354	28.430	\$3,712,115
CNY	81,063,719	4.352	352,789
Non-currency			
USD	15,900,409	28.430	452,049
	2019.12.31		
	Foreign currencies (in 1s)	Exchange rate	NTD (in thousands)
<u>Financial assets</u>			
Monetary items			
USD	\$138,940,220	29.93	\$4,158,481
CNY	141,217,496	4.28	604,411
Non-currency			
USD	31,568,097	29.93	944,833

With a wide variety of functional currencies, it is impossible to disclose the currency exchange gains and losses of monetary and non-monetary financial assets and financial liabilities based on currencies with major impacts. The foreign currency exchange losses in 2020 and 2019 were NT\$ 228,739 thousand and NT\$ 143,582 thousand, respectively.

4. Capital management policy

In view that insurance companies are not allowed to raise debts, the Company constantly reviews the changes and trends of the capital adequacy ratio (RBC) under the philosophy of stability, and monitors the capital demand for business growth, and at the same time implements a long-term stable dividend policy to maintain the appropriateness of capital management.

5. As of December 31, 2020 and 2019, the net worth ratios from equity divided by total assets excluding investment-linked insurance accounts were 33.50% and 32.84%, respectively.

6. Operations information

The Company operates a property insurance business in accordance with the Insurance Law. Based on IFRS 8, the Company only provides insurance contract products, with no different channels, customer types and supervision environments, and the decision making is based on overall allocation of the corporate resources and, as a result, the Company is a single operating department as a whole.



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24. Property insurance information

No.	Item	Attachment
1	Retained gross premiums earned for compulsory and non-compulsory insurances	Attached table 1
2	Retained claims for compulsory and non-compulsory insurances	Attached table 2
3	Assets and liabilities of compulsory automobile liability insurances	Attached Table 3
4	Reserve for unqualified reinsurances	Attached Table 4
5	Loans for the turnover of huge insurance payments	None

25. Note disclosure

1. Major transactions:

- (1) The property acquisition that amounts to NT\$100 million or more than 20% of the paid-in capital: Attachment 5.
- (2) The property disposal that amounts NT\$100 million or more than 20% of the paid-in capital: no such transactions.
- (3) The transaction of core business items engaged with related parties that amounts NT\$100 million or more than 20% of the paid-in capital: no such transactions.
- (4) The receivable from a related party that amounts NT\$100 million or more than 20% of the paid-in capital: no such transactions.
- (5) Derivative transactions: See Note 23.2.
- (6) Others: For business relationship and major transactions between parent and subsidiary companies, and for different accounting policies adopted by the parent company and subsidiary companies, the accounting policies should be disclosed and the amounts should be separately disclosed on the financial statements: not applicable.

2. Reinvestment business: no such transactions

3. Investment and business in Mainland China: no such transactions

4. Key shareholders:

Name of Major Shareholder	Shares	Quantity	Ratio of Shareholding
	Unit: Share		
Shin Kong Textile Co., Ltd.		51,539,530	16.31%
Shin Kong Life Insurance Co., Ltd.		29,700,000	9.39%
Shin Kong Co., Ltd.		16,061,515	5.08%

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Note:

- (1) The information shown in this table is the shareholders holding ordinary and special shares (treasury shares included) with over 5% delivered by book-entry transfers, as calculated by the Taiwan Depository and Clearing Corporation on the last business day of each quarter. The share capital reported and the actual number of shares delivered by book-entry transfers may have discrepancy due to different calculation bases.
- (2) Among the above shares, the entrusted ones are disclosed separately by individual trust accounts opened by the trustees for the principals. As for the shareholder's declaration of insider's over 10% shareholding in conformity with the Securities and Exchange Act, the shareholding includes the person's self-held shares plus the entrusted ones which the person has right to exercise. For more information on insider's shareholding declaration, please visit the website of Public Information Observatory.

5. The global COVID-19 pandemic has made no significant impact on the Company's business continuity, asset impairment, and financing risks.

26. Reserve for unqualified reinsurance

According to Article 7 of "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms," the reserve for unqualified ceded reinsurance is provided as detailed in Attachment 4.

According to Paragraph 5 of "Guidelines on Reserve for Unqualified Reinsurance," the transactions of unqualified ceded reinsurance disclosed as attachment on the financial statements are explained as:

- a. Abstracts and types of unqualified reinsurance contracts:

December 31, 2020

<u>Reinsurer/Reinsurance broker</u>	<u>Types of ceded reinsurance contract established</u>
Tugu Insurance Company Limited, HK	Marine hull insurance
Trust International Insurance and Reinsurance CO. B.S.C. (C) Trust Re	Accident insurance, comprehensive personal liability insurance, one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, fishing boat insurance, commercial earthquake insurance, typhoon & flood insurance
Asia Capital Reinsurance Group Pte Ltd	One-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing boat insurance, aviation insurance, engineering insurance, commercial earthquake insurance, typhoon & flood insurance
Milli Reasurans T.A.S. Singapore Branch	Inland transportation insurance, cargo transportation insurance

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December 31, 2019

Reinsurer/Reinsurance broker	Types of ceded reinsurance contract established
Tugu Insurance Company Limited, HK	Cargo transportation insurance, marine hull insurance
Trust International Insurance and Reinsurance CO. B.S.C. (C) Trust Re	Accident insurance, comprehensive personal liability insurance, one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, fishing boat insurance, commercial earthquake insurance, typhoon & flood insurance
Arab insurance Group (B.S.C.) (ARIG) In Bahrain	One-year commercial fire insurance, commercial earthquake insurance, typhoon & flood insurance
Asia Capital Reinsurance Group Pte Ltd	One-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing boat insurance, aviation insurance, engineering insurance, commercial earthquake insurance, typhoon & flood insurance
Milli Reasurans T.A.S. Singapore Branch	Inland transportation insurance, cargo transportation insurance

b. Unqualified reinsurance premium expenses:

The unqualified reinsurance premiums expenses in 2020 and 2019 were NT\$ 2,179 thousand and NT\$ 25,519 thousand, respectively.

c. A summary on the principles of providing the reserve for unqualified reinsurance and its constituent items:

	2020.12.31	2019.12.31
Ceded unearned premium reserve	\$1,090	\$6,302
Settled claims recoverable from reinsurers within 9 months of overdue payment	1,849	4,848
Reserve for RBNS ceded claims	23,405	12,990
Total reserve for unqualified reinsurance	<u>\$26,344</u>	<u>\$24,140</u>

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Notes to financial statements (Continued)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Attachment 1: Information relating to retained earned gross premium of compulsory insurance and non-compulsory insurance

Item	Premium revenues (1)	Reinsurance premium income (2)	Reinsurance premiums ceded (3)	Retained premium revenues (4)=(1)+(2)-(3)
Compulsory insurance	\$2,226,812	\$584,631	\$922,463	\$1,888,980
Non-compulsory insurance	17,828,007	110,839	3,924,163	14,014,683
Total	\$20,054,819	\$695,470	\$4,846,626	\$15,903,663

Item	Direct underwriting unearned premium reserve		Assumed reinsurance unearned premium reserve		Net changes in unearned premium reserve	Ceded reinsurance unearned premium reserve		Net change in ceded unearned premium reserve	Retained premium
	Allocation (5)	Recovery (6)	Allocation (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)	Allocation (10)	Recovery (11)	(12)=(10)-(11)	(13)=(4)-(9)+(12)
Compulsory insurance	\$911,788	\$929,327	\$347,032	\$359,085	\$(29,592)	\$547,146	\$557,667	\$(10,521)	\$1,908,051
Non-compulsory insurance	9,877,723	8,860,890	52,742	60,094	1,009,481	2,117,213	1,803,770	313,443	13,318,645
Total	\$10,789,511	\$9,790,217	\$399,774	\$419,179	\$979,889	\$2,664,359	\$2,361,437	\$302,922	\$15,226,696

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Notes to financial statements (Continued)

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Attachment 2: Information relating to retained claims of compulsory insurance and non-compulsory insurance

Item	Insurance claims (including claim expenses) (1)	Reinsurance claims (2)	Claims recovered from reinsurers (3)	Retained claims (4)=(1)+(2)-(3)
Compulsory insurance	\$1,775,634	\$667,287	\$1,046,582	\$1,396,339
Non-compulsory insurance	8,375,166	19,892	1,550,943	6,844,115
Total	\$10,150,800	\$687,179	\$2,597,525	\$8,240,454

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Notes to financial statements (Continued)

(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

Attachment 3: Information relating to assets and liabilities of Compulsory Automobile Liability Insurance

Item	Amount		Item	Amount	
	Current period	Previous period		Current period	Previous period
<b>Assets</b>			<b>Liabilities</b>		
Cash and Bank Deposits	\$1,680,162	\$1,850,191	Claims and benefits	\$16,861	\$17,477
Insurance premium receivable	15,893	18,502	Due to Reinsurers & Ceding Companies	161,696	160,858
Notes receivable	1,433	1,590	Unearned premium reserve	1,258,820	1,288,412
Claims Recoverable from Reinsurers - net	130,118	144,683	Loss reserve	1,598,119	1,713,458
Due from Reinsurers & Ceding Companies	97,918	100,797	Special reserve	80,504	212,714
Ceded unearned premium reserve	547,146	557,667	Temporary credit and amount to be carried	9,325	8,341
Ceded Reserve for Claims	651,237	722,732			
Temporary debit and amount to be carried down	1,418	5,098			
<b>Asset Total</b>	<b>\$3,125,325</b>	<b>\$3,401,260</b>	<b>Liability Total</b>	<b>\$3,125,325</b>	<b>\$3,401,260</b>

Attachment 3-1: Information Relating to Revenue and Cost of Compulsory Automobile Liability Insurance

Operating revenues			Operating cost		
Item	Current period	Previous period	Item	Current period	Previous period
Pure premium revenues	\$1,537,292	\$1,549,224	Insurance claims	\$1,775,634	\$1,933,309
Reinsurance premium	584,631	601,115	Reinsurance claims	667,287	727,385
Premium revenues	2,121,923	2,150,339	Less: Losses recovered from reinsurers	(1,046,582)	(1,125,732)
Less: Reinsurance premiums ceded	(922,463)	(929,628)	Retained claims payments	1,396,339	1,534,962
Net changes in unearned premium reserve	19,071	28,433	Net change in loss reserve	(43,844)	(103,202)
Retained earned premium	1,218,531	1,249,144	Special reserve net	(132,210)	(178,566)
Interest revenue	1,754	4,050			
<b>Total Operating revenues</b>	<b>\$1,220,285</b>	<b>\$1,253,194</b>	<b>Total Operating Cost</b>	<b>\$1,220,285</b>	<b>\$1,253,194</b>

Serial Number	Reinsurer					Reinsurance broker			Reinsurance premiums ceded	Reinsurance commission income	Ceded unearned premium reserve allocated for the current period	Settled claims recoverable from reinsurers within 9 months of overdue payment	Reserve for RBNS ceded claims	Re-insurance deposits received	Current Period Balance of Unqualified Reinsurance Reserve allocated	Previous Period Balance of Unqualified Reinsurance Reserve allocated	Current Period Additional Provisions or Reversal of Unqualified Reinsurance Reserve	Remarks	
	Code	Name	Credit Rating Agencies	Credit rating	Are they related parties	Code	Name	Are they qualified										(18)	(19)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)										(9)	(10)
1	284HKHK001	TUGU(2016UY Formosa Plastics Marine Corporation)	AM Best	B+	No		FPM(2016UY Formosa Plastics Marine Corporation)	No	0	0	0	0	0	0	0	188,201	(188,201)	Credit rating downgrade (not meeting credit rating standards); The allocation calculation is 2. The Simple Allocation Method.	29 types of insurance including marine hull insurance
2	284HKHK001	TUGU(CPC TANKER)	AM Best	B+	No		FPM(CPC TANKER)	No	0	0	0	0	50,000	0	50,000	1,050,000	(1,000,000)	Credit rating downgrade (not meeting credit rating standards); The allocation calculation is 2. The Simple Allocation Method.	29 types of insurance including marine hull insurance
3	281BHBH001	Trust International Insurance and Reinsurance CO. B.S.C. (C) TRUST RE	None	None	No				0	0	0	562,866	1,660,716	0	2,223,582	6,495,028	(4,271,446)	No credit rating (not up to the credit rating standard); The setting aside method is 2. The Simple Allocation Method.	29 types of insurance including injury insurance, personal comprehensive insurance, one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, fishing vessel insurance, commercial earthquake insurance, typhoon and flood
4	025SGSG001	Asia Capital Reinsurance Group Pte Ltd	None	None	No				2,178,788	0	1,089,394	1,286,201	21,693,587	0	24,069,182	16,406,657	7,662,525	No credit rating (not up to the credit rating standard); The setting aside method is 2. The Simple Allocation Method.	29 types of insurance including one-year commercial fire insurance, inland transportation insurance, cargo transportation insurance, marine hull insurance, fishing vessel insurance, aviation insurance, engineering insurance, commercial earthquake insurance, typhoon and flood insurance
5	172TRSG001	MILLI REASURANS T.A.S. SINGAPORE BRANCH	AM Best	B+	No		FP Marine	No	0	0	0	197	623	0	820	568	252	Credit rating downgrade (not meeting credit rating standards); The allocation calculation is 2. The Simple Allocation Method.	29 types of insurance including inland transportation insurance, cargo transportation insurance
	Total								2,178,788	0	1,089,394	1,849,264	23,404,925	0	26,343,583	24,140,454	2,203,129		

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Attachment 5: Acquisition of real estate amounting to NT\$100 million, or at least 20 percent of the paid-in capital.

The company that acquired the real estate	Property Name	Date of occurrence	Transaction Amount (Note 1)	Payment Status	Counterparties	Relation	If the counterparty is a related party, then information of the previous transfer				Price determination basis	Purpose of acquisition and circumstances of use	Other Agreements
							Holder	Relationship with the issuer	Transfer Date	Amount			
The Company	Taipei Neihu District Premises	11/04/2020	\$322,400	Amount paid each period according to the contract	Founding Construction Development Corp.	Non-related parties	-	-	-	-	Market price and appraisal price (Note 2)	Investment use	None

Note 1: The transaction amount is the total contract price, with land administration fees, transcript fees, land agent fees, and stamp duties as additional amounts.

Note 2: The assets acquired were appraised in accordance with the regulations, and the amount of this transaction was appraised by Taiwan Dawa Real Estate Appraiser & Associates.



- V. Consolidated financial statements of parent and subsidiary companies for the most recent year audited by CPAs: Not applicable**
- VI. If the company or its affiliated enterprises have experienced financial difficulties during the most recent fiscal year or the current fiscal year up to the date of printing of annual report, the annual report shall explain how said difficulties will affect the company's financial status: No such matters.**

## Seven. Review and Analysis of Financial Status and Results of Operations

### I. Financial status

Unit: NTD thousands

Item	Year	2020	2019	Difference	
				Amount	%
Cash and cash equivalents		10,975,768	9,607,479	1,368,289	14.24
Accounts receivable		1,857,006	1,843,051	13,955	0.76
Financial assets and lending		16,726,129	16,020,607	705,522	4.40
Reinsurance contract assets		7,781,387	5,840,010	1,941,377	33.24
Property and equipment		1,080,035	1,110,073	(30,038)	(2.71)
Right-of-use assets.		34,595	37,716	(3,121)	(8.28)
Intangible assets		19,525	30,808	(11,283)	(36.62)
Other assets		997,896	1,056,650	(58,754)	(5.56)
Total assets		39,472,341	35,546,394	3,925,947	11.04
Accounts Payables		2,438,589	2,700,923	(262,334)	(9.71)
Various financial liabilities		3,831	-	3,831	100.00
Lease liabilities		35,124	38,048	(2,924)	(7.69)
Provisions for Insurance liabilities and insurance contracts with financial instruments		23,224,171	20,509,924	2,714,247	13.23
Provisions for liabilities		127,546	174,626	(47,080)	(26.96)
Other liabilities		419,380	448,607	(29,227)	(6.52)
Total liabilities		26,248,641	23,872,128	2,376,513	9.96
Capital stock		3,159,633	3,159,633	-	-
Capital reserves		64,800	64,777	23	0.04
Retained earnings		8,702,181	7,633,951	1,068,230	13.99
Other equity		1,297,086	815,905	481,181	58.98
Total equity		13,223,700	11,674,266	1,549,434	13.27

An analysis on those with changes in the percentage of increase or decrease of 20% or more and the amount of change of \$10 million is as follows:

1. Reinsurance contract assets: Mainly caused by the increase in amortization of insurance claims and benefits and various ceded reserves for the current year.
2. Intangible assets: Mainly caused by amortization of expenses
3. Provisions for liabilities: Mainly caused by the decrease in employee benefit provisions.
4. Other equity: Mainly caused by the increase in unrealized valuation gains on financial assets.

## II. Financial Performance

Unit: NTD thousands

Item \ Year	2020	2019	Increase (decrease)	Change, by percentage
Operating revenues	16,510,114	15,531,150	978,964	6.30
Operating costs	(11,207,473)	(10,420,159)	(787,314)	7.56
Operating expenses	(3,386,841)	(3,241,421)	(145,420)	4.49
Operating income	1,915,800	1,869,570	46,230	2.47
Non-revenues revenues and expenses	13,844	21,323	(7,479)	(35.07)
Net profits before tax from continuing operations	1,929,644	1,890,893	38,751	2.05
Income tax	(299,920)	(328,840)	28,920	(8.79)
After tax profit from continuing operations	1,629,724	1,562,053	67,671	4.33
Analysis on those with changes in the percentage of increase or decrease of 10% or more is as follows:				
1. Non-operating revenues and expenses: Mainly caused by the decrease in bad debt recovery.				

## III. Cash flow

### 1. Changes of cash flow in current year analysis:

Unit: NTD thousands

Opening cash balance (1)	Net cash flow from operating activities for the whole year (2)	Net cash inflow (outflow) from investment and financing activities (3)	Amount of cash balance (shortfall) (1) + (2) + (3)	Opening cash balance (1)	
				Investment plans	Finance plans
9,607,479	2,107,744	(739,455)	10,975,768	-	-
Analysis Description.					
(1) Operating activities: The net cash inflow of \$2,107,744 thousand was mainly due to the increase in net profits before tax and the decrease in financial assets.					
(2) Investing and financing activities: The net cash outflow of \$739,455 was mainly due to the acquisition of investment properties and cash dividends paid during the year.					

### 2. Remedies for estimated cash shortfall and liquidity analysis : None.

### 3. Cash liquidity analysis for the coming year.

Unit: NTD thousands

Opening cash balance (1)	Estimated net cash flow from operating activities for the whole year (2)	Estimated net cash inflow (outflow) from investment and financing activities (3)	Estimated Amount of cash balance (shortfall) (1) + (2) + (3)	Remedies for estimated cash shortfall	
				Investment plans	Investment plans
10,975,768	2,000,000	(1,339,828)	11,635,940	None	None
Analysis Description.					
(1) Operating activities: In 2021, in addition to the continued expansion of market scale, the Company expect actively and effectively utilize its capital positions to generate investment benefits and withdrawal and of insurance reserves are stabilizing, so net cash from operating activities is expected to be an inflow.					
(2) Investment and financing activities: We expect to maintain the prudent business pattern and the cash distribution according to projection, but the distribution is still subject to the resolution of the share meeting, so we expect a net cash outflow from investment and financing					

**IV. Effect of major capital expenditures on finance and business matters in the most recent year: No effect**

**V. The major causes for profits or losses incurred by investments during the most recent year; rectifications and investment plans for the next year: None**

**VI. Risk matters should be analyzed and assessed for the most recent year and the current year up to the date of publication of the annual report as follows.**

1. The impact of the changes in interest rate and exchange rate, and inflation on the Company's profitability and future countermeasures

The impact of interest rate changes on the Company's profit or loss is recognized as amortized cost for most of the fixed-income assets that may be affected by interest rate fluctuations, therefore, when interest rates change, fixed-income assets held by the Company will not affect the current profit or loss, and new fixed-income assets purchased by the Company in the future will be recognized mainly at amortized cost. Therefore, the risk of changes in interest rates is relatively small and within the Company's control.

On exchange rate changes, for foreign currency-denominated investment assets, the Company uses currency swap contracts as a hedging instrument and sets foreign exchange risk limits for regular control, so the risk of exchange rate changes should be under control. In the future, the Company's new fixed-income assets denominated in foreign currencies are also required to be fully hedged in order to effectively control the risk of exchange rate fluctuations.

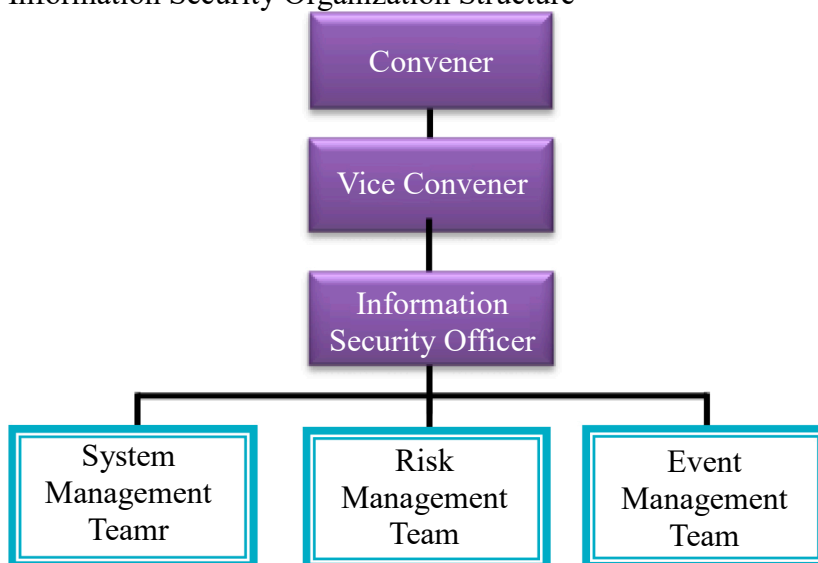
2. Policies on high-risk, highly-leverage investments, lending funds others, endorsement and guarantee, and derivatives transactions, major reasons for gain or loss, and future countermeasures:

The Company invests its capital mainly in domestic and foreign listed marketable securities. There are no high-risk, high-leverage investments, lending funds to others, or endorsements and guarantees.

The Company's policy is to engage in derivative transactions mainly for hedging purposes to reduce the exchange rate risk arising from the Company's investment activities. The hedging instruments mainly include foreign exchange swaps and forward exchange contracts, etc. The Company's investment policy is not to engage in derivative transactions for trading purposes and to regularly control credit risk, liquidity risk and operational risk.

3. Information security

(1) Information Security Organization Structure



Members / Team	Responsibility
Convener	<ul style="list-style-type: none"> <li>▪ Review information security policies and objectives</li> <li>▪ Review ISMS operations and provide sufficient resources to ensure ISMS continuity</li> <li>▪ Review risk management results               <ul style="list-style-type: none"> <li>- Review risk management results</li> <li>- Determine the risk-acceptable threshold</li> </ul> </li> <li>▪ Approve Risk Management Plan</li> <li>▪ Conduct management review</li> <li>▪ Participate in information security awareness promotion and education training to review the results of internal and external audits</li> </ul>
Vice Convener	<ul style="list-style-type: none"> <li>▪ Assistant or Acting Convener</li> <li>▪ Maintain information security policies and objectives</li> <li>▪ Call management review meeting</li> <li>▪ Report to the Convener on the status of ISMS operations</li> <li>▪ Participate in information security compliance revisions</li> <li>▪ Supervise all teams to ensure the continuous operation of ISMS</li> <li>▪ Participate in information security awareness promotion and education training</li> <li>▪ Participate in the internal and external audits</li> <li>▪ Announce start-up and closure of business continuity management</li> </ul>
Information Security Officer	<ul style="list-style-type: none"> <li>▪ Maintain information security policies and objectives</li> <li>▪ Supervise all teams to ensure the continuous operation of ISMS</li> <li>▪ Participate in management review meeting</li> <li>▪ Report to the Vice Convener on the status of ISMS operations</li> <li>▪ Participate in information security compliance revisions</li> <li>▪ Participate in information security awareness promotion and education training</li> <li>▪ Participate in the internal and external audits</li> <li>▪ Cooperate with ongoing operational management and rehearsal with the business</li> </ul>
System Management Team	<ul style="list-style-type: none"> <li>▪ Formulate and amend information security policies and objectives</li> <li>▪ Promote information security policies, objectives, regulations and security control mechanisms</li> <li>▪ Formulate and amend information security specification</li> <li>▪ Perform external evaluations and countermeasures</li> <li>▪ Set up annual information security awareness and education training program</li> <li>▪ Organize information security awareness and education training</li> <li>▪ Perform audit activities               <ul style="list-style-type: none"> <li>- Develop internal audit plan</li> <li>- Perform internal auditing activities</li> <li>- Present Internal audit report and recommendations</li> <li>- Responsible for coordinating external audits</li> <li>- Assist in the prevention of internal and external audit deficiencies</li> <li>- Track the results of internal and external audits for correction and prevention</li> </ul> </li> <li>▪ Participate in information security awareness promotion and</li> </ul>

Members / Team	Responsibility
	<ul style="list-style-type: none"> <li>education training</li> <li>▪ Provide information security implementation results and recommendations to the Vice Convener</li> <li>▪ Participate in management review meeting</li> <li>▪ Participate in the internal and external audits</li> </ul>
Risk Management Team	<ul style="list-style-type: none"> <li>▪ Perform risk management operations <ul style="list-style-type: none"> <li>- Participate in risk assessment discussions</li> <li>- Compile risk assessment information</li> <li>- Recommend Risk Management Measures</li> <li>- Draft Risk Management Plan</li> </ul> </li> <li>▪ Participate in information security compliance revisions and discussions</li> <li>▪ Participate in information security awareness promotion and education training</li> <li>▪ Provide information security implementation results and recommendations to the Vice Convener</li> <li>▪ Participate in management review meeting</li> <li>▪ Participate in the internal and external audits</li> </ul>
Event Management Team	<ul style="list-style-type: none"> <li>▪ Handle information security incident management operations <ul style="list-style-type: none"> <li>- Receive information security incident reports and handle them on your own or in coordination with relevant personnel</li> <li>- Information Security Incident Compilation, Analysis and Tracking</li> </ul> </li> <li>▪ Handle ongoing operational management with the business <ul style="list-style-type: none"> <li>- Assist in the preparation and revision of business continuity plans</li> <li>- Assist in writing and revising business continuity rehearsal plans</li> <li>- Participate in training and exercises for business continuity programs</li> <li>- Participate in Business Continuity Plan Exercise Results Discussion</li> </ul> </li> <li>▪ Participate in information security compliance revisions and discussions</li> <li>▪ Participate in information security awareness promotion and education training</li> <li>▪ Provide information security implementation results and recommendations to the Vice Convener</li> <li>▪ Participate in management review meeting</li> <li>▪ Participate in the internal and external audits</li> </ul>

## (2) Information security policy

In order to strengthen our information security management, implement information security policies, and measure and consider the needs of our units to ensure the confidentiality, integrity and availability of information, the reliability of information equipment (including computer hardware, software, and peripherals) and network systems, and the awareness of information security among our employees, and to ensure that the above-mentioned resources are protected from interference, destruction, intrusion, or any adverse actions and attempts by any factors, we have established this policy.

### I. Statement of Information Security Policy of the Company

- (I) Establish an "Information Security Management Committee" to confirm the effectiveness of information security management operations.
- (II) Establish an inventory of information assets, perform risk assessment operations, conduct risk management for risks above acceptable levels to effectively reduce risks, and continuously implement various control measures.
- (III) All employees, contractors and third parties who use the Company's information to provide information services or perform related information operations have the responsibility and obligation to protect the Company's information assets from unauthorized access, alteration, destruction or improper disclosure.
- (IV) Develop our business continuity plan, rehearse it on a regular basis, and update it continuously in line with our business development and organizational status.
- (V) Establish a safe and secure information system environment to enable our business to operate sustainably.
- (VI) Member information and insurance information are treated as confidential to the Company's business, and personnel who handle or use confidential information must follow the authority granted to them and must not exceed it.
- (VII) All employees of the Company shall comply with the requirements of legal regulations and information security policies, and supervisors shall supervise the implementation of information security and strengthen employees' awareness of information security and the concept of compliance with the law.
- (VIII) Information security is the common responsibility of all staff, and we will continue to review and improve to ensure that our information security system is perfected.

### II. Information security objective

- (1) Maintain the confidentiality, integrity and availability of our information assets and to protect the privacy of our customers' information. By working together as a team to achieve the following goals.
  1. Protect the information of our business activities from unauthorized access and modification to ensure its accuracy and integrity.
  2. Establish a dedicated information security organization responsible for developing, promoting, implementing, evaluating and improving information security management practices to ensure that the Company has an information environment in which its business can continue to operate.

3. Provide information security education and training to promote employee awareness of information security and strengthen their understanding of their responsibilities.
  4. Implement information security risk assessment mechanism to enhance the effectiveness and timeliness of information security management.
  5. Implement an internal audit system for information security to ensure the implementation of information security management.
  6. The execution of the Company's business activities shall comply with the requirements of the relevant laws or regulations.
- (II) Information security target measurement indicators should be measured according to the planning period to confirm the validity, and reviewed and ruled at the management review meeting, and reviewed or revised at least once a year.
- This policy should be evaluated at least once a year to reflect the latest developments in government laws and regulations, technology, and business to ensure the effectiveness of information security practices.

(3) Management program

- I. The Information Security Management Committee of the Company shall convene a "Management Review" meeting once a year, and if necessary, an ad hoc meeting.
- II. When the Company's Information Security Management Committee meets, the Company's information security-related personnel are invited to attend the meeting to report and explain.
- III. The discussion topics for management review should include
  - (I) Tracking of the status of past motions for review.
  - (II) Changes in internal and external issues related to the information security management system.
  - (III) Feedback on the performance of information security, including the following trends.
    1. Non-conforming items and corrective measures.
    2. Supervision and measurement results.
    3. Audit results.
    4. Achievement of Information security objective
  - (IV) Issues of concern to the interested units are raised or discussed (feedback from interested parties).
  - (V) Risk assessment results and status tracking of risk management plan.
  - (VI) Opportunities for continuous improvement.
  - (VII) Other (e.g., laws and regulations require the review or reporting of projects, etc.).
- IV. The conclusions of the management review meetings should include decisions related to continuous improvement opportunities and any requirements for changes to the information security management system.

(4) Future research and development plans and estimated research and development expenses: (Information Department)

- (I) R&D plan for the most recent year
  1. Core system database server upgrade.
  2. Taiwan Insurance Institute's version of e-Policy system platform.
  3. Intelligent underwriting and claims automation system project.
  4. AI virtual customer service robot project.
  5. Dynamic flooding warning system project.



6. Build the Deep Security data protection platform.
7. Redis memory type database import.
8. Credit card identity verification mechanism implementation
9. JKOS Payment Implementation
10. Pet Association Pet Insurance Enrollment System
11. Injury insurance/travel insurance/auto insurance mobile application
12. Injury insurance personal injury charges issuing operations

(II) Current progress of uncompleted R&D plans

1. Anti-Money Laundering and Counter Information Terrorism System (AML/CFT) project, 80% completion rate.
2. Online learning system upgrade with 40% completion rate
3. Internet fire insurance and travel insurance system revamped, completion rate 10%
4. Document management system upgrade with 40% completion rate
5. Information server room electrical improvement project, completion rate of 80%
6. Web application firewall construction project, 70% completion rate
7. Implement LINEPay for External network payment and One Card payment, completion rate 10%.
8. Residential fire insurance app, 10% completion rate.
9. The new notification system for injury insurance built with 70% completion rate.

4. R&D expenses to be further invested and the expected completion schedule of mass production

Unit: NT\$ thousands

Item	R&D expenses	Status	Expected completion time
Anti-Money Laundering and Counter Information Terrorism System (AML/CFT) project	6,000	80%	June 2021
Online learning system upgrade	900	40%	June 2021
Internet fire insurance and travel insurance system revamped	200	10%	August 2021
Document management system upgrade	1,000	70%	March 2021
Information server room electrical improvement project	1,300	80%	March 2021
Web application firewall construction project	1,830	70%	June 2021
Implement LINEPay for External network payment and One Card payment	200	10	October 2021
Residential fire insurance app	600	10%	October 2021
The new notification system for injury insurance	300	70%	March 2021

5. The impact of important domestic and foreign policy and legal changes on the Company's finance and business and corresponding measures

Regulations	Impact and countermeasures
(2020) Bao-Ju-(Zong)-Zi No. 1090434823 (2020.12.08)	<p>New eID card reader specifications and recommended configurations for use scenarios</p> <p><u>In line with the proposed specification models to purchase 60 card readers and in accordance with the provisions of the law.</u></p>
(2020) Bao-Ju-(Zong)-Zi No. 1090494624 (2020.11.16)	<p>In response to the Ministry of the Interior's launch of the NEW EID trial and full replacement exercise, we will establish a working group to designate a single point of contact to facilitate the consolidation of various operational procedures, the progress of information system adjustments, and the implementation of alternative solutions, as well as to assist in the promotion of related education and training.</p> <p><u>Will cooperate with the laws and regulations.</u></p>
(2020) Jin-Quan-Bao-Shou-Zi No. 10904942671 (2020.11.05)	<p>In order to strengthen the implementation of the Principle to Treat Clients Fairly, the former ranking of the comprehensive evaluation score of the "Regulations Governing Pre-sale Procedures for Insurance Products " will be replaced by the evaluation result of the Principle to Treat Clients Fairly A company qualifies for certain conditions if it is in the top 30% of the insurance industry. However, if the insurance products are submitted to the competent authority for approval, they must still comply with the seven conditions (certain conditions) in Article 21 of the law before they can apply for approval.</p> <p><u>Will cooperate with the laws and regulations.</u></p>
(2020) Jin-Quan-Bao-Zong-Zi No. 10904942604 (2020.11.05)	<p>In order to strengthen the implementation of the Principle to Treat Clients Fairly, the insurance industry shall meet the eligibility criteria for applying for online insurance, including the top 80% of the property insurance or life insurance industry in the most recent year of t the Principle to Treat Clients Fairly evaluation.</p> <p><u>Will cooperate with the laws and regulations.</u></p>
(2020) Jin-Quan-Bao-Chan-Zi No. 10904942256 (2020.11.06)	<p>In order to strengthen the implementation of the Principle to Treat Clients Fairly, the insurance industry shall meet the eligibility criteria for applying for online insurance, including the top 80% of the property insurance or life insurance industry in the most recent year of t the Principle to Treat Clients Fairly evaluation.</p> <p><u>Will cooperate with the laws and regulations.</u></p>

Regulations	Impact and countermeasures
(2020) Nong-Jin-Zi No. 1095085551D (2020.12.14)	Established the "Regulations for Subsidizing and Rewarding Agricultural Insurance Insurers by the Council of Agriculture, Executive Yuan".  <u>In the future, if there is any agricultural insurance that meets the incentive requirements, it will be handled in accordance with the provisions of the law.</u>
(2020) Jin-Quan-Bao-Cai-Zi No. 10904947571 (2020.12.21)	The insurance industry is required to include in this table information on the total remuneration of supervisors for the current year and the previous year, as well as a description of the Company's remuneration policy, in the preparation of the 2020 financial statements  <u>Will cooperate with the laws and regulations.</u>
(2020) Jin-Quan-Bao-Cai-Zi No. 10904946301 (2020.12.23)	The insurance industry may engage in real estate investment in accordance with Article 146-2 of the Insurance Act only if it acquires ownership of the real estate or acquires the superficies of the land by paying royalties and rentals, and is able to use it immediately and have benefits in accordance with the law.  <u>Will cooperate with the laws and regulations.</u>
(2021) Jin-Quan-Bao-Shou-Zi No. 10901483581 (2021.01.19)	2nd paragraph of the "Directions for Insurance Companies to Engage in Microinsurance Business" was amended to include those who meet the scope of the Senior Citizens Welfare Act as eligible for coverage.  <u>Will cooperate with the revision of the relevant regulations, and according to the provisions of the law.</u>
Regulations	Impact and countermeasures
(2020) Bao-Ju-(Zong)-Zi No. 1090434823 (2020.12.08)	New eID card reader specifications and recommended configurations for use scenarios  <u>In line with the proposed specification models to purchase 60 card readers and in accordance with the provisions of the law.</u>
(2020) Bao-Ju-(Zong)-Zi No. 1090494624 (2020.11.16)	In response to the Ministry of the Interior's launch of the NEW EID trial and full replacement exercise, we will establish a working group to designate a single point of contact to facilitate the consolidation of various operational procedures, the progress of information system adjustments, and the implementation of alternative solutions, as well as to assist in the promotion of related education and training.  <u>Will cooperate with the laws and regulations.</u>
(2020) Jin-Quan-Bao-Shou-Zi No.	In order to strengthen the implementation of the

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(2020) Nong-Jin-Zi No. 1095085551D (2020.12.14 )	<p>Established the "Regulations for Subsidizing and Rewarding Agricultural Insurance Insurers by the Council of Agriculture, Executive Yuan".</p> <p><u>In the future, if there is any agricultural insurance that meets the incentive requirements, it will be handled in accordance with the provisions of the law.</u></p>

6. Effects of technological and industrial changes to the company's financial and business performance, and the responsive actions:  
The Company is mainly engaged in the property insurance business and is engaged in the sale and service of various types of insurance and the operation of related businesses. In response to industry changes and competition, the Company has been actively reviewing its internal business structure and enhancing the professional knowledge of its employees, as well as strengthening its diversified services to customers in order to reduce the impact of industry changes on the Company.
7. The impact of corporate image change on corporate crisis management and countermeasures: The Company attaches great importance to employee welfare, and has been committed to social welfare, promoting various public welfare activities, and also continues to donate to professional charitable organizations, fulfilling corporate social

responsibility, and has an excellent corporate image. In addition, we have established internal control and risk management policies to ensure the implementation of internal audit and control of operational risks, and convene a response team to deal with unexpected incidents to reduce the impact. The Company also explains relevant matters on official websites such as the Company's official website, the Insurance Information Observation Post System and the Public Information Observation Post System to dispel public concerns, and publishes press releases in the fair media to achieve open and transparent information in addition to correcting public opinion.

7. Expected benefits and possible risks of mergers and acquisitions and countermeasures: No such matters.
8. Expected benefits and possible risks of plant expansion and countermeasures: No such matters.
9. Risks of concentrations of purchases or sales and countermeasures: No such matters.
11. The impact on the Company and risks of the massive transfer or change of shares by directors, supervisors or major shareholders with 10% stake or more and countermeasures: There has been no recent significant transfer or change in shareholding of directors, supervisors or major shareholders holding more than 10% of the shares and therefore there is no impact or risk to the Company.
12. The impact on the Company and risks of change in management rights and countermeasures: There has been no recent change in management rights and therefore there is no impact or risk to the Company.
13. For litigious and non-litigious matters, please list major litigious, non-litigious or administrative disputes that have been resolved or are still proceeding involving the Company and/or any director, supervisor, the general manager, any person with actual responsibility for the firm and any major shareholder holding a more than 10% of the shares, and the affiliated companies. Moreover, where such a dispute could materially affect shareholders' equity or the prices of the securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the publication date of the annual report: No such matters.
14. Other major risks and countermeasures: No such matters.

**VII. Other important disclosures:** The structure, organization and authority of risk management of the Company

The risk management-related units of the Company include: Board of Directors, Risk Management Committee, Risk Management Department, and Sales Department.

1. Board of Directors:

The Board of Directors is the Company's highest decision-making body on risk management and undertakes the ultimate responsibility for the company's overall risk management and its responsibility is as follows:

- (1) Recognize the risks associated with operations and ensure the effectiveness of risk management.
- (2) Set up appropriate risk management mechanism and risk management culture, approve and review appropriate risk management policies regularly, and allocate resources in the most effective way.
- (3) Risk management should consider the effect of the aggregation of various risks from the perspective of the company as a whole, as well as the statutory capital requirements set by the competent authorities and various financial and business-related regulations that affect capital allocation.
- (4) Responsible for promoting and implementing risk management policies and ensuring that the overall operations of the Company are in line with the strategic objectives.

- (5) Review the risk appetite annually and make appropriate adjustments if necessary.
2. Risk Management Committee:  
The Risk Management Committee is established under the Board of Directors to assist in the formulation of risk management policies and the promotion of risk practices, and its functions are as follows.
- (1) Formulate risk management policies, structure and organizational functions, establish qualitative and quantitative management standards, report regularly to the Board of Directors, respond to the Board of Directors on the implementation of risk management in a timely manner, and make necessary recommendations for improvement.
  - (2) Execute the risk management decisions of the Board of Directors and regularly review the development, establishment and implementation effectiveness of the overall risk management mechanism of the Company.
  - (3) Assist and supervise the risk management activities of each department.
  - (4) Adjust the risk category, risk limit allocation and commitment method according to the changing environment.
  - (5) Coordinate cross-departmental interaction and communication of risk management functions.
  - (6) Authorize the risk management unit to handle matters when other units violate the risk limit.
3. Chief Risk Officer  
The Company has an independent Chief Risk Officer who is responsible for the overall risk management of the Company and should participate in the discussion of important corporate decisions and express risk management-related views in a timely manner. The qualifications of the Chief Risk Officer shall comply with the relevant provisions of the Code of Practices on Risk Management in the Insurance Industry, and his or her appointment or removal shall be approved by the Board of Directors.
4. Risk Management Department:  
The Risk Management Department is an independent and dedicated risk control unit of the Company and is responsible for the day-to-day monitoring, measurement and evaluation of the Company's risks at the executive level. The Risk Management Department performs the following duties and responsibilities depending on the type of business.
- (1) Assist in the development and implementation of risk management policies approved by the Board of Directors.
  - (2) Assist in the development of risk limits based on risk appetite.
  - (3) Compile the risk information provided by each unit and coordinate and communicate with each unit to implement policies and limits.
  - (4) Provide regular reports related to risk management.
  - (5) Regularly monitor the risk limits and utilization status of each sales unit.
  - (6) Assist with pressure testing and back-testing if necessary.
  - (7) Establish a self-risk and solvency assessment mechanism.
  - (8) Other risk management related matters. (Example: handle matters when other units violate the risk limit.)
5. Sales Development:  
Each sales unit of the Company shall assign risk management personnel to assist each sales unit in carrying out risk management operations, and the responsibilities of each sales unit and unit head for risk management operations are set out below.
- Sales unit:
- (1) Identify risks and report risk exposure status.
  - (2) Measure the degree of impact (quantitative or qualitative) when risk occurs, and communicate risk information in a timely and accurate manner.
  - (3) Regularly review all risks and limits to ensure effective implementation of risk limit

regulations within the sales unit.

- (4) Monitor the status of risk exposures and report on exceedances, including the measures taken by sales units to address exceedances.
- (5) Assist in the development of risk models to ensure that the measurement of risks, the use of models, and the development of assumptions within sales units are conducted on a reasonable and consistent basis.
- (6) Ensure that internal control procedures of sales units are effectively implemented to comply with relevant regulations and the Company's risk management policy.
- (7) Assist in operational risk-related data collection.

Head of sales units

- (1) Responsible for the daily risk management and reporting of the unit, and take necessary countermeasures.
- (2) Supervise the regular transmission of relevant risk management information to the risk management unit.

## **Eight. Special Remarks**

- I. Information on affiliated enterprises: The most recent consolidated financial statements of affiliated enterprises and affiliation prepared in accordance with the "Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises": No such matters.**
- II. For the most recent year and the current year as of the publication date of the annual report, the information on the private placement of marketable securities shall disclose including the date and amount approved by the shareholders' meeting or the board of directors, the basis and reasonableness of the price, the method of selection of specific person, the necessary reasons for the private placement, the target of the private placement, the eligibility criteria, the number of subscriptions, the relationship with the Company, its participation in the operation of the Company, the actual subscription (or conversion) price, the difference between the actual subscription (or conversion) price and the reference price, the impact of the private placement on shareholders' equity, the use of funds for the private placement of marketable securities from the date of full collection of stock price to the completion of the capital utilization plan, the progress of the implementation of the plan and the effectiveness of the plan: No such matters.**
- III. Holding or disposal of shares in the Company by the Company's subsidiaries during the most recent year or during the current year up to the date of publication of the annual report: No such matters.**
- IV. Other matters requiring supplementary information: None**
- V. If any of the situations listed in Article 36, Paragraph 2, Subparagraph 2 of the Securities and Exchange Act, which might materially affect shareholder equity or the price of the Company's securities, has occurred during the most recent year or during the current year up to the date of publication of the annual report: No such matters.**



**ShinKong Insurance Co., Ltd.**

**Chairman WU, HSIN-HUNG**