

**China Life Insurance Co., Ltd.**  
**Financial Statements**  
**For The Years Ended**  
**31 December 2020 and 2019**  
**With Independent Auditors' Report**

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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**Independent Auditors' Report**  
Independent Auditors' Report Translated from Chinese

To China Life Insurance Co., Ltd.

**Opinion**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2020 and 2019, and its financial performance and cash flows for the years ended 31 December 2020 and 2019, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

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

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of 2020 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Fair value measurement of investments with no active market exists

Some of the Company's financial assets were measured at fair value determined by valuation techniques as no active market exists. The Company adopts internal models to evaluate or refer to quotes of other financial institutions as fair value. The changes in the assumptions used in the valuation will affect the fair value of financial instruments and have a significant influence on the financial statements of the Company; therefore, we consider it as key audit matter. We performed audit procedures, including but not limited to the following for valuation of financial assets with no active market exists. We performed audit of internal controls to understand procedures of valuation, including decision of valuation methods, model approval and change process, and test for the effectiveness of controls over valuation. We understood and evaluated reasonableness of methods and key assumptions of valuation, performed independent verification, and compared whether the evaluation made by the management is within the reasonable range on a sample basis with the assistance of our valuation specialists. Finally, we assessed the appropriateness of the disclosure related to valuation for those financial assets in Notes IV, V and VIII.

### Valuation of insurance liabilities

The Company's insurance liabilities represented 93% of the total liabilities as of 31 December 2020. The assessment of insurance liabilities is based on the assumptions established at the time of the contract and calculated in accordance with the relevant laws and regulations. The assessment has a significant influence on the financial statements of the Company; therefore, we consider it as key audit matter. We performed audit procedures including but not limited to the following for valuations of insurance liabilities. We performed audit of internal controls to understand and test procedures of valuation, including decision of valuation methods, model approval and change process, and test for the effectiveness of controls over valuation. We used our actuarial specialists to assist us in sampling and performing our audit procedures. We reviewed the classification of insurance contracts, assessed whether reserve methods and assumptions complied with the relevant laws and regulations and independently built models to verify the accuracy of the sampled policy reserve amounts. Finally, we assessed the appropriateness of the disclosure related to insurance liabilities in Notes IV, V, VI and VII.



### Liability adequacy test

Liability adequacy test is based on integrated insurance contracts and relevant laws and regulations. This test compared net of reserve for insurance contracts, deferred acquisition cost and related intangible assets with anticipated present value of insurance contract cash flow at each reporting date. If net book value is insufficient, recognize all insufficient amounts as liability adequacy reserve. The result of test has a significant influence on the financial statements of the Company; therefore, we consider it as key audit matter. We performed audit procedures, including but not limited to the following for liability adequacy test with the assistance of our actuarial specialists. We assessed the completeness of scope tested, the reasonableness of relevant methods and assumptions, and sensitivity analysis for significant assumptions. Finally, we assessed the appropriateness of the disclosure related to liability adequacy in Notes IV, V, VI and VII.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability to continue as a going concern of the Company, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the accompanying notes, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the investments accounted for using the equity method within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of 2020 financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/ FUH, WEN-FUN

/s/ CHANG, CHENG-TAO

Ernst & Young, Taiwan

25 February 2021

Notice to Readers:

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



## China Life Insurance Co., Ltd.

## Balance sheets

As at 31 December 2020 and 31 December 2019

(Expressed in Thousands of New Taiwan Dollars)

| Assets  | Notes | 2020/12/31      |     | 2019/12/31      |     |
|---|-------|-----------------|-----|-----------------|-----|
|   |       | Amount          | %   | Amount          | %   |
| Cash and cash equivalents   | VI.1  | \$101,376,515   | 5   | \$85,927,723    | 4   |
| Receivables   | VI.2  | 19,920,386      | 1   | 26,826,102      | 1   |
| Current tax assets  |       | 526,131         | 0   | 526,131         | 0   |
| Financial assets at fair value through profit or loss             | VI.3  | 375,555,929     | 17  | 312,985,212     | 16  |
| Financial assets at fair value through other comprehensive income | VI.4  | 482,873,124     | 22  | 382,691,543     | 19  |
| Financial assets at amortized cost                                | VI.5  | 1,046,395,601   | 47  | 1,011,036,234   | 51  |
| Investments accounted for using equity method                     | VI.7  | 69,863          | 0   | -               | -   |
| Investment property   | VI.8  | 36,838,917      | 2   | 23,136,905      | 1   |
| Loans   | VI.6  | 33,557,049      | 1   | 34,033,871      | 2   |
| Reinsurance assets  | VI.9  | 740,256         | 0   | 533,134         | 0   |
| Property and equipment  | VI.10 | 12,414,988      | 1   | 14,113,541      | 1   |
| Right-of-use assets   | VI.11 | 6,058,770       | 0   | 15,174,273      | 1   |
| Intangible assets   |       | 234,530         | 0   | 190,409         | 0   |
| Deferred tax assets   | VI.29 | 10,861,287      | 0   | 8,264,170       | 0   |
| Other assets  | VI.12 | 7,724,396       | 0   | 6,876,554       | 0   |
| Separate account product assets                                   | VI.31 | 84,564,106      | 4   | 77,922,118      | 4   |
| Total assets  |       | \$2,219,711,848 | 100 | \$2,000,237,920 | 100 |

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



## China Life Insurance Co., Ltd.

## Balance sheets - (continued)

As at 31 December 2020 and 31 December 2019

(Expressed in Thousands of New Taiwan Dollars)

| Liabilities and equity                                     | Notes | 2020/12/31             |            | 2019/12/31             |            |
|--|-------|------------------------|------------|------------------------|------------|
|  |       | Amount                 | %          | Amount                 | %          |
| Payables   | VI.13 | \$13,264,436           | 1          | \$19,417,296           | 1          |
| Current tax liabilities                                    |       | 2,591,206              | 0          | 714,434                | 0          |
| Financial liabilities at fair value through profit or loss | VI.15 | 7,931,359              | 0          | 1,426,070              | 0          |
| Bonds payable  | VI.14 | 10,000,000             | 1          | -                      | -          |
| Lease liabilities  | VI.11 | 1,751,214              | 0          | 2,206,846              | 0          |
| Insurance liabilities                                      | VI.16 | 1,896,680,430          | 85         | 1,738,260,215          | 88         |
| Foreign exchange valuation reserve                         | VI.17 | 4,023,007              | 0          | 2,367,039              | 0          |
| Provisions   | VI.18 | 212,754                | 0          | 209,328                | 0          |
| Deferred tax liabilities                                   | VI.29 | 10,126,831             | 1          | 7,286,894              | 0          |
| Other liabilities  |       | 8,909,300              | 0          | 7,758,119              | 0          |
| Separate account product liabilities                       | VI.31 | 84,564,106             | 4          | 77,922,118             | 4          |
| <b>Total liabilities</b>                                   |       | <b>2,040,054,643</b>   | <b>92</b>  | <b>1,857,568,359</b>   | <b>93</b>  |
| Share capital  | VI.20 |                        |            |                        |            |
| Common stock   |       | 47,313,972             | 2          | 44,635,823             | 2          |
| Capital surplus  | VI.21 | 7,214,523              | 0          | 7,214,523              | 0          |
| Retained earnings  | VI.22 |                        |            |                        |            |
| Legal capital reserve                                      |       | 16,263,019             | 1          | 13,663,689             | 1          |
| Special capital reserve                                    |       | 38,374,504             | 2          | 34,807,350             | 2          |
| Unappropriated retained earnings                           |       | 16,350,833             | 1          | 12,769,119             | 1          |
| Other equity   | VI.23 | 54,140,354             | 2          | 29,579,057             | 1          |
| <b>Total equity</b>  |       | <b>179,657,205</b>     | <b>8</b>   | <b>142,669,561</b>     | <b>7</b>   |
| <b>Total liabilities and equity</b>                        |       | <b>\$2,219,711,848</b> | <b>100</b> | <b>\$2,000,237,920</b> | <b>100</b> |

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

**China Life Insurance Co., Ltd.**  
**Statements of comprehensive income**  
**For the years ended 31 December 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

| Item  | Notes | 2020          |      | 2019          |      | Percentage change(%) |
|---|-------|---------------|------|---------------|------|----------------------|
|   |       | Amount        | %    | Amount        | %    |                      |
| Operating revenue   |       |               |      |               |      |                      |
| Direct premium income   |       | \$244,314,587 | 76   | \$261,851,291 | 77   | (7)                  |
| Premium income  |       | 244,314,587   | 76   | 261,851,291   | 77   | (7)                  |
| Deduct: Reinsurance expenses  |       | (1,436,951)   | (0)  | (1,335,913)   | (0)  | 8                    |
| Net changes in unearned premium reserve   | VI.16 | (211,412)     | (0)  | (431,277)     | (0)  | (51)                 |
| Retained earned premium   | VI.26 | 242,666,224   | 76   | 260,084,101   | 77   | (7)                  |
| Reinsurance commission received   |       | 238,610       | 0    | 217,603       | 0    | 10                   |
| Fee income  |       | 1,090,974     | 0    | 1,107,936     | 0    | (2)                  |
| Net investment incomes (losses)   |       |               |      |               |      |                      |
| Interest income   | VI.24 | 56,341,102    | 18   | 55,291,913    | 16   | 2                    |
| Gains on financial assets and liabilities at fair value through profit or loss                |       | 43,947,558    | 14   | 39,646,579    | 12   | 11                   |
| Net gains from derecognition of financial assets at amortized cost                            | VI.5  | 562,855       | 0    | 1,882,062     | 1    | (70)                 |
| Realized gains on financial assets at fair value through other comprehensive income           |       | 10,627,702    | 3    | 7,597,529     | 2    | 40                   |
| Share of profit of associates and joint ventures accounted for using equity method            | VI.7  | 213           | 0    | -             | -    | 100                  |
| Foreign exchange losses   |       | (41,040,232)  | (13) | (20,499,847)  | (6)  | 100                  |
| Net changes in foreign exchange valuation reserve   | VI.17 | (1,655,968)   | (1)  | 802,292       | 0    | (306)                |
| Gains on investment property  |       | 631,501       | 0    | 480,777       | 0    | 31                   |
| Expected credit impairment losses and reversal on investments                                 | VI.25 | 65,661        | 0    | (24,091)      | (0)  | (373)                |
| Other net investment incomes (losses)   |       | (9,145)       | (0)  | 172           | 0    | (5,429)              |
| Other impairment loss and reversal on investments   |       | (1,119)       | (0)  | 453           | 0    | (347)                |
| Gains (losses) on reclassification using overlay approach                                     | VI.3  | 260,938       | 0    | (18,045,432)  | (5)  | (101)                |
| Other operating revenue   |       | -             | -    | 281           | 0    | (100)                |
| Separate account product revenue  | VI.31 | 9,521,558     | 3    | 10,573,123    | 3    | (10)                 |
| Subtotal  |       | 323,248,432   | 100  | 339,115,451   | 100  | (5)                  |
| Operating costs   |       |               |      |               |      |                      |
| Insurance claim payments  |       | (108,542,178) | (33) | (104,329,343) | (30) | 4                    |
| Deduct: Claims recovered from reinsures   |       | 747,249       | 0    | 740,223       | 0    | 1                    |
| Retained claim payments   | VI.27 | (107,794,929) | (33) | (103,589,120) | (30) | 4                    |
| Net changes in insurance liabilities  | VI.16 | (174,464,035) | (54) | (191,941,972) | (57) | (9)                  |
| Underwriting expenses   |       | (8,198)       | (0)  | (12,534)      | (0)  | (35)                 |
| Commission expenses   |       | (9,214,123)   | (3)  | (12,127,956)  | (4)  | (24)                 |
| Finance costs   |       | (42,569)      | (0)  | (27,119)      | (0)  | 57                   |
| Other operating costs   |       | (412,557)     | (0)  | (442,149)     | (0)  | (7)                  |
| Separate account product expenses   | VI.31 | (9,521,558)   | (3)  | (10,573,123)  | (3)  | (10)                 |
| Subtotal  |       | (301,457,969) | (93) | (318,713,973) | (94) | (5)                  |
| Operating expenses  | VI.28 |               |      |               |      |                      |
| General expenses  |       | (3,532,293)   | (1)  | (3,491,193)   | (1)  | 1                    |
| Administrative expenses   |       | (2,521,074)   | (1)  | (2,283,478)   | (1)  | 10                   |
| Employee training expenses  |       | (33,247)      | (0)  | (36,061)      | (0)  | (8)                  |
| Non-investments expected credit impairment losses and reversal                                | VI.25 | 971           | 0    | 70            | 0    | 1,294                |
| Subtotal  |       | (6,085,643)   | (2)  | (5,810,662)   | (2)  | 5                    |
| Operating income  |       | 15,704,820    | 5    | 14,590,816    | 4    | 8                    |
| Non-operating income and expenses   |       | (67,957)      | (0)  | 10,910        | 0    | (723)                |
| Income from continuing operations before income tax   |       | 15,636,863    | 5    | 14,601,726    | 4    | 7                    |
| Income tax expenses   | VI.29 | (89,027)      | (0)  | (1,003,848)   | (0)  | (91)                 |
| Net income from continuing operations   |       | 15,547,836    | 5    | 13,597,878    | 4    | 14                   |
| Net income  |       | 15,547,836    | 5    | 13,597,878    | 4    | 14                   |
| Other comprehensive income, net of tax  | VI.23 |               |      |               |      |                      |
| Items that will not be reclassified subsequently to profit or loss                            |       |               |      |               |      |                      |
| Remeasurement on Defined benefit plans  |       | (52,913)      | (0)  | (94,039)      | (0)  | 44                   |
| Property revaluation surplus  |       | 536,277       | 0    | -             | -    | 100                  |
| Valuation gains on equity instruments at fair value through other comprehensive income        |       | 8,469,414     | 2    | 1,401,560     | 0    | (504)                |
| Income taxes relating to items that are not be reclassified                                   |       | (903,402)     | (0)  | (103,206)     | (0)  | 775                  |
| Items that are or may be reclassified subsequently to profit or loss                          |       |               |      |               |      |                      |
| Gains on debt instruments at fair value through other comprehensive income                    |       | 18,985,962    | 6    | 35,217,672    | 10   | (46)                 |
| Other comprehensive income (loss) reclassified using overlay approach                         | VI.3  | (260,938)     | (0)  | 18,045,432    | 5    | (101)                |
| Income taxes relating to items that are or may be reclassified subsequently to profit or loss |       | (2,660,739)   | (1)  | (7,905,966)   | (2)  | 66                   |
| Other comprehensive income (loss), net of tax   |       | 24,113,661    | 7    | 46,561,453    | 13   | (48)                 |
| Total comprehensive income (loss)   |       | \$39,661,497  | 12   | \$60,159,331  | 17   | (34)                 |
| Earnings per share (In New Taiwan Dollars)  | VI.30 |               |      |               |      |                      |
| Basic earnings per share  |       | \$3.29        |      | \$3.02        |      |                      |

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Statements of changes in equity

For the years ended 31 December 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

| Summary   | Notes | Retained earnings |                 |                       |                         |                                  | Other equity   |                              |  | Total         |
|---|-------|-------------------|-----------------|-----------------------|-------------------------|----------------------------------|--|------------------------------|--|---------------|
|   |       | Common stock      | Capital surplus | Legal capital reserve | Special capital reserve | Unappropriated retained earnings | Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income | Property Revaluation surplus | Other comprehensive income reclassified using overlay approach |               |
| Balance on 1 January 2019   |       | \$40,135,823      | \$2,289,273     | \$11,628,092          | \$25,738,277            | \$10,877,140                     | \$(2,601,895)  | \$323,809                    | \$(15,296,135)   | \$73,094,384  |
| Appropriation and distribution of earnings for the year 2018                    |       |                   |                 |                       |                         |                                  |  |                              |  |               |
| Legal capital reserve   |       | -                 | -               | 2,035,597             | -                       | (2,035,597)                      | -  | -                            | -  | -             |
| Special capital reserve   |       | -                 | -               | -                     | 8,841,543               | (8,841,543)                      | -  | -                            | -  | -             |
| Net income for the year ended 31 December 2019                                  |       | -                 | -               | -                     | -                       | 13,597,878                       | -  | -                            | -  | 13,597,878    |
| Other comprehensive income for the year ended 31 December 2019                  | VI.23 | -                 | -               | -                     | -                       | (75,231)                         | 29,578,498   | -                            | 17,058,186   | 46,561,453    |
| Total comprehensive income for the year ended 31 December 2019                  |       | -                 | -               | -                     | -                       | 13,522,647                       | 29,578,498   | -                            | 17,058,186   | 60,159,331    |
| Changes in other capital surplus  |       |                   |                 |                       |                         |                                  |  |                              |  |               |
| Issuance of common stock reserved for employee share options in capital surplus |       | -                 | 155,250         | -                     | -                       | -                                | -  | -                            | -  | 155,250       |
| Issuance of common stock by cash  |       | 4,500,000         | 4,770,000       | -                     | -                       | -                                | -  | -                            | -  | 9,270,000     |
| Disposal of equity instruments at fair value through other comprehensive income |       | -                 | -               | -                     | -                       | (516,594)                        | 516,594  | -                            | -  | -             |
| Net changes in special reserve  |       | -                 | -               | -                     | 227,530                 | (236,934)                        | -  | -                            | -  | (9,404)       |
| Balance on 31 December 2019   |       | \$44,635,823      | \$7,214,523     | \$13,663,689          | \$34,807,350            | \$12,769,119                     | \$27,493,197   | \$323,809                    | \$1,762,051  | \$142,669,561 |
| Balance on 1 January 2020   |       | \$44,635,823      | \$7,214,523     | \$13,663,689          | \$34,807,350            | \$12,769,119                     | \$27,493,197   | \$323,809                    | \$1,762,051  | \$142,669,561 |
| Appropriation and distribution of earnings for the year 2019                    |       |                   |                 |                       |                         |                                  |  |                              |  |               |
| Legal capital reserve   |       | -                 | -               | 2,599,330             | -                       | (2,599,330)                      | -  | -                            | -  | -             |
| Special capital reserve   |       | -                 | -               | -                     | 3,272,676               | (3,272,676)                      | -  | -                            | -  | -             |
| Cash dividends  |       | -                 | -               | -                     | -                       | (2,678,149)                      | -  | -                            | -  | (2,678,149)   |
| Stock dividends   |       | 2,678,149         | -               | -                     | -                       | (2,678,149)                      | -  | -                            | -  | -             |
| Net income for the year ended 31 December 2020                                  |       | -                 | -               | -                     | -                       | 15,547,836                       | -  | -                            | -  | 15,547,836    |
| Other comprehensive income for the year ended 31 December 2020                  | VI.23 | -                 | -               | -                     | -                       | (42,330)                         | 23,663,883   | 428,734                      | 63,374   | 24,113,661    |
| Total comprehensive income for the year ended 31 December 2020                  |       | -                 | -               | -                     | -                       | 15,505,506                       | 23,663,883   | 428,734                      | 63,374   | 39,661,497    |
| Disposal of equity instruments at fair value through other comprehensive income |       | -                 | -               | -                     | -                       | (405,306)                        | 405,306  | -                            | -  | -             |
| Net changes in special reserve  |       | -                 | -               | -                     | 294,478                 | (290,182)                        | -  | -                            | -  | 4,296         |
| Balance on 31 December 2020   |       | \$47,313,972      | \$7,214,523     | \$16,263,019          | \$38,374,504            | \$16,350,833                     | \$51,562,386   | \$752,543                    | \$1,825,425  | \$179,657,205 |

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

**China Life Insurance Co., Ltd.**  
**Statements of cash flows**  
**For the years ended 31 December 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars)**

|   | 2020          | 2019          |
|---|---------------|---------------|
| Cash flows from operating activities  |               |               |
| Net income before tax   | \$15,636,863  | \$14,601,726  |
| Adjustments:  |               |               |
| Adjustments to reconcile profit (loss)  |               |               |
| Depreciation expense  | 378,444       | 245,378       |
| Amortization expense  | 127,887       | 117,736       |
| Net losses (gains) on financial assets and liabilities at fair value through profit or loss | (33,231,801)  | (30,510,293)  |
| Net losses (gains) on financial assets at fair value through other comprehensive income     | (9,246,911)   | (6,838,166)   |
| Net losses (gains) on Financial assets at amortized cost                                    | (552,759)     | (1,881,430)   |
| Interest expenses   | 42,569        | 27,119        |
| Interest income   | (56,341,102)  | (55,291,913)  |
| Dividend income   | (12,057,993)  | (9,895,387)   |
| Net changes in insurance liabilities  | 158,414,609   | 185,744,463   |
| Net changes in foreign exchange valuation reserve   | 1,655,968     | (802,292)     |
| Net changes in provisions   | 3,436         | 648           |
| Expected credit impairment losses (reversal gains) on investments                           | (65,661)      | 24,091        |
| Expected credit impairment losses (reversal gains) on non-investments                       | (971)         | (70)          |
| Share-based payments  | -             | 155,250       |
| Share of profit (loss) of associates and joint ventures accounted for using equity method   | (213)         | -             |
| (Gains) losses on reclassification using overlay approach                                   | (260,938)     | 18,045,432    |
| (Gains) losses on disposal or scrapping of property and equipment                           | 95            | 12            |
| (Gains) losses on disposal of investment property   | (3,399)       | (1,289)       |
| Property and equipment transfers into expense   | 14,743        | 8,086         |
| Impairment losses on non-financial assets and reversal on impairment                        | 64,059        | (656)         |
| Unrealized foreign exchange losses (gains)  | 40,180,375    | 16,895,961    |
| (Gains) losses on valuation of investment property  | (266,040)     | 37            |
| (Gains) losses on lease modification  | (38)          | -             |
| Other items   | (4,040)       | -             |
| Changes in operating assets and liabilities   |               |               |
| Decrease (increase) in financial assets at fair value through profit or loss                | (24,224,998)  | (70,235,711)  |
| Decrease (increase) in notes receivable   | 107,401       | 43,581        |
| Decrease (increase) in other receivables  | 7,976,411     | (8,544,809)   |
| Decrease (increase) in prepaid expenses and other prepayments                               | (414,551)     | (13,040)      |
| Decrease (increase) in refundable deposits  | (932)         | 557,369       |
| Decrease (increase) in reinsurance assets   | (193,774)     | (6,868)       |
| Decrease (increase) in other assets   | (48,369)      | 988           |
| Increase (decrease) in notes payable  | (836)         | (10,917)      |
| Increase (decrease) in life insurance proceeds payable                                      | 13,945        | (7,569)       |
| Increase (decrease) in other payables   | (6,600,183)   | 8,778,954     |
| Increase (decrease) in due to reinsurers and ceding companies                               | 325,700       | (42,312)      |
| Increase (decrease) in commissions payable  | (60,975)      | (1,723)       |
| Increase (decrease) in accounts collected in advance  | 121,511       | (790,081)     |
| Increase (decrease) in guarantee deposits received  | 1,171,414     | 5,329,119     |
| Increase (decrease) in other liabilities  | (141,745)     | (1,169,228)   |
| Increase (decrease) in provision for employee benefits                                      | (52,923)      | (20,299)      |
| Cash generated from operations activities   | 82,464,278    | 64,511,897    |
| Interest received   | 63,572,430    | 44,461,174    |
| Dividends received  | 12,062,180    | 9,619,235     |
| Interest paid   | (28,685)      | (26,403)      |
| Income taxes refunded (paid)  | (1,531,335)   | (690,410)     |
| Net cash provided by (used in) operating activities   | 156,538,868   | 117,875,493   |
| Cash flows from investing activities  |               |               |
| Acquisition of financial assets at fair value through other comprehensive income            | (172,973,517) | (157,737,960) |
| Disposal of financial assets at fair value through other comprehensive income               | 102,298,449   | 138,976,385   |
| Return of capital from financial assets at fair value through other comprehensive income    | 105,853       | 65,301        |
| Acquisition of financial assets at amortized cost   | (305,394,143) | (187,748,649) |
| Disposal of financial assets at amortized cost  | 185,798,127   | 90,669,935    |
| Maturity principal from financial assets at amortized cost                                  | 44,354,875    | 35,805,715    |
| Acquisition of investments accounted for using equity method                                | (69,650)      | -             |
| Acquisition of property and equipment   | (2,803,268)   | (3,332,984)   |
| Acquisition of right-of-use assets  | (40)          | (40)          |
| Acquisition of intangible assets  | (82,092)      | (68,414)      |
| Decrease (increase) in loans  | 480,734       | (648,963)     |
| Acquisition of investment property  | (12,439)      | -             |
| Disposal of investment property   | 31,872        | 8,654         |
| Net cash provided by (used in) investing activities   | (148,265,239) | (84,011,020)  |
| Cash flows from financing activities  |               |               |
| Proceeds from issuing bonds   | 10,000,000    | -             |
| Cash dividend paid  | (2,678,149)   | -             |
| Principle repayment of lease liabilities  | (146,688)     | (154,176)     |
| Issuance of common stock by cash  | -             | 9,270,000     |
| Net cash provided by (used in) financing activities   | 7,175,163     | 9,115,824     |
| Increase (decrease) in cash and cash equivalents  | 15,448,792    | 42,980,297    |
| Cash and cash equivalents at the beginning of the year                                      | 85,927,723    | 42,947,426    |
| Cash and cash equivalents at the end of the year  | \$101,376,515 | \$85,927,723  |

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



**English Translation of Financial Statements Originally Issued in Chinese**  
**China Life Insurance Co., Ltd.**  
**Notes to financial statements**  
**For the years ended 31 December 2020 and 2019**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

I. Organizations and business scope

China Life Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on 25 April 1963, previously known as Overseas Life Corp. The Company was renamed China Life Insurance Co., Ltd. and authorized by Ministry of Finance, R.O.C. and Ministry of Economic Affairs, R.O.C. in January 1981. The registered office address of the Company is 5F., No.122, Dunhua N. Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.). The Company’s shares were listed on the Taiwan Stock Exchange. The Company mainly engages in the business of life insurance. The Company is headquartered in Taipei City, and has branches in Taoyuan City, Taichung City, Chiayi City, Tainan City, Kaohsiung City, Pingtung County, Hualien County and Penghu County.

To enhance operation synergy, the Company accomplished the acquisition of major assets and liabilities from Prudential Corporation Asia Life Taiwan on 19 June 2009. The deal was approved by Financial Supervisory Commission (“FSC”) under Order No. Financial-Supervisory-Securities-Corporate-09802552211 on 16 June 2009.

The Company established an offshore insurance unit (OIU) on 14 September 2015 following resolution of the board of directors and receiving approval from FSC.

The Company was informed by China Development Financial Holding Corp. (CDF), about the tender offer of the Company’s ordinary shares and the Public Tender Offer Report on 16 August 2017. CDF started the tender offer from 17 August 2017 to 6 September 2017. CDF completed the tender to acquire 25.33% of the Company’s common shares, totaling 880,000,000 shares, on 13 September 2017. The Company became a subsidiary of CDF as defined in the “Financial Holding Company Act”. As of 31 December 2020, CDF and its subsidiary, KGI Securities (excluding KGI Securities’ borrowing positions for securities undertaking), jointly held 34.82% of the Company’s common shares. In addition, the Company was informed by CDF about the second tender offer of the Company’s ordinary shares and the Public Tender Offer Report on 7 January 2021. CDF started the tender offer from 8 January 2021 to 2 February 2021. CDF completed the tender to acquire 21.13% of the Company’s common shares, totaling 1,000,000,000 shares, on 5 February 2021. As of 5 February 2021, CDF and its subsidiary, KGI Securities (excluding KGI Securities’ borrowing positions for securities undertaking), jointly held 55.95% of the Company’s issued shares.

On 19 October 2017, the Board has resolved to pay \$1 to acquire the traditional policies and riders spun off from Allianz Taiwan Life Insurance Co., Ltd. The transaction is approved by FSC on 27 February 2018 and settled on 18 May 2018.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

II. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized to issue in accordance with a resolution of the Company's board of directors on 25 February 2021.

III. Newly issued or revised standards and interpretations

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2020. Except the nature and effect of new standards and amendments that described below, others have no material effect on the Company.

The Company choose early apply Covid-19-Related Rent Concessions (Amendment to IFRS 16) which is recognized by FSC for annual reporting period beginning on or after 1 January 2020, and in accordance with the requirements of the transition. For the rent concession arising as a direct consequence of the covid-19 pandemic, the Company elected not to assess it as a lease modification, rather accounted it as a variable lease payment. Please refer to Note VI for disclosure related to the lessee required by the amendment.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, but not yet adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations   | Effective Date issued by IASB |
|-------|---|-------------------------------|
| 1     | Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) | 1 January 2021                |

*Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 of "Interest Rate Benchmark Reform-Phase 2"*

Interest Rate Benchmark Reform - Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The final phase amendments mainly relate to the effects of the interest rate benchmark reform on the companies' financial statements:

- A. A company will not have to derecognise or adjust the carrying amount of financial instruments for changes to contractual cash flows as required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- B. A company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- C. A company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The company will continue to pay attention to the latest development progress of the interest rate benchmark reform, and continue to explore the possible impact on model evaluation or risk calculation.

- 3. Standards or interpretations issued, revised or amended by International Accounting Standards Board ("IASB") which are not yet endorsed by FSC and adopted by the Company as at the end of the reporting period are listed below.

| Items | New, Revised or Amended Standards and Interpretations  | Effective Date issued by IASB |
|-------|--|-------------------------------|
| 1     | IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures | To be determined by IASB      |
| 2     | IFRS 17 "Insurance Contracts"  | 1 January 2023                |
| 3     | Classification of Liabilities as Current or Non-current (Amendments to IAS 1)  | 1 January 2023                |
| 4     | Narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements  | 1 January 2022                |
| 5     | Disclosure Initiative - Accounting Policies (Amendments to IAS 1)  | 1 January 2023                |
| 6     | Definition of Accounting Estimates (Amendment to IAS 8)  | 1 January 2023                |

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed below, it is not practicable to estimate their impact on the Company at this point of time. The remaining standards and interpretations have no material impact on the Company.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

*IFRS 17 “Insurance contracts”*

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

1. estimates of future cash flows;
2. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
3. a risk adjustment for non-financial risk.

The carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. Regard to liability for remaining coverage, other than the General Model, the standard also provides :

1. a specific adaptation for contracts with direct participation features (the Variable Fee Approach); and
2. a simplified approach for short-duration contracts (Premium Allocation Approach).

IFRS 17 was issued in May 2017 and it was amended in June 2020. The amendments defer the effective date by two years to annual beginning on or after 1 January 2023 (from the original effective date of 1 January 2021), provide additional transition reliefs, simplify a part of requirements to reduce costs incurred when applying IFRS 17, and revise a part of requirements to better explain the results. (IFRS 17 will replace the interim Standard – IFRS 4 Insurance Contracts immediately after the effective date.)

*There are some narrow-scope amendments of IFRS, including Amendments to IFRS 3, Amendments to IAS 16, Amendments to IAS 37 and the Annual Improvements*

**A. Updating a Reference to the Conceptual Framework (Amendments to IFRS 3)**

The amendments update a reference to the Conceptual Framework for Financial Reporting. A clause which acquirer shall apply IFRIC 21 “Levies” to determine whether or not there is an obligation to incur levies payment liabilities on the acquisition date is also added in the amendments.



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

**B. Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)**

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The cost of those items these measured in accordance with IAS 2 “Inventory”. Any proceeds from selling those items and the cost of those items are recognized in profit or loss in accordance with applicable standards.

**C. Onerous Contracts - Cost of Fulfilling a Contract (Amendments to IAS 37)**

The amendments stipulates that when assessing whether or not a contract is onerous, the “Cost of Fulfilling the Contract” should include the incremental cost of fulfilling the contract (for example, direct labor and raw materials) and the apportionment of other costs directly related to fulfilling the contract (for example, apportion of the depreciation expenses of the property, plant and equipment used to fulfil the contract).

**D. Annual Improvements to IFRS Standards 2018 - 2020**

*Amendment to IFRS 1*

The amendment extends the scope of exemption to all cumulative translation differences of foreign subsidiaries. Subsidiaries that choose to adopt exemption can measure the cumulative translation differences by the book amount included in consolidated statement of its parent company on the date the parent company applied IFRSs.

*Amendment to IFRS 9 Financial Instruments*

The amendment clarifies that when assessing whether the exchange or the modification of terms are substantially different from the original financial liability by testing if the discounted cash flow (including fees for modify or set up new contract) difference is more than 10%, the aforementioned fees should only include fees between loaner and loanee.

*Amendment to Illustrative Examples Accompanying IFRS 16 Leases*

The amendment to Illustrative Example 13 accompanying IFRS 16 modifies the treatment of lease incentives relating to lessee’s leasehold improvements.

*Disclosure Initiative - Accounting Policies – Amendments to IAS 1*

The amendments improve accounting policy disclosures that to provide more useful information to investors and other primary users of the financial statements.

*Definition of Accounting Estimates – Amendments to IAS 8*

The amendments introduce the definition of accounting estimates and included other amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to help companies distinguish changes in accounting estimates from changes in accounting policies.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

IV. Summary of significant accounting policies

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2020 and 2019 have been prepared in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by FSC.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments and investment property that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars (“NT\$”) unless otherwise stated.

3. Foreign currency transactions

The Company’s financial statements are presented in its functional currency, NT\$. Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies are translated using the closing rate of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is measured. Non-monetary items measured at historical cost in foreign currencies are translated using the exchange rates at the date of initial transactions.

Apart from the items mentioned below, the exchange differences due to settlement or translation are recognized in profit or loss for the period.

- (1) The foreign currency items which are applicable to IFRS 9 *Financial Instrument* should be dealt with the accounting policy of financial instruments.
- (2) Exchange differences of monetary items arising from the translation of the net investment in foreign operations are recognized in other comprehensive income. When the investment is disposed of or sold, exchange differences are reclassified from other comprehensive income into profit or loss.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. If a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

4. Product categories

Insurance contract means the insurer accepts the transfer of significant insurance risk from insurance policyholder and agrees to compensate the policyholder for any damages when a particular uncertain event (insured event) occurs in the future. The definition of a significant insurance risk means any insured event occurs and causes the Company to pay additional significant fees.

Insurance contract with features of financial instruments is the contract that transfers the significant financial risk. The definition of the financial risk refers to one or more specific interest rates, product prices, exchange rates, price index, rate index, credit ratings and indicators, and other variables related to risks of possible changes in the future. If the above variables are non-financial variables, then the variables exist in both sides under the contract.

When the original judgment meets the criteria of the policy under the insurance contract, before the right of ownership and obligations expires or extinguishes, the policy will still be considered as an insurance contract; even if the exposure to insurance risk during the policy period has been significantly reduced. However, if insurance risk following the renewal of an insurance contract with features of financial instruments is transferred to the Company, the Company will reclassify the contract as an insurance contract.

Insurance contracts and insurance contracts with feature of financial instruments can be further broken down into separate categories depending on whether the contracts have discretionary participation feature or not. To have discretionary participation feature means a guaranteed payment from the contract plus contractual rights to receive additional payments.

These contractual rights have the following characteristics:

- (1) Additional payments as a percentage of total contractual payments may be more significant and take up a bigger portion.
- (2) In accordance with the contract, the amount and date of additional payments are at the Company's discretion.
- (3) In accordance with the contract, additional payments are handed out based on one of the following matters:
  - a. Performance of a specific combination of contracts or specific type of contract
  - b. The investment return of a specific asset portfolio the Company holds
  - c. Profit and loss from the Company, funds, or other entities

When embedded derivative products' economic characteristics and risks are no longer closely related to the economic characteristics and risks of the primary contracts, it should be listed separately from the primary contracts and use fair value method to determine its fair value. Also, the profit or loss determined by the fair value method should be recognized in the current

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

period. However, if the embedded derivative product meets the definition of an insurance contract or the whole contract is measured by the fair value method and the profit or loss is recognized in the current period, the Company will not need to separately list the embedded derivative product and the insurance contract.

5. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies time deposits as cash equivalents when they have maturities of less than 12 months and can be readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value.

6. Financial instruments

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

(1) Initial recognition and subsequent measurement

The Company accounts for regular way purchase or sales of financial assets measured at fair value on the trade date, and of financial assets measured at amortized cost at the settlement date.

The Company categorized financial assets as financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on both of the followings:

- A. the Company's business model for managing the financial assets.
- B. the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

If both of the following conditions are met, a financial asset is measured at amortized cost and presented as note receivables, receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:



**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

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

Such financial assets which are not part of a hedging relationship, are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance). A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or recognition of the impairment gains or losses.

Interest revenue is recognized in profit or loss by calculating via the effective interest method (by applying the effective interest rate to the gross carrying amount) or the followings:

- A. For those financial assets that are purchased or originated credit-impaired, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
- B. For those financial assets that are not purchased or originated credit-impaired but subsequently became credit-impaired, the Company applies the effective interest rate to the amortized cost of the financial asset.

Financial asset measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and presented as financial asset at fair value through other comprehensive income on balance sheet as at the reporting date:

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

The recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

- A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

- B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
- C. Interest revenue is recognized in profit or loss by calculating via the effective interest method (by applying the effective interest rate to the gross carrying amount) or the followings:
- (a) For those financial assets that are purchased or originated credit-impaired, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
  - (b) For those financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, the Company applies the effective interest rate to the amortized cost of the financial asset.

In addition, upon initial recognition, for those equity instruments within the scope of IFRS9 but neither categorized as held-for-trading nor applying to contingent consideration recognized by acquirers in IFRS 3 “*Business Combination*”, the Company elects irrevocably to report the subsequent measurement at fair value in other comprehensive income. Amounts reported in other comprehensive income cannot be subsequently transferred to profit or loss (when disposing of such equity instruments, the Company transfers the accumulated amounts in other equity directly into retained earnings) and are presented as financial assets at fair value through other comprehensive income on the balance sheets. Dividends on investments are recognized in profit or loss, except when the dividends clearly represent certain recovery of investment cost.

Financial assets at fair value through profit or loss

Except for those financial assets qualified for aforementioned conditions and classified as financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, the other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheets as at the reporting date.

Such assets are subsequently measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Impairment of financial assets

The Company measures expected credit losses and recognizes expected credit losses for loss allowance on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

- A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- B. the time value of money;
- C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

- A. at an amount equal to 12-month expected credit losses: including the financial asset whose credit risk has not increased significantly since initial recognition or the financial asset determined to have low credit risk at the reporting date; and, additionally, the financial assets which the Company measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
- B. at an amount equal to the lifetime expected credit losses: including the financial asset whose credit risk has increased significantly since initial recognition or the financial asset that is purchased or originated credit-impaired.

In addition to evaluation mentioned previously, in accordance with the regulation of “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”, the Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

1. Total amount of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets that should be paid attention, 10% of the ending balance for the third category of loan assets that are expected to recover, 50% of the ending balance for the fourth category of loan assets that are difficult to recover and 100% of the ending balance for the fifth category of loan assets that are not expected to recover are aggregated .
2. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.
3. Total unsecured portion of loans overdue and receivable on demand.
4. If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts.

To strengthen the ability to bear the loss of specific loan assets, the authority may, if necessary, require the Company to raise loan loss provision for specific loan assets in specified criteria and deadlines.

As at each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note IX for further details on credit risk.

**(3) Financial liabilities**

Financial liabilities within the scope of IFRS 9 “*Financial Instruments*” are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

Financial liabilities at fair value through profit or loss

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

A financial liability is classified as held for trading if:

- A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
- C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).



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If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

- A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
- B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

Financial liabilities at amortized cost

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

(4) Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes all or part of the financial assets when the contractual rights to the cash flows from the assets expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset or when it loses its controls to the assets.

When the Company transfers all or part of the financial assets and abandons its controls to the assets, it is regarded as sale within the scope of charging in exchange.

Financial liabilities

The Company derecognizes all or part of the financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instrument investments with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the liability extinguished and the liability recognized is recognized in profit or loss.

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**Notes to financial statements (Continued)**  
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(5) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(6) Derivative instruments and hedging transactions

The Company engages in derivatives financial instrument transactions, such as forward foreign exchange contracts, interest rate swaps, cross currency swaps, options and futures, to hedge its risks associated with foreign currency and interest rate fluctuations. These derivative instruments are initially recognized at fair value on the day a derivatives contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(7) Adoption of overlay approach on financial assets

The Company chose to express profit or loss of the designated financial assets in overlay approach in accordance with IFRS 4 “*Insurance Contract*” since the application of IFRS 9. To those designated financial assets, the Company classifies the amount from profit or loss to other comprehensive income, thus making the profit or loss of the designated financial assets as at the reporting date equal to as if they would have been accounted for under IAS 39. Accordingly, the reclassification amount is the difference of the following items:

- A. The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and
- B. The amount of profit or loss of the designated financial assets as if applied to IAS 39.

A financial asset is eligible for designation under overlay approach if qualifying for the following conditions:

- A. In accordance with IFRS 9, the financial asset is measured at fair value through profit or loss. However, if the Company applies to IAS 39, the financial asset is not measured at fair value through profit or loss collectively; and
- B. The financial asset is not held in respect of activities that is unconnected with contracts within the scope of IFRS 4 “*Insurance Contract*”.

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**Notes to financial statements (Continued)**  
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A Financial asset is eligible for the overlay approach if either of the following conditions is met:

- A. The asset is accounted for on initial recognition; or
- B. The asset now meets the criteria of which is held in respect of activities other than contracts within the scope of IFRS 4 “*Insurance Contract*” but previously did not.

The Company shall continuously adopt overlay approach to those designated financial assets until derecognition. However, the Company shall remove the designated status when the financial assets held in respect of activities other than contracts within the scope of IFRS 4 “*Insurance Contract*”. In addition, at the beginning date of any annual reporting year, the Company is permitted to stop applying overlay approach to all designated financial assets; If it does, the change in the accounting policy is accounted for under IFRS 8 “*Accounting Policies, Changes in Accounting Estimates and Errors*”.

7. Loans

Loans include automatic premium loans, policy loans and secured loans. Among them, automatic premium loans are premiums paid on behalf of the insured in accordance with the insurance contract, policy loans are secured by policies issued by the Company, and secured loans are secured by stocks, chattel, real estate and other loans and overdue receivables approved by the authority.

Loan principal or interest arrears more than three months after the settlement period, or less than three months but has executed recourse to the primary and secondary debtor or disposed the collateral, listing under overdue loans.

Collateral received from the overdue loans by actively dunning is recorded at the fair value listed in the related account depending on the nature of the collateral, and measured in the applicable method of that account.

8. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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**Notes to financial statements (Continued)**

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- (1) in the principal market for the asset or liability, or
- (2) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible for the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Investments accounted for using the equity method

The Company used the equity method for accounting treatment for its associates with material influence and are they recognized at cost on acquisition. The carrying amount of investment in associates includes the goodwill identified in initial investment (less any accumulated impairment loss). From the date of the Company loses the significant influence, the equity method shall cease to be adopted, and use the book value at the time of the change as the cost.

After the acquisition date, the Company will recognize profit/loss according to the Company's share in the associate's profit or loss. Receipt of surplus distribution from the associate will reduce the carrying amount of the investment. When changes in other comprehensive profits and losses of the associate cause changes in the Company's rights and interests, the Company also relatively adjusts the investment book amount.

When the Company's share of losses of the associate equals or exceeds its interest in the associate, the entity discontinues recognizing its share of further losses. The Company only recognizes additional losses and relevant liabilities to the extent that it has incurred legal or constructive obligations or has made payments on behalf of the investee.

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**Notes to financial statements (Continued)**  
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10. Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item, restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets separately with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 “*Property, Plant and Equipment*”. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

|  |  |
|--|--|
| Buildings and construction                 | 15~60 years  |
| Computer equipment                         | 3~15 years   |
| Communication and transportation equipment | 5~10 years   |
| Other equipment                            | 3~5 years  |
| Leased assets                              | Depend on the age or the durable life of lease, whichever is shorter |

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets’ residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively as a change in accounting estimate, if appropriate.

11. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

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**Notes to financial statements (Continued)**

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The Company's investment properties are measured at fair value, and gains or losses are recognized in profit or loss in accordance with the requirements of IAS 40 "*Investment Property*", other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" and paragraph 53 of IAS 40 "*Investment Property*". If investment properties are held by a lessee as right-of-use assets and are not held for sale in accordance with IFRS 5, investment properties are measured in accordance with the requirements 34 of IFRS 16.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

When the property meets or do not meet the definition of investment property and there is evidence showing change of use, the Company recognizes the property as investment property or transfers the property out of investment property.

12. Leases

At the day of establishment, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

- (1) the right to obtain substantially all of the economic benefits from use of the identified asset; and
- (2) the right to direct the use of the identified asset.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease

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components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

Company as a lessee

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- (1) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- (2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- (3) amounts expected to be payable by the lessee under residual value guarantees;
- (4) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- (5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

- (1) the amount of the initial measurement of the lease liability;
- (2) any lease payments made at or before the commencement date, less any lease incentives received;
- (3) any initial direct costs incurred by the lessee; and
- (4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.



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For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 *“Impairment of Assets”* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

For the rent concession arising as a direct consequence of the Covid-19 pandemic, the Company elected not to assess whether it is a lease modification but accounted for it as a variable lease payment. The Company have applied the practical expedient to all rent concessions that meet the conditions for it.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

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**Notes to financial statements (Continued)**  
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The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

13. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through merger, is its fair value as at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Other intangible assets are computer software and are amortized on a straight-line basis over the estimated useful life (1 to 5 years).

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**Notes to financial statements (Continued)**  
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14. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 “*Impairment of Assets*” may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU”) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset’s or cash-generating unit’s recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The cash generating unit or group which belongs to goodwill should periodically make an impairment test whether it has a sign of impairment. If the impairment test result suggests recognizing an impairment loss, then first deducting goodwill and the remaining deficiencies should be amortized to other assets depending on the relative proportions of the carrying amount of the asset. Impairment losses relating to goodwill cannot be reversed in the future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

15. Investment-linked insurance products

The Company sells investment-linked insurance products, of which the applicant pays the premium according to the agreed amount less the expenses incurred by the insurer. In addition, the investment distribution is approved by the applicant and then transferred to specific accounts as requested by the applicant. The value of these specific accounts is determined based on their fair value on the applicable date and the net worth is computed in accordance with the relevant regulations and the IFRSs.

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In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities representing the rights and obligations of the applicants, whether arising from an insurance contract or insurance policy with features of financial instruments, are recognized separately as “separate account product assets” and “separate account product liabilities”. The revenues and expenses of separate account insurance products in accordance with IFRS 4 “*Insurance Contracts*”, separately recognized as “separate account product revenues” and “separate account product expenses.”

16. Post-employment benefits

The Company set up a pension plan and an independently administered pension fund committee according to Labor Standards Act. The Company deposits retirement reserve according to a certain percentage of wages to the specific account of Bank of Taiwan every month. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year. As the retirement reserves are deposited under the committee’s name in the specific bank account, the reserves are not associated with the Company. Therefore, retirement reserve is not included in the Company’s financial statements.

After the Labor Pension Act became effective, employees can choose to be subject to the pension mechanism under Labor Standards Act or Labor Pension Act. The seniority prior to the enforcement of Labor Pension Act shall be maintained and the Company deposits 6% of the monthly allocated wage based on the monthly wage allocation classification schedule to employees’ personal pension accounts in Bureau of Labor Insurance if employees choose to be subject to the pension mechanism under Labor Pension Act.

In case that an employee’s monthly wage exceeds the upper limit of monthly wage allocation classification schedule, the Company may set aside monthly 6% of the excess portion as retirement reserve. Upon meeting the requirements of the pension plan, the employees are entitled to receive this kind of the retirement reserve.

For the defined contribution plan, the Company recognizes expenses in the period in which the contribution becomes due. The defined benefit plan is recognized based on the actuarial report at the end of the annual reporting period. Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset), is recognized as other comprehensive income with a corresponding debit or credit to retained earnings when it occurs. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, and recognized as an expense at the earlier of the following dates:

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- (1) the date of the plan amendment or curtailment occurs; and
- (2) the date that the Company recognizes related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

17. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, which probably leads to an outflow of resources embodying economic benefits that is required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

18. Insurance liabilities and reserve for insurance contracts with feature of financial instruments

The Company's reserved funds for insurance contracts and financial instruments whether with or without discretionary participation feature are made in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." Furthermore, they have been validated by the certified actuarial professionals approved by Financial Supervisory Commission. The required amount to be reserved for short-term group insurance is based upon the greater of premium received or calculated premium following the regulations established by the authorities. Reserved amount for the rest of other provisions is addressed below:

Moreover, an insurance contract with discretionary participation feature is classified as liability.

(1) Unearned premium reserve

For the insurance policy whose term is within one year and has not met the due date or for the injury insurance policy whose term is over one year, the amount of reserve required is based upon the unexpired risk calculation.

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**Notes to financial statements (Continued)**  
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(2) Reserve for claims

It is a reserve mainly for the reported but not paid claims and unreported claims. The reported but not paid claims reserve is assessed based on relevant information of each case and the amount deposited is further classified by the type of insurance. Unreported claims reserve is calculated and deposited based on the past experiences and expenses occurred and in accordance with the actuarial principles.

(3) Reserve for life insurance liabilities

Based on the life table and projected interest rates in the manual provided by the authority for each type of insurance, the dollar amount of life insurance reserve is calculated and deposited according to the calculation method listing on Article 12 of “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and the manual published by each authority of insurance products.

Starting from policy year of 2003, for valid insurance contract whose dividend calculation is stipulated by the regulations established by the authorities, the downward adjustments of dividend due to the offset between mortality saving (loss) and loss (gain) from difference of interest rates should be recognized and recorded as the increase of reserve for long-term valid contract.

When an insurer that opts to measure investment property at fair value, the value of its insurance liabilities at the same time must also be measured at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds book value, the life insurer must set aside the difference to reserve for life insurance liabilities. The Company changes its accounting policy for subsequent measurement of investment property from cost to fair value starting from year of 2014. The value of insurance liabilities at the same time is measured at fair value in accordance with rules issued by the FSC on 21 March 2014. The results of the measurements indicate that the fair value of the insurance liabilities doesn't exceed book value, therefore insurance liabilities does not have to be increased.

(4) Special reserve

① For the retained businesses with policy period within 1 year, the special reserve is classified into 2 categories, “Special Catastrophe Reserve” and “Special Reserve for Fluctuation of Risks.” The dollar amount of reserve required is addressed as follows:

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A. Special catastrophe reserve

All types of insurance should follow the special catastrophe reserve rates set by authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of \$30,000 thousand can be withdrawn from the reserve. If the reserve has been set aside for over 15 years, the Company could have its plan of the recovering process of the reserve assessed by certified actuaries and submit the plan to the authority for reference.

B. Special reserve for fluctuation of risks

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is less than the anticipated dollar amount need to be paid, the 15% of this difference should be reserved in special reserve for fluctuation of risks. When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the special reserve for fluctuation of risks for specified type of insurance is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used. Also, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purpose. When accumulative dollar amount of special reserve for fluctuation of risks exceeds 30% of self-retention earned premium within one year, the exceeded amount will be recovered.

For special reserves addressed previously, the balance of the annual reserve net of tax needs to be recorded in the special capital reserve under equity.

- ② The Company sells participating life insurance policy. According to the “Rule Governing application of revenue and expenses related to participating / non-participating policy”, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. Additionally, the effects of the gain or loss from disposal of participating life insurance policy approved as equity instrument investments at fair value through other comprehensive income shall transfer directly into special reserve based on income before tax and dividend. If the special reserve is a negative amount, the Company shall set aside the same amount of special reserve.
- ③ The net impact from first adoption of fair value in subsequent measurement has been appropriated into dividend reserve for participating policy which relates to investment property. That reserve shall be used only to cover the insufficiency of life insurance liabilities resulting from valid contract’s fair value approved by the authority and to



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set aside additional liabilities for the soundness of financial structure when complying with IFRS 17 “*Insurance Contract*” in the future implementation. By the time the related assets dispose, the reserve which comes from the changes of fair value due to the cumulative net value-added benefits can be processed according to the related distribution provision of participating policy.

(5) Premium deficiency reserve

For the contracts over one year of life, health, or annuities insurance commencing on 1 January 2001, the following rules apply: When the gross premium is less than the valuation net premium, a deficiency reserve is required to be set aside with the value of an annuity, the amount of which shall equal the difference between such premiums and the term of which in years shall equal the number of future annual payments due on such insurance at the date of the valuation.

In addition, for the insurance policy which period is within one year and has not met the due date or accidental insurance policy over one year, the following rules apply: If the probable indemnities and expenses are greater than the aggregate of unearned premium reserves and collectable premiums in the future, the premium deficiency reserve is set aside based on the difference thereof.

(6) Other reserve

Pursuant to IFRS 3 “*Business Combination*”, the Company shall set aside other reserve for identifiable assets required and liabilities assumed recorded at fair value in order to reflect the fair value of the insurance contract assumed.

(7) Liability adequacy reserve

This is the reserve that is set aside based on the adequacy test of liability required by IFRS 4 “*Insurance Contracts*”.

Liability adequacy test is based on integrated insurance contract and related regulations. This test compares net of reserve for insurance contract, deferred acquisition cost and related intangible assets with anticipated present value of insurance contract cash flow at each reporting date. If net book value is insufficient, recognize all insufficient amounts as liability adequacy reserve.

(8) Reserves for insurance contracts with feature of financial instruments

Financial products without discretionary participation features follows “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and Depository Accounting.

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**Notes to financial statements (Continued)**  
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19. Foreign exchange valuation reserve

Foreign exchange valuation reserve was appropriated or written-down from the foreign investment assets (do not include foreign currency non-investment-linked life insurance product assets) in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises”. The beginning balance of foreign exchange valuation reserve was \$1,745,679 thousand which has to recognize special capital reserve within three years since 2012 according to the provision. The recognized amount should not be less than one third of the beginning balance net of tax for the first year. The cumulative recognized amount of the first two years should not be less than two thirds of the beginning balance net of tax. In addition, the saving of hedging costs is transferred to special capital reserve each year. If the annual earning is not enough for transfer, then replenish in the later year. The related special reserve is only used for capital increase or offset deficit. According to Article 9 of the “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises” and the Order No. Financial-Supervisory-Securities-Corporate-1090490453 issued by the FSC on 17 February 2020, starting from the earning distribution of 2019, when insurance company set aside special capital reserve according to Article 9 of the “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises”, it shall set aside 10% of “Items other than net profit after tax that are included in the undistributed earnings of the year” as special reserve.

20. Insurance premium income and expenses

For the Company’s insurance contract and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue after collection and underwriting procedures, and subsequent session of collection are completed, respectively. In terms of the acquisition cost such as commission expenses and brokerage expenses, the related expenses will be recognized in that period after commencement of the insurance contract.

For non-separate account insurance product that is also classified as financial products without discretionary participation features, the insurance revenue collected is recognized on the balance sheet as “reserves for insurance contracts with feature of financial instruments.” The related acquisition costs will be written-down in that period after commencement of the insurance contract under “reserves for insurance contracts with feature of financial instruments.”

21. Reinsurance

The Company limits exposure to some events that may cause a certain amount of loss by arranging reinsurance in accordance with business needs and the insurance laws and regulations. For reinsurance ceded, the Company may not refuse to fulfill its obligations to the insured even if the reinsurer fails to fulfill their responsibility.

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**Notes to financial statements (Continued)**

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Reinsurance expenses and reinsurance commission received generated from ceded reinsurance business and due to reinsurers and ceding companies are recognized in the same period with income or expense of the related insurance contract. As the net right of holding reinsurance contract includes reinsurance reserve assets, claims recoverable from reinsurers and due from reinsurers and ceding companies, they are recognized according to the method of signed reinsurance contract and related insurance contract liabilities. The assets, liabilities, income and expense of reinsurance contract cannot offset with the income and expense of related insurance liabilities and insurance contract.

The Company holds the right over re-insurer for reinsurance reserve assets, claims recoverable from reinsurers and due from reinsurers and ceding companies, and regularly assess if impairment has occurred to such rights or the rights can no longer be recovered. When objective evidences demonstrate that such rights after initial recognition may lead to the Company not recovering all contractual terms of the amount due, and the potential impact of the above cases that the Company will receive from reinsurers can be measured reliably, then the Company can retrieve an amount that is less than the carrying value of the aforementioned rights, and recognize impairment losses.

For the classification of reinsurance contracts, the Company assesses whether the transfer of significant insurance risk to the re-insurer has occurred. If the transfer of significant insurance risk is not apparent, then the contract is recognized and evaluated with deposit accounting.

For reinsurance contracts that have their significant insurance risk transferred, if the Company can separate and measure the individual deposit component, then the reinsurance contracts need to be recognized separately as the insurance component and the deposit component. That is, the Company receives (or pays) the contract's value minus the insurance component, recognizing it as financial liabilities (or assets), and not as incomes (or expenses). The financial liabilities (or assets) are recognized with the fair value approach and uses the present value of future cash flow as the basis for the fair value approach.

22. Share-based payment transactions

For the equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The Company has determined the date of the subscription price and the number of shares as the grant-date and recognized the fair value of the equity instruments granted as expenses, with a corresponding increase in equity.

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**Notes to financial statements (Continued)**  
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23. Income taxes

Income tax expense (benefit) is the aggregate amount in respect of current tax and deferred tax which included in profit or loss for the period.

Current income tax

Current income tax liability (asset) for the current and prior period is measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax and the tax relating to items recognized in other comprehensive income or directly in equity shall be recognized in other comprehensive income or directly in equity rather than the profit and loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved at the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the balance sheets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflect the tax consequences generated from expected recovery of assets or settlement of liabilities at the end of reporting date. Deferred tax is not recognized in the profit and loss if the related item is not recognized in the profit and loss. Rather, it is recognized in other comprehensive income or directly in equity according to their transaction. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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**Notes to financial statements (Continued)**  
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24. Unconsolidated structured entities

Securitization vehicles such as real estate investment trust and beneficiary certificates of financial asset securitization, asset-backed financings and some investment funds such as private funds are unconsolidated structured entities, and the related information should be disclosed in accordance with IFRS 12 “*Disclosure of Interests in Other Entities*”.

V. Significant accounting judgments, estimates and assumptions

The preparation of the Company’s financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

1. Judgment

In the process of applying the Company’s accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(1) Categories of financial assets

The management has to use its judgment to categorize financial assets. Different categories applied will affect measurements of the financial assets, which could have a significant impact on the Company’s financial position and performance.

(2) Categories of insurance contracts

The Company identifies the composition of the issued insurance product contracts, decides whether it can be measured individually and determines whether the contract should be separately recognized. In addition, the Company examines whether the insurance contract has a significant insurance risk through review of the effective period of additional payment ratio, to decide the category of insurance products. If the additional payment ratio reaches the pre-set significant standard at any policy period, such contract should be considered having a significant insurance risk. If a single contract provides payment of multiple different insurance events, additional payment will be calculated by the greatest difference between the payment of each insurance event if occurs and the payment of each insurance event if not occurs.

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**Notes to financial statements (Continued)**  
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(3) Operating lease commitment — the Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on evaluation of the terms for the arrangements, that it retains all the significant risks and rewards of ownership for these properties and takes the contracts as operating leases.

2. Estimates and assumptions

The assumptions about the future and primary sources of uncertainty estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Fair value of financial instruments

Where the fair value of the financial instruments recognized in the balance sheet cannot be derived from an active market or a quoted price, it is determined using a valuation technique. In applying valuation techniques, the Company adopts pricing models in accordance with its procedure for valuation, and uses observable market data as possible. The changes in assumptions of these models will affect the fair value of reported financial instruments. Please refer to Note VIII.

(2) Fair value of investment property

The fair value of investment property is derived from valuation techniques, including the income approach, comparison method, cost method, etc., and assumptions used in applying valuation techniques will have influence on the fair value of investment property.

(3) Impairment assessment of financial assets

The Company adopts expected credit loss model to assess impairment on debt instrument investments not measured at fair value through profit or loss. The measurement consider the credit risk of issuers or counterparties, estimate the future 12-month or the lifetime expected credit losses. The way of estimation is to multiply the future 12-month or the lifetime Probability of default (PD), and Loss given default (LGD) and Exposure at default (EAD). The Company also considers the effect of the time value of money to calculate 12-month expected credit losses or the lifetime expected credit losses respectively. The Company has taken historical experiences, market conditions and forward-looking adjustment into account to decide on the assumption and inputs of expected credit loss calculation.

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**Notes to financial statements (Continued)**

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- (4) Insurance contract liabilities (including investment contract liabilities with discretionary participation feature of financial instruments)

The liability for insurance contracts and investment contracts with discretionary participation feature of financial instruments is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, investment returns, and expenses and surrender rates. The Company bases its assumptions on the standards published by the Actuarial Institute of the Republic of China, adjusted when appropriate to reflect the Company's unique risk exposure, product characteristics and experiences from target markets.

The best estimates of future investment income from the assets are based on current market returns, as well as expectation about future economic development. Assumptions on future expense are based on current expense level, adjusted for expected expense inflation, if appropriate. Surrender rates are based on the Company's historical experience.

- (5) Income taxes

Uncertainty of income taxes exists on interpretation of complex tax regulations and the amount and timing of future taxable income. The differences between the actual results and the assumptions, or future changes to such assumptions could necessitate future adjustments to tax income and expense already recorded. The Company establishes provision, based on reasonable estimates, for possible consequence of audits by the tax authorities in each country where it operates. The amount of provision is based on various factors, such as experience of previous tax audits and different interpretation of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for all carry-forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.



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VI. Description of significant accounting items

1. Cash and cash equivalents

|   | 2020.12.31           | 2019.12.31          |
|---|----------------------|---------------------|
| Cash on hand                                  | \$657                | \$557               |
| Revolving funds                               | 1,065                | 1,148               |
| Cash in banks                                 | 70,335,073           | 43,474,945          |
| Time deposits                                 | 24,408,100           | 32,535,965          |
| Cash equivalents – bond with resale agreement | 6,631,620            | 9,915,108           |
| Total   | <u>\$101,376,515</u> | <u>\$85,927,723</u> |

2. Receivables

|   | 2020.12.31          | 2019.12.31          |
|---|---------------------|---------------------|
| Notes receivable                                  | \$134,364           | \$241,765           |
| Other receivables                                 |                     |                     |
| Interest receivable                               | 14,175,901          | 13,028,190          |
| Securities settlement receivable                  | 2,620,865           | 9,608,886           |
| Financial institutions collection receivable      | 2,045,386           | 2,188,412           |
| Separate account receivable                       | 63,595              | 644,110             |
| Others  | 881,082             | 1,116,121           |
| Overdue receivable                                | 6,872               | 7,826               |
| Less: Allowance for bad debts – Other receivables | (7,679)             | (9,208)             |
| Subtotal  | <u>19,786,022</u>   | <u>26,584,337</u>   |
| Total   | <u>\$19,920,386</u> | <u>\$26,826,102</u> |

The Company adopted IFRS 9 for impairment assessment. Please refer to Note VI.25 for more details on impairment of receivables. Please refer to Note IX for more details on credit risk management.

3. Financial assets at fair value through profit or loss

|  | 2020.12.31           | 2019.12.31           |
|--|----------------------|----------------------|
| Mandatorily measured at fair value through profit or loss: |                      |                      |
| Derivatives not designated as hedging instruments          | \$12,108,158         | \$9,761,846          |
| Domestic financial debentures                              | 15,296,061           | 16,318,584           |
| Domestic structured products                               | 997,360              | -                    |
| Domestic listed stocks                                     | 117,113,335          | 95,182,659           |
| Domestic unlisted stocks                                   | 283,365              | 183,166              |
| Domestic beneficiary certificates                          | 102,669,517          | 101,240,176          |
| Domestic real estate investment trust                      | 2,224,345            | 2,006,717            |
| Overseas corporate bonds                                   | 14,648,671           | 14,049,557           |
| Overseas listed stocks                                     | 28,472,031           | 20,293,607           |
| Overseas preferred stocks                                  | 5,975,498            | 1,373,507            |
| Overseas financial debentures                              | 15,936,712           | 21,946,582           |
| Overseas beneficiary certificates                          | 57,413,779           | 29,000,420           |
| Overseas real estate investment trust                      | 2,417,097            | 1,628,391            |
| Total  | <u>\$375,555,929</u> | <u>\$312,985,212</u> |

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Financial assets at fair value through profit or loss were not pledged.

The Company elected to express profit or loss of the designated financial assets in overlay approach under IFRS 4 “*Insurance Contracts*” since its application of IFRS 9. Financial assets designated to apply overlay approach by the Company for investing activities relating to insurance contracts are as follows:

|  | <u>2020.12.31</u>    | <u>2019.12.31</u>    |
|--|----------------------|----------------------|
| Financial assets at fair value through profit or loss: |                      |                      |
| Domestic financial debentures                          | \$15,296,061         | \$16,318,584         |
| Domestic structured products                           | 997,360              | -                    |
| Domestic listed stocks                                 | 117,113,335          | 95,182,659           |
| Domestic unlisted stocks                               | 283,365              | 183,166              |
| Domestic beneficiary certificates                      | 102,669,517          | 101,240,176          |
| Domestic real estate investment trust                  | 2,224,345            | 2,006,717            |
| Overseas corporate bonds                               | 14,648,671           | 14,049,557           |
| Overseas listed stocks                                 | 28,472,031           | 20,293,607           |
| Overseas preferred stocks                              | 5,975,498            | 1,373,507            |
| Overseas financial debentures                          | 15,936,712           | 21,946,582           |
| Overseas beneficiary certificates                      | 57,413,779           | 29,000,420           |
| Overseas real estate investment trust                  | 2,417,097            | 1,628,391            |
| Total  | <u>\$363,447,771</u> | <u>\$303,223,366</u> |

Reclassification of the financial assets designated to apply overlay approach from profit or loss to other comprehensive income for the years ended 31 December 2020 and 2019 are as follows:

|   | <u>For the years ended 31 December</u> |                     |
|---|--|---------------------|
|   | <u>2020</u>                            | <u>2019</u>         |
| Gains (losses) due to applying IFRS 9 to profit or loss   | \$24,761,407                           | \$38,470,698        |
| Less: (Gains) losses if applying IAS 39 to profit or loss | <u>(25,022,345)</u>                    | <u>(20,425,266)</u> |
| Gains (losses) on reclassification using overlay approach | <u>\$(260,938)</u>                     | <u>\$18,045,432</u> |

Due to the adoption of overlay approach, profits from financial assets at fair value through profits or loss are increased from \$43,947,558 thousand to \$44,208,496 thousand and profit are decreased from \$39,646,579 thousand to \$21,601,147 thousand for the years ended 31 December 2020 and 2019 respectively.

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4. Financial assets at fair value through other comprehensive income

|   | 2020.12.31                  | 2019.12.31                  |
|---|-----------------------------|-----------------------------|
| Debt instrument investments at fair value through other comprehensive income:   |                             |                             |
| Domestic government bonds   | \$79,525,371                | \$74,753,447                |
| Overseas government bonds   | 57,147,704                  | 55,476,667                  |
| Overseas corporate bonds  | 162,690,370                 | 103,376,914                 |
| Overseas financial debentures   | 125,977,597                 | 109,974,171                 |
| Less: Refundable deposits   | -                           | (9,804)                     |
| Subtotal  | <u>425,341,042</u>          | <u>343,571,395</u>          |
| Equity instrument investments at fair value through other comprehensive income: |                             |                             |
| Domestic listed stocks  | 23,253,351                  | 10,017,990                  |
| Domestic unlisted stocks  | 3,153,281                   | 2,410,397                   |
| Domestic preferred stocks   | 12,289,330                  | 12,001,414                  |
| Overseas listed stocks  | -                           | 167,316                     |
| Overseas unlisted stocks  | 18,836,120                  | 14,523,031                  |
| Subtotal  | <u>57,532,082</u>           | <u>39,120,148</u>           |
| Total   | <u><u>\$482,873,124</u></u> | <u><u>\$382,691,543</u></u> |

Please refer to Note XIII for more details on financial assets at fair value through other comprehensive income under pledge.

Please refer to Note VI.25 for more details on gross carrying amount and accumulated impairment of debt instrument investments measured at fair value through other comprehensive income. Please refer to Note IX for more details on credit risk management.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended 31 December 2020 and 2019 are as follows:

|  | For the years ended 31 December |           |
|--|---------------------------------|-----------|
|  | 2020                            | 2019      |
| Related to investments held at the end of the reporting period | \$1,241,851                     | \$705,456 |
| Dividends recognized during the period                         | 1,369,673                       | 759,101   |

Given the investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended 31 December 2020 and 2019 are as follow:

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|   | For the years ended 31 December |             |
|---|---------------------------------|-------------|
|   | 2020                            | 2019        |
| The fair value of the investments at the date of derecognition  | \$2,820,257                     | \$3,143,926 |
| The cumulative unrealized valuation gain (loss) on disposal reclassified from other equity to retained earnings | (405,306)                       | (516,594)   |

5. Financial assets measured at amortized cost

|                                     | 2020.12.31             | 2019.12.31             |
|-------------------------------------|------------------------|------------------------|
| Domestic government bonds           | \$64,605,462           | \$61,670,450           |
| Domestic corporate bonds            | 54,324,193             | 48,361,351             |
| Domestic financial debentures       | 21,950,000             | 17,050,000             |
| Domestic structured products        | 3,500,000              | -                      |
| Overseas real estate mortgage bonds | 14,508,160             | 51,005,313             |
| Overseas government bonds           | 45,503,204             | 33,763,624             |
| Overseas corporate bonds            | 311,415,838            | 236,234,497            |
| Overseas financial debentures       | 537,737,846            | 569,752,358            |
| Less: Refundable deposits           | (7,092,185)            | (6,698,391)            |
| Less: Loss allowance                | (56,917)               | (102,968)              |
| Total                               | <u>\$1,046,395,601</u> | <u>\$1,011,036,234</u> |

Due to the issuer's early redemption, infrequent sales, or sales insignificant in value (either individually or in aggregate), the Company derecognized certain financial assets measured at amortized cost for the years ended 31 December 2020 and 2019 with the following carrying amount at the date of derecognition and the recognized gain (loss) during the period:

|                               | For the years ended 31 December                  |   |  |   |
|-------------------------------|--|---|--|---|
|                               | 2020   |   | 2019   |   |
|                               | The carrying amount at the date of derecognition | Recognized gain(loss) during the period | The carrying amount at the date of derecognition | Recognized gain(loss) during the period |
| Domestic corporate bonds      | \$-  | \$-                                     | \$3,500,000                                      | \$78,850                                |
| Overseas government bonds     | -  | -                                       | 10,231,771                                       | 431,901                                 |
| Overseas corporate bonds      | 3,797,662  | 552,759                                 | 16,477,497                                       | 1,283,844                               |
| Overseas financial debentures | -  | -                                       | 3,705,097  | 86,835                                  |
| Total                         | <u>\$3,797,662</u>                               | <u>\$552,759</u>                        | <u>\$33,914,365</u>                              | <u>\$1,881,430</u>                      |

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**Notes to financial statements (Continued)**

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Please refer to Note XIII for more details on financial assets measured at amortized cost under pledge.

Please refer to Note VI.25 for more details on gross carrying amount and accumulated impairment on financial assets measured at amortized cost. Please refer to Note IX for more details on credit risk management.

6. Loans

|   | 2020.12.31          | 2019.12.31          |
|---|---------------------|---------------------|
| Policy loans                                  | \$27,137,356        | \$27,350,483        |
| Automatic premium loans                       | 5,845,356           | 5,849,666           |
| Secured loans – net                           | 574,337             | 833,722             |
| Secured loans                                 | 583,485             | 846,782             |
| Less: Allowance for bad debts – secured loans | (9,148)             | (13,060)            |
| Total   | <u>\$33,557,049</u> | <u>\$34,033,871</u> |

The Company adopted IFRS 9 for impairment assessment. Please refer to Note VI.25 for more details on loss allowance.

7. Investments accounted for using the equity method

The following table lists the investments accounted for using the equity method of the Company:

| Name of investee company: | 2020.12.31        |                               | 2019.12.31        |                               |
|---------------------------|-------------------|-------------------------------|-------------------|-------------------------------|
|                           | Carring<br>Amount | Percentage of<br>ownership(%) | Carring<br>Amount | Percentage of<br>ownership(%) |
| Shenhe Energy Co., Ltd.   | <u>\$69,863</u>   | 19.90%                        | <u>\$-</u>        | -                             |

Please refer to Note XVIII.2 for more details on associates' investment information.

The Company's investments in the individual associates were not individually material. The aggregate financial information of the Company's investments in associates was as follows:

|   | 2020         |
|---|--------------|
| Profit or loss from continuing operations | \$213        |
| Other comprehensive income (net of tax)   | -            |
| Total comprehensive income                | <u>\$213</u> |

The associates had no contingent liabilities or capital commitments as at 31 December 2020. Also, the investments in associates were not pledged.

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8. Investment property

The reconciliations from the beginning book value balances to the ending book value balances for investment property measured at fair value model in subsequent period are as follows:

|   | For the year ended 31 December 2020 |             |                          |                          |                          | Total        |
|---|-------------------------------------|-------------|--------------------------|--------------------------|--------------------------|--------------|
|   | Land                                | Buildings   | Right-of-use asset –     |                          |                          |              |
|   |                                     |             | Right-of-use asset -Land | Superficies of Royalties | Prepayment for buildings |              |
| Beginning balance                                   | \$15,868,678                        | \$4,747,164 | \$-                      | \$-                      | \$-                      | \$20,615,842 |
| Purchase  | -                                   | 12,439      | -                        | -                        | -                        | 12,439       |
| Gains (losses) generated from adjustment fair value | 81,113                              | (131,092)   | 2,045                    | 313,974                  | -                        | 266,040      |
| Disposals   | (14,144)                            | (14,330)    | -                        | -                        | -                        | (28,474)     |
| Transfer to property and equipment                  | (36,035)                            | (47,004)    | -                        | -                        | -                        | (83,039)     |
| Transfer from property and equipment                | 109,790                             | 4,467,696   | -                        | -                        | -                        | 4,577,486    |
| Transfer from right-of-use asset                    | -                                   | -           | 1,273,735                | 7,684,944                | -                        | 8,958,679    |
| Ending balance                                      | \$16,009,402                        | \$9,034,873 | \$1,275,780              | \$7,998,918              | \$-                      | \$34,318,973 |

|   | For the year ended 31 December 2019 |             |                          |                          |                          | Total        |
|---|-------------------------------------|-------------|--------------------------|--------------------------|--------------------------|--------------|
|   | Land                                | Buildings   | Right-of-use asset –     |                          |                          |              |
|   |                                     |             | Right-of-use asset -Land | Superficies of Royalties | Prepayment for buildings |              |
| Beginning balance                                   | \$15,601,189                        | \$5,022,055 | \$-                      | \$-                      | \$-                      | \$20,623,244 |
| Gains (losses) generated from adjustment fair value | 271,490                             | (271,527)   | -                        | -                        | -                        | (37)         |
| Disposals   | (4,001)                             | (3,364)     | -                        | -                        | -                        | (7,365)      |
| Ending balance                                      | \$15,868,678                        | \$4,747,164 | \$-                      | \$-                      | \$-                      | \$20,615,842 |

Development of the vacant land and prepayment for buildings without construction license is measured at cost because its fair value cannot be reliably determined. The reconciliations from the beginning book value balances to the ending book value balances are as follows:

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

|  | For the year ended 31 December 2020 |           |                          |             |
|--|-------------------------------------|-----------|--------------------------|-------------|
|  | Land                                | Buildings | Prepayment for buildings | Total       |
| Costs:                                   |                                     |           |                          |             |
| Beginning balance                        | \$3,654,175                         | \$-       | \$-                      | \$3,654,175 |
| Ending balance                           | \$3,654,175                         | \$-       | \$-                      | \$3,654,175 |
| Accumulated impairment:                  |                                     |           |                          |             |
| Beginning balance                        | \$1,133,112                         | \$-       | \$-                      | \$1,133,112 |
| Charge (reversal) for the current period | 1,119                               | -         | -                        | 1,119       |
| Ending balance                           | \$1,134,231                         | \$-       | \$-                      | \$1,134,231 |

|  | For the year ended 31 December 2019 |           |                          |             |
|--|-------------------------------------|-----------|--------------------------|-------------|
|  | Land                                | Buildings | Prepayment for buildings | Total       |
| Costs:                                   |                                     |           |                          |             |
| Beginning balance                        | \$3,654,175                         | \$-       | \$-                      | \$3,654,175 |
| Ending balance                           | \$3,654,175                         | \$-       | \$-                      | \$3,654,175 |
| Accumulated impairment:                  |                                     |           |                          |             |
| Beginning balance                        | \$1,133,565                         | \$-       | \$-                      | \$1,133,565 |
| Charge (reversal) for the current period | (453)                               | -         | -                        | (453)       |
| Ending balance                           | \$1,133,112                         | \$-       | \$-                      | \$1,133,112 |

Net carrying amount:

|            | Land         | Buildings   | Right-of-use asset - Land | Right-of-use Superficies of Royaltie | Prepayment for buildings | Total        |
|------------|--------------|-------------|---------------------------|--------------------------------------|--------------------------|--------------|
| 2020.12.31 | \$18,529,346 | \$9,034,873 | \$1,275,780               | \$7,998,918                          | \$-                      | \$36,838,917 |
| 2019.12.31 | \$18,389,741 | \$4,747,164 | \$-                       | \$-                                  | \$-                      | \$23,136,905 |

A major part of the Company's buildings includes main plants, air conditioning, electrical fire-fighting and elevator equipment.

Valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal. The valuation date of the valuation reports for the reporting period is 31 December 2020 and 2019.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

31 December 2020:

- (1) Repro Appraisers Firm: Wu Hong Hsu, Tsai Yu Hsiang, Hsu Hsiang Yi
- (2) Gao Yuan Appraisers Joint Firm: Chen Pi Yuan

31 December 2019:

- (1) Hwan Yu Real Estate Appraisers Joint Firm: Lin Hsueh Chin, Chao Huei Mei
- (2) Home Ban Appraisers Joint Firm: Li Ching Tang

The fair value of investment property is treated in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. The fair value evaluation should adopt the discounted cash flow method of income approach or cost approach, excluding the investment property already stated on the account prior to May 11, 2020 which was subsequently measured by the fair value model, and the normal price should be used as the basis of fair value assessment.

For investment property acquired before May 11, 2020, the fair value was determined through the support of market evidence. Since the investment property of the Company comprises mainly commercial buildings and residential buildings that are with market liquidity and easy access to similar comparative cases and rental cases in the neighborhood, comparison approach and income approach, of which latter one uses the direct capitalization method, are mainly used for evaluations.

For investment property acquired after May 11, 2020, if a lease contract for more than one year has been entered into, it shall be evaluated by the discounted cash flow method of income approach. The cash flow, analysis period, and discount rate of the evaluation method shall meet the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises; if the investment property did not enter into a lease contract for more than a year or the contract has been terminated, cancelled, or invalidated for more than one year, cost approach should be adopted for evaluation.



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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The inputs mainly used are as follows:

|                                     | 2020.12.31  | 2019.12.31  |
|-------------------------------------|-------------|-------------|
|                                     | Mainly      | Mainly      |
| Income capitalization rate          | 1.55%~4.38% | 0.73%~4.98% |
| Discount rate (Note)                | 2.3%~2.75%  | None        |
| Overall capital interest rate(Note) | 1.57%~3.47% | None        |

Note: The valuation method of investment property acquired by the Company after May 11, 2020 adopted the discounted cash flow method of income approach and cost approach, and the main parameters used were the discount rate and the overall capital interest rate.

The part of the investment property of the Company that is measured at fair value subsequent to initial recognition, the fair value is categorized at Level 3 of the fair value hierarchy. The fair value of investment property will decrease as the main inputs, income capitalization rate of direct capitalization approach, the discount rate of the discounted cash flow method and the overall capital interest rate, increases. On the contrary, the fair value of investment property will increase if the main input decrease.

The Company's Taipei Academy's superficials construction project was transferred from construction in progress to building, in 2020, and part of the buildings and the right-of-use assets were transferred to investment property in accordance with the nature of use.

The investment properties are held mainly for lease business. All the lease agreements are operating leases. The primary terms of lease agreements are the same as general lease agreements. Rents from property investment are received annually, semi-annually, quarterly, monthly or in lump sum.

Rents from investment properties were \$487,902 thousand and \$479,526 thousand for the ended 31 December 2020 and 2019. Related direct operating expenses were \$96,680 thousand and \$62,789 thousand. The direct operating expenses of investment properties generating no rents were \$33,059 thousand and \$4,911 thousand.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The Company wrote off its investment property and equipment subsequently measured at cost model to the recoverable amount, and incurred impairment losses in the amount of \$1,119 thousand and \$63,165 thousand at the 2020. The recovery of certain property and equipment to the recoverable amount, resulting in gain on reversal of impairment loss in the amount of \$226 thousand. The Company wrote off its investment property and equipment subsequently measured at cost model to the recoverable amount, and incurred gain on reversal of impairment loss of \$453 thousand and \$203 thousand at the 2019. The recoverable amount is measured by the fair value less cost of disposal. The fair value has been assessed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and was categorized as Level 3 of fair value hierarchy. The valuation technique and the key assumption adopted in this case regarding the property and equipment that incurred impairment loss and investment property subsequently measured at cost were comparison approach and income approach, or comparison approach and land development analysis approach, based on Regulations on Real Estate Appraisal. The case has also considered cases in the market as well as future trends to measure appropriate market value and to discount to present value based on urban land readjustment time schedule.

As at 31 December 2020 and 31 December 2019, no investment properties were pledged as collateral.

9. Reinsurance assets

|  | 2020.12.31 | 2019.12.31 |
|--|------------|------------|
| Claims recoverable from reinsurers       | \$646,949  | \$415,320  |
| Due from reinsurers and ceding companies | 10,718     | 48,572     |
| Reinsurance reserve assets               |            |            |
| Ceded unearned premium reserve           | 61,774     | 55,487     |
| Ceded reserve for claims                 | 20,815     | 13,755     |
| Subtotal                                 | 82,589     | 69,242     |
| Total                                    | \$740,256  | \$533,134  |

The above reinsurance assets are not impaired.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

10. Property and equipment

For the year ended 31 December 2020

|                           | Land               | Buildings          | Computer<br>equipment | Transportation<br>equipment | Other<br>equipment | Leasehold<br>improvements | Prepayment<br>for buildings<br>and<br>construction in<br>progress | Total               |
|---------------------------|--------------------|--------------------|-----------------------|-----------------------------|--------------------|---------------------------|---|---------------------|
| Cost:                     |                    |                    |                       |                             |                    |                           |   |                     |
| 1 January 2020            | \$6,617,371        | \$1,848,625        | \$460,948             | \$9,825                     | \$542,956          | \$23,226                  | \$6,523,265   | \$16,026,216        |
| Additions                 | 545,398            | 312,569            | 70,990                | 2,741                       | 10,775             | -                         | 2,169,207   | 3,111,680           |
| Disposals                 | -                  | -                  | (81,406)              | (3,230)                     | (8,248)            | -                         | -   | (92,884)            |
| Transfers from            |                    |                    |                       |                             |                    |                           |   |                     |
| investment property       | 36,035             | 47,004             | -                     | -                           | -                  | -                         | -   | 83,039              |
| Transfers to              |                    |                    |                       |                             |                    |                           |   |                     |
| investment property       | (121,126)          | (4,513,739)        | -                     | -                           | -                  | -                         | -   | (4,634,865)         |
| Transfers                 | -                  | 8,441,082          | 26,688                | -                           | 6,381              | -                         | (8,544,266)   | (70,115)            |
| 31 December 2020          | <u>\$7,077,678</u> | <u>\$6,135,541</u> | <u>\$477,220</u>      | <u>\$9,336</u>              | <u>\$551,864</u>   | <u>\$23,226</u>           | <u>\$148,206</u>  | <u>\$14,423,071</u> |
| Accumulated Depreciation: |                    |                    |                       |                             |                    |                           |   |                     |
| 1 January 2020            | \$-                | \$563,180          | \$209,469             | \$7,623                     | \$366,031          | \$22,417                  | \$-   | \$1,168,720         |
| Depreciation              | -                  | 91,173             | 74,991                | 1,294                       | 58,740             | 364                       | -   | 226,562             |
| Disposals                 | -                  | -                  | (81,312)              | (3,229)                     | (8,247)            | -                         | -   | (92,788)            |
| Transfers to              |                    |                    |                       |                             |                    |                           |   |                     |
| investment property       | -                  | (37,494)           | -                     | -                           | -                  | -                         | -   | (37,494)            |
| 31 December 2020          | <u>\$-</u>         | <u>\$616,859</u>   | <u>\$203,148</u>      | <u>\$5,688</u>              | <u>\$416,524</u>   | <u>\$22,781</u>           | <u>\$-</u>  | <u>\$1,265,000</u>  |
| Accumulated impairment:   |                    |                    |                       |                             |                    |                           |   |                     |
| 1 January 2020            | \$740,474          | \$3,481            | \$-                   | \$-                         | \$-                | \$-                       | \$-   | \$743,955           |
| Charge (reversal) for the |                    |                    |                       |                             |                    |                           |   |                     |
| current period            | 26,083             | 36,856             | -                     | -                           | -                  | -                         | -   | 62,939              |
| Transfers to              |                    |                    |                       |                             |                    |                           |   |                     |
| investment property       | (26,038)           | (37,773)           | -                     | -                           | -                  | -                         | -   | (63,811)            |
| 31 December 2020          | <u>\$740,519</u>   | <u>\$2,564</u>     | <u>\$-</u>            | <u>\$-</u>                  | <u>\$-</u>         | <u>\$-</u>                | <u>\$-</u>  | <u>\$743,083</u>    |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

For the year ended 31 December 2019

|   | Land               | Buildings          | Computer<br>equipment | Transportation<br>equipment | Other<br>equipment | Leasehold<br>improvements | Prepayment<br>for buildings<br>and<br>construction in<br>progress | Total               |
|---|--------------------|--------------------|-----------------------|-----------------------------|--------------------|---------------------------|---|---------------------|
| Cost:                                       |                    |                    |                       |                             |                    |                           |   |                     |
| 1 January 2019                              | \$6,617,371        | \$1,848,625        | \$343,092             | \$9,751                     | \$427,595          | \$21,794                  | \$3,176,367   | \$12,444,595        |
| Additions                                   | -                  | -                  | 107,118               | 205                         | 75,452             | 1,432                     | 3,148,777   | 3,332,984           |
| Disposals                                   | -                  | -                  | (27,939)              | (131)                       | (1,599)            | -                         | -   | (29,669)            |
| Transfers                                   | -                  | -                  | 38,677                | -                           | 41,508             | -                         | 198,121   | 278,306             |
| 31 December 2019                            | <u>\$6,617,371</u> | <u>\$1,848,625</u> | <u>\$460,948</u>      | <u>\$9,825</u>              | <u>\$542,956</u>   | <u>\$23,226</u>           | <u>\$6,523,265</u>  | <u>\$16,026,216</u> |
| Accumulated Depreciation:                   |                    |                    |                       |                             |                    |                           |   |                     |
| 1 January 2019                              | \$-                | \$518,458          | \$181,803             | \$6,168                     | \$323,723          | \$21,348                  | \$-   | \$1,051,500         |
| Depreciation                                | -                  | 44,722             | 55,597                | 1,585                       | 43,904             | 1,069                     | -   | 146,877             |
| Disposals                                   | -                  | -                  | (27,931)              | (130)                       | (1,596)            | -                         | -   | (29,657)            |
| 31 December 2019                            | <u>\$-</u>         | <u>\$563,180</u>   | <u>\$209,469</u>      | <u>\$7,623</u>              | <u>\$366,031</u>   | <u>\$22,417</u>           | <u>\$-</u>  | <u>\$1,168,720</u>  |
| Accumulated impairment:                     |                    |                    |                       |                             |                    |                           |   |                     |
| 1 January 2019                              | \$740,630          | \$3,528            | \$-                   | \$-                         | \$-                | \$-                       | \$-   | \$744,158           |
| Charge (reversal) for the<br>current period | (156)              | (47)               | -                     | -                           | -                  | -                         | -   | (203)               |
| 31 December 2019                            | <u>\$740,474</u>   | <u>\$3,481</u>     | <u>\$-</u>            | <u>\$-</u>                  | <u>\$-</u>         | <u>\$-</u>                | <u>\$-</u>  | <u>\$743,955</u>    |
| Net carrying amount                         |                    |                    |                       |                             |                    |                           |   |                     |
| 2020.12.31                                  | <u>\$6,337,159</u> | <u>\$5,516,118</u> | <u>\$274,072</u>      | <u>\$3,648</u>              | <u>\$135,340</u>   | <u>\$445</u>              | <u>\$148,206</u>  | <u>\$12,414,988</u> |
| 2019.12.31                                  | <u>\$5,876,897</u> | <u>\$1,281,964</u> | <u>\$251,479</u>      | <u>\$2,202</u>              | <u>\$176,925</u>   | <u>\$809</u>              | <u>\$6,523,265</u>  | <u>\$14,113,541</u> |

Property and equipment held by the Company are not pledged.

## 11. Leases

### (1) Company as a lessee

The commercial lease contracts for offices, vehicles and equipment signed by the Company are within one to seven years on average without renewal option. There is no restriction on the Company in these contracts. Furthermore, the Company leases the land for 70 years by creating surface right and the agreement is a non-cancellable operating lease.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

**A. Amounts of right-of-use assets recognized in the balance sheet and the statements of comprehensive income**

|                                     | For the year ended 31 December 2020 |                            |                  |                       |                             |                           |                     |
|-------------------------------------|-------------------------------------|----------------------------|------------------|-----------------------|-----------------------------|---------------------------|---------------------|
|                                     | Land                                | Royalty-<br>surface rights | Buildings        | Computer<br>equipment | Transportation<br>equipment | Other office<br>equipment | Total               |
| Cost:                               |                                     |                            |                  |                       |                             |                           |                     |
| 1 January 2020                      | \$2,098,517                         | \$13,179,623               | \$94,329         | \$94,957              | \$13,735                    | \$26,160                  | \$15,507,321        |
| Additions                           | 201                                 | -                          | 26,644           | 131,384               | 8,373                       | 37,099                    | 203,701             |
| Write off                           | -                                   | -                          | (8,346)          | (94,957)              | (7,003)                     | (13,784)                  | (124,090)           |
| Revaluation                         | (544,307)                           | -                          | -                | -                     | -                           | -                         | (544,307)           |
| Transfer to investment<br>property  | (918,354)                           | (7,787,599)                | -                | -                     | -                           | -                         | (8,705,953)         |
| 31 December 2020                    | <u>\$636,057</u>                    | <u>\$5,392,024</u>         | <u>\$112,627</u> | <u>\$131,384</u>      | <u>\$15,105</u>             | <u>\$49,475</u>           | <u>\$6,336,672</u>  |
| Accumulated Depreciation:           |                                     |                            |                  |                       |                             |                           |                     |
| 1 January 2020                      | \$32,243                            | \$202,605                  | \$31,107         | \$51,795              | \$3,636                     | \$11,662                  | \$333,048           |
| Depreciation                        | 21,231                              | 172,676                    | 43,400           | 47,964                | 3,335                       | 15,104                    | 303,710             |
| Write off                           | -                                   | -                          | (7,415)          | (94,957)              | (3,075)                     | (13,784)                  | (119,231)           |
| Transfer to<br>investment property  | (30,123)                            | (209,502)                  | -                | -                     | -                           | -                         | (239,625)           |
| 31 December 2020                    | <u>\$23,351</u>                     | <u>\$165,779</u>           | <u>\$67,092</u>  | <u>\$4,802</u>        | <u>\$3,896</u>              | <u>\$12,982</u>           | <u>\$277,902</u>    |
| For the year ended 31 December 2019 |                                     |                            |                  |                       |                             |                           |                     |
|                                     | Land                                | Royalty-<br>surface rights | Buildings        | Computer<br>equipment | Transportation<br>equipment | Other office<br>equipment | Total               |
| Cost:                               |                                     |                            |                  |                       |                             |                           |                     |
| 1 January 2019                      | \$2,098,517                         | \$13,179,623               | \$45,577         | \$94,957              | \$11,841                    | \$13,783                  | \$15,444,298        |
| Additions                           | -                                   | -                          | 49,053           | -                     | 1,894                       | 12,377                    | 63,324              |
| Disposals                           | -                                   | -                          | (301)            | -                     | -                           | -                         | (301)               |
| 31 December 2019                    | <u>\$2,098,517</u>                  | <u>\$13,179,623</u>        | <u>\$94,329</u>  | <u>\$94,957</u>       | <u>\$13,735</u>             | <u>\$26,160</u>           | <u>\$15,507,321</u> |
| Accumulated Depreciation:           |                                     |                            |                  |                       |                             |                           |                     |
| 1 January 2019                      | \$-                                 | \$-                        | \$-              | \$-                   | \$-                         | \$-                       | \$-                 |
| Depreciation                        | 32,243                              | 202,605                    | 31,408           | 51,795                | 3,636                       | 11,662                    | 333,349             |
| Disposals                           | -                                   | -                          | (301)            | -                     | -                           | -                         | (301)               |
| 31 December 2019                    | <u>\$32,243</u>                     | <u>\$202,605</u>           | <u>\$31,107</u>  | <u>\$51,795</u>       | <u>\$3,636</u>              | <u>\$11,662</u>           | <u>\$333,048</u>    |
| Net carrying amount:                |                                     |                            |                  |                       |                             |                           |                     |
| 2020.12.31                          | <u>\$612,706</u>                    | <u>\$5,226,245</u>         | <u>\$45,535</u>  | <u>\$126,582</u>      | <u>\$11,209</u>             | <u>\$36,493</u>           | <u>\$6,058,770</u>  |
| 2019.12.31                          | <u>\$2,066,274</u>                  | <u>\$12,977,018</u>        | <u>\$63,222</u>  | <u>\$43,162</u>       | <u>\$10,099</u>             | <u>\$14,498</u>           | <u>\$15,174,273</u> |

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The depreciation expense on the right-of-use assets recognized during the years ended 31 December 2020 and 2019 is \$151,882 thousand and \$98,501 thousand.

Depreciation on the right-of-use assets is calculated through a straight-line basis over 1 to 70 years.

**B. Amounts of lease liabilities recognized in the balance sheet and the statements of comprehensive income**

|                          | 2020.12.31  | 2019.12.31  |
|--------------------------|-------------|-------------|
| Land                     | \$1,539,683 | \$2,089,952 |
| Buildings                | 46,260      | 63,287      |
| Computer equipment       | 115,975     | 26,710      |
| Transportation equipment | 11,299      | 10,139      |
| Other office equipment   | 37,997      | 16,758      |
| Total                    | \$1,751,214 | \$2,206,846 |

The interest expense on the lease liabilities recognized during the year ended 31 December 2020 and 2019 is \$18,891 and \$716 thousand. Please refer to Note IX.2 Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2020 and 31 December 2019.

**C. Income and costs relating to leasing activities**

|   | For the years ended 31 December |          |
|---|---------------------------------|----------|
|   | 2020                            | 2019     |
| The expenses relating to short-term leases  | \$476                           | \$13,472 |
| The expenses relating to leases of low-value assets<br>(Not including the expenses relating to short-term leases of low-value assets) | 150                             | 152      |

For the rent concession incurred as a direct result of the Covid-19 pandemic, the Company reduced \$8,407 thousand from construction in progress, increased \$2,250 thousand from non-operating income and increased \$1,790 thousand from investment property income for the year ended 31 December 2020, reflecting the lease payment change of the expedient plan.

**D. Cash outflow relating to leasing activities**

During the year ended 31 December 2020 and 2019, the Company's total cash outflows for leases amounting to \$155,310 thousand and \$167,813 thousand.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

E. Other information relating to leasing activities

(a) Variable lease payments

Some of the Company's machine equipment lease agreements contain variable lease payment terms that exceed the standard quota. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(b) Extension and termination options

Some of the Company's rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(2) Company as a lessor

Please refer to Note VI.8 for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

|   | <u>For the years ended 31 December</u> |                  |
|---|--|------------------|
|   | <u>2020</u>                            | <u>2019</u>      |
| Lease income for operating leases   |  |                  |
| Income relating to fixed lease payments and variable lease payments that depend on an index or a rate | \$481,693                              | \$471,366        |
| Income relating to variable lease payments that do not depend on an index or a rate                   | 6,209                                  | 8,160            |
| Total   | <u>\$487,902</u>                       | <u>\$479,526</u> |

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The remaining period of commercial property lease contracts the Company signed are within one year to fourteen years, and most of these lease contracts contain terms about adjusting rents according to market environment annually. The undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2020 and 31 December 2019 are as follow:

|  | 2020.12.31         | 2019.12.31         |
|--|--------------------|--------------------|
| Less than one year                             | \$593,283          | \$409,981          |
| More than one year but less than two years     | 649,803            | 362,726            |
| More than two years but less than three years  | 576,483            | 200,904            |
| More than three years but less than four years | 543,230            | 136,872            |
| More than four years but less than five years  | 512,403            | 128,881            |
| More than five years                           | 2,233,548          | 167,588            |
| <b>Total</b>                                   | <b>\$5,108,750</b> | <b>\$1,406,952</b> |

12. Other assets

|                       | 2020.12.31         | 2019.12.31         |
|-----------------------|--------------------|--------------------|
| Prepayments           | \$456,930          | \$42,380           |
| Refundable deposits   | 7,213,874          | 6,828,951          |
| Other assets — others | 53,592             | 5,223              |
| <b>Total</b>          | <b>\$7,724,396</b> | <b>\$6,876,554</b> |

13. Payables

|   | 2020.12.31          | 2019.12.31          |
|---|---------------------|---------------------|
| Notes payable                                     | \$64                | \$900               |
| Life insurance proceeds payable                   | 96,446              | 80,129              |
| Commissions payable                               | 1,567,741           | 1,628,716           |
| Due to reinsurers and ceding companies            | 808,694             | 482,994             |
| Other payables                                    |                     |                     |
| Salary payable                                    | 1,235,595           | 1,097,723           |
| Tax payable                                       | 91,176              | 88,552              |
| Collection payable                                | 45,224              | 47,942              |
| Payable on investments                            | 1,550,534           | 8,510,101           |
| Accrued expense and payable on insurance policies | 7,514,630           | 7,176,146           |
| Others  | 354,332             | 304,093             |
| <b>Subtotal</b>                                   | <b>10,791,491</b>   | <b>17,224,557</b>   |
| <b>Total</b>                                      | <b>\$13,264,436</b> | <b>\$19,417,296</b> |



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

14. Bonds Payable

|   | 2020.12.31   | 2019.12.31 |
|---|--------------|------------|
| China Life Insurance Co., Ltd. 1 <sup>st</sup> Perpetual cumulative Subordinated Corporate Bonds issued in 2020 | \$10,000,000 | \$-        |

The issue was approved by Financial Supervisory Commission (“FSC”) under Order No. Jin-Guan-Bao-Shou-Zi-1090434160 and Taipei Exchange (“TPEX”) under Order No. Cheng-Gui-Chai-Zi-10900142481. The Company issued corporate bond on 28 December 2020. The issuance conditions are as follows:

1. Total issuance and face value: The total issuance is NT \$10,000,000 thousand, and the per par value is NT \$1,000 thousand.
2. Issue period and method: Perpetual bonds. Fully issued according to the face value.
3. Coupon rate: The annual coupon rate is fixed at 2.7%.
4. Interest payment: Since the issuance date, the interest will be calculated and paid once a year based on the coupon rate. The interest payment amount is calculated based on the face value of each bond and is rounded up to the nearest dollar if the decimal point is more than \$0.5 and rounded off if less than \$0.4. If the principal and interest payment date is the day when the place of payment bank ceases business, the principal and interest will be paid on the business day following the business closure day, and no additional interest will be paid. If the principal and interest are received after the principal and interest payment date, no deferred interest will be calculated and paid.
5. Redemption right: Ten years after the issuance date, the bonds may be redeemed in whole by China Life with regulator’s approval if the Company’s capital adequacy ratio (after the bond redemption) is one time higher than the minimum regulation requirement at the time of calculation. The redemption price will be equal to par value plus any accrued and unpaid interest payable up to the date of redemption.
6. Form : Issued in dematerialized form, and is registered with the Taiwan Depository & Clearing Corporation.

The Company's issuance of corporate bonds will recognize interest expenses of \$2,959 thousand in 2020 and accounted as financial costs.

15. Financial liabilities at fair value through profit or loss

|   | 2020.12.31  | 2019.12.31  |
|---|-------------|-------------|
| Held for trading:                                 |             |             |
| Derivatives not designated as hedging instruments |             |             |
| Swaps and forward foreign exchange contracts      | \$7,931,359 | \$1,426,070 |
| Total   | \$7,931,359 | \$1,426,070 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

16. Insurance contracts and provision for financial instruments with discretionary participation feature

As at 31 December 2020 and 31 December 2019, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows.

(1) Reserve for life insurance liabilities:

|                             | 2020.12.31                                  |                       |                 |
|-----------------------------|---|-----------------------|-----------------|
|                             | Financial instruments<br>with discretionary |                       | Total           |
|                             | Insurance contract                          | participation feature |                 |
| Life insurance              | \$1,499,223,671                             | \$57,268,258          | \$1,556,491,929 |
| Health insurance            | 144,514,146                                 | -                     | 144,514,146     |
| Annuity insurance           | 641,776                                     | 156,307,556           | 156,949,332     |
| Investment-linked insurance | 1,763,565                                   | -                     | 1,763,565       |
| Total (Note)                | \$1,646,143,158                             | \$213,575,814         | \$1,859,718,972 |

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,859,860,159 thousand as of 31 December 2020.

|                             | 2019.12.31                                  |                       |                 |
|-----------------------------|---|-----------------------|-----------------|
|                             | Financial instruments<br>with discretionary |                       | Total           |
|                             | Insurance contract                          | participation feature |                 |
| Life insurance              | \$1,340,799,216                             | \$57,182,189          | \$1,397,981,405 |
| Health insurance            | 133,612,862                                 | -                     | 133,612,862     |
| Annuity insurance           | 676,207                                     | 164,534,387           | 165,210,594     |
| Investment-linked insurance | 1,792,716                                   | -                     | 1,792,716       |
| Total (Note)                | \$1,476,881,001                             | \$221,716,576         | \$1,698,597,577 |

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,698,741,135 thousand as of 31 December 2019.

There is no ceded liability reserve for the above insurance contracts.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in reserve for life insurance liabilities is summarized below:

|                                    | For the year ended 31 December 2020         |                       |                 |
|------------------------------------|---|-----------------------|-----------------|
|                                    | Financial instruments<br>with discretionary |                       | Total           |
|                                    | Insurance contract                          | participation feature |                 |
| Beginning balance                  | \$1,476,881,001                             | \$221,716,576         | \$1,698,597,577 |
| Reserve                            | 261,010,188                                 | 8,636,345             | 269,646,533     |
| Recover                            | (76,970,863)                                | (15,374,710)          | (92,345,573)    |
| Losses (gains) on foreign exchange | (14,777,168)                                | (1,402,397)           | (16,179,565)    |
| Ending balance (Note)              | \$1,646,143,158                             | \$213,575,814         | \$1,859,718,972 |

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,859,860,159 thousand as of 31 December 2020.

|                                    | For the year ended 31 December 2019         |                       |                 |
|------------------------------------|---|-----------------------|-----------------|
|                                    | Financial instruments<br>with discretionary |                       | Total           |
|                                    | Insurance contract                          | participation feature |                 |
| Beginning balance                  | \$1,298,519,952                             | \$214,435,925         | \$1,512,955,877 |
| Reserve                            | 254,349,016                                 | 26,204,109            | 280,553,125     |
| Recover                            | (69,927,882)                                | (18,388,212)          | (88,316,094)    |
| Losses (gains) on foreign exchange | (6,061,329)                                 | (535,246)             | (6,596,575)     |
| Other (Note 1)                     | 1,244                                       | -                     | 1,244           |
| Ending balance (Note)              | \$1,476,881,001                             | \$221,716,576         | \$1,698,597,577 |

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,698,741,135 thousand as of 31 December 2019.

Note 1: The amount is the insufficient consideration covered during the replenishment period based on the contract of the acquisition of the traditional insurance policies from Allianz Taiwan Life.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Unearned premium reserve:

|                                      | 2020.12.31                                  |                       |             |
|--------------------------------------|---|-----------------------|-------------|
|                                      | Financial instruments<br>with discretionary |                       |             |
|                                      | Insurance contract                          | participation feature | Total       |
| Individual life insurance            | \$1,003                                     | \$-                   | \$1,003     |
| Individual injury insurance          | 1,518,042                                   | -                     | 1,518,042   |
| Individual health insurance          | 2,355,619                                   | -                     | 2,355,619   |
| Group insurance                      | 571,942                                     | -                     | 571,942     |
| Investment-linked insurance          | 62,500                                      | -                     | 62,500      |
| Annuity insurance                    | -   | 27                    | 27          |
| Total                                | 4,509,106                                   | 27                    | 4,509,133   |
| Less ceded unearned premium reserve: |   |                       |             |
| Individual life insurance            | 16,630                                      | -                     | 16,630      |
| Individual injury insurance          | 1,778                                       | -                     | 1,778       |
| Individual health insurance          | 33,812                                      | -                     | 33,812      |
| Group insurance                      | 4,596                                       | -                     | 4,596       |
| Investment-linked insurance          | 4,958                                       | -                     | 4,958       |
| Total                                | 61,774                                      | -                     | 61,774      |
| Net amount                           | \$4,447,332                                 | \$27                  | \$4,447,359 |
|                                      |   |                       |             |
|                                      | 2019.12.31                                  |                       |             |
|                                      | Financial instruments<br>with discretionary |                       |             |
|                                      | Insurance contract                          | participation feature | Total       |
| Individual life insurance            | \$1,072                                     | \$-                   | \$1,072     |
| Individual injury insurance          | 1,414,617                                   | -                     | 1,414,617   |
| Individual health insurance          | 2,249,115                                   | -                     | 2,249,115   |
| Group insurance                      | 568,302                                     | -                     | 568,302     |
| Investment-linked insurance          | 58,248                                      | -                     | 58,248      |
| Annuity insurance                    | -   | 75                    | 75          |
| Total                                | 4,291,354                                   | 75                    | 4,291,429   |
| Less ceded unearned premium reserve: |   |                       |             |
| Individual life insurance            | 15,728                                      | -                     | 15,728      |
| Individual injury insurance          | 1,324                                       | -                     | 1,324       |
| Individual health insurance          | 30,079                                      | -                     | 30,079      |
| Group insurance                      | 3,145                                       | -                     | 3,145       |
| Investment-linked insurance          | 5,211                                       | -                     | 5,211       |
| Total                                | 55,487                                      | -                     | 55,487      |
| Net amount                           | \$4,235,867                                 | \$75                  | \$4,235,942 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in unearned premium reserve is summarized below:

|                                      | For the year ended 31 December 2020         |                       |             |
|--------------------------------------|---|-----------------------|-------------|
|                                      | Financial instruments<br>with discretionary |                       | Total       |
|                                      | Insurance contract                          | participation feature |             |
| Beginning balance                    | \$4,291,354                                 | \$75                  | \$4,291,429 |
| Reserve                              | 4,509,108                                   | 27                    | 4,509,135   |
| Recover                              | (4,291,354)                                 | (75)                  | (4,291,429) |
| Losses (gains) on foreign exchange   | (2)   | -                     | (2)         |
| Ending balance                       | 4,509,106                                   | 27                    | 4,509,133   |
| Less ceded unearned premium reserve: |   |                       |             |
| Beginning balance                    | 55,487                                      | -                     | 55,487      |
| Increase                             | 61,781                                      | -                     | 61,781      |
| Decrease                             | (55,487)                                    | -                     | (55,487)    |
| Losses (gains) on foreign exchange   | (7)   | -                     | (7)         |
| Ending balance                       | 61,774                                      | -                     | 61,774      |
| Net amount                           | \$4,447,332                                 | \$27                  | \$4,447,359 |

  

|                                      | For the year ended 31 December 2019         |                       |             |
|--------------------------------------|---|-----------------------|-------------|
|                                      | Financial instruments<br>with discretionary |                       | Total       |
|                                      | Insurance contract                          | participation feature |             |
| Beginning balance                    | \$3,854,738                                 | \$53                  | \$3,854,791 |
| Reserve                              | 4,291,355                                   | 75                    | 4,291,430   |
| Recover                              | (3,854,738)                                 | (53)                  | (3,854,791) |
| Losses (gains) on foreign exchange   | (1)   | -                     | (1)         |
| Ending balance                       | 4,291,354                                   | 75                    | 4,291,429   |
| Less ceded unearned premium reserve: |   |                       |             |
| Beginning balance                    | 50,125                                      | -                     | 50,125      |
| Increase                             | 56,521                                      | -                     | 56,521      |
| Decrease                             | (51,159)                                    | -                     | (51,159)    |
| Ending balance                       | 55,487                                      | -                     | 55,487      |
| Net amount                           | \$4,235,867                                 | \$75                  | \$4,235,942 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(3) Reserve for claims:

|                                | 2020.12.31                                  |                       |                    |
|--------------------------------|---|-----------------------|--------------------|
|                                | Financial instruments<br>with discretionary |                       |                    |
|                                | Insurance contract                          | participation feature | Total              |
| Individual life insurance      |   |                       |                    |
| — Reported but not paid claim  | \$173,157                                   | \$3,935               | \$177,092          |
| — Unreported claim             | 2,260                                       | -                     | 2,260              |
| Individual injury insurance    |   |                       |                    |
| — Reported but not paid claim  | 42,446                                      | -                     | 42,446             |
| — Unreported claim             | 532,065                                     | -                     | 532,065            |
| Individual health insurance    |   |                       |                    |
| — Reported but not paid claim  | 114,688                                     | -                     | 114,688            |
| — Unreported claim             | 988,920                                     | -                     | 988,920            |
| Group insurance                |   |                       |                    |
| — Reported but not paid claim  | 98,924                                      | -                     | 98,924             |
| — Unreported claim             | 446,078                                     | -                     | 446,078            |
| Investment-linked insurance    |   |                       |                    |
| — Reported but not paid claim  | 19,724                                      | -                     | 19,724             |
| — Unreported claim             | -   | -                     | -                  |
| Annuity insurance              |   |                       |                    |
| — Reported but not paid claim  | -   | 41,382                | 41,382             |
| — Unreported claim             | -   | 64                    | 64                 |
| <b>Total</b>                   | <b>2,418,262</b>                            | <b>45,381</b>         | <b>2,463,643</b>   |
| Less ceded reserve for claims: |   |                       |                    |
| Individual life insurance      | 2,274                                       | -                     | 2,274              |
| Individual injury insurance    | 2,237                                       | -                     | 2,237              |
| Individual health insurance    | 10,304                                      | -                     | 10,304             |
| Group insurance                | 6,000                                       | -                     | 6,000              |
| <b>Total</b>                   | <b>20,815</b>                               | <b>-</b>              | <b>20,815</b>      |
| <b>Net amount</b>              | <b>\$2,397,447</b>                          | <b>\$45,381</b>       | <b>\$2,442,828</b> |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

|                                | 2019.12.31                                  |                       |                    |
|--------------------------------|---|-----------------------|--------------------|
|                                | Financial instruments<br>with discretionary |                       |                    |
|                                | Insurance contract                          | participation feature | Total              |
| Individual life insurance      |   |                       |                    |
| — Reported but not paid claim  | \$210,684                                   | \$93,692              | \$304,376          |
| — Unreported claim             | 2,073                                       | -                     | 2,073              |
| Individual injury insurance    |   |                       |                    |
| — Reported but not paid claim  | 28,821                                      | -                     | 28,821             |
| — Unreported claim             | 433,328                                     | -                     | 433,328            |
| Individual health insurance    |   |                       |                    |
| — Reported but not paid claim  | 98,979                                      | -                     | 98,979             |
| — Unreported claim             | 750,813                                     | -                     | 750,813            |
| Group insurance                |   |                       |                    |
| — Reported but not paid claim  | 121,051                                     | -                     | 121,051            |
| — Unreported claim             | 405,053                                     | -                     | 405,053            |
| Investment-linked insurance    |   |                       |                    |
| — Reported but not paid claim  | 11,029                                      | -                     | 11,029             |
| — Unreported claim             | -   | -                     | -                  |
| Annuity insurance              |   |                       |                    |
| — Reported but not paid claim  | -   | 69,705                | 69,705             |
| — Unreported claim             | -   | 119                   | 119                |
| <b>Total</b>                   | <b>2,061,831</b>                            | <b>163,516</b>        | <b>2,225,347</b>   |
| Less ceded reserve for claims: |   |                       |                    |
| Individual life insurance      | 3,925                                       | -                     | 3,925              |
| Individual injury insurance    | -   | -                     | -                  |
| Individual health insurance    | 5,030                                       | -                     | 5,030              |
| Group insurance                | 4,800                                       | -                     | 4,800              |
| <b>Total</b>                   | <b>13,755</b>                               | <b>-</b>              | <b>13,755</b>      |
| <b>Net amount</b>              | <b>\$2,048,076</b>                          | <b>\$163,516</b>      | <b>\$2,211,592</b> |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in reserve for claims is summarized below:

|                                      | For the year ended 31 December 2020         |                       |             |
|--------------------------------------|---|-----------------------|-------------|
|                                      | Financial instruments<br>with discretionary |                       | Total       |
|                                      | Insurance contract                          | participation feature |             |
| Beginning balance                    | \$2,061,831                                 | \$163,516             | \$2,225,347 |
| Reserve                              | 2,418,602                                   | 45,507                | 2,464,109   |
| Recover                              | (2,061,831)                                 | (163,516)             | (2,225,347) |
| Losses (gains) on foreign exchange   | (340)                                       | (126)                 | (466)       |
| Ending balance                       | 2,418,262                                   | 45,381                | 2,463,643   |
| Less ceded unearned premium reserve: |   |                       |             |
| Beginning balance                    | 13,755                                      | -                     | 13,755      |
| Increase                             | 20,815                                      | -                     | 20,815      |
| Decrease                             | (13,755)                                    | -                     | (13,755)    |
| Ending balance                       | 20,815                                      | -                     | 20,815      |
| Net amount                           | \$2,397,447                                 | \$45,381              | \$2,442,828 |

  

|                                      | For the year ended 31 December 2019         |                       |             |
|--------------------------------------|---|-----------------------|-------------|
|                                      | Financial instruments<br>with discretionary |                       | Total       |
|                                      | Insurance contract                          | participation feature |             |
| Beginning balance                    | \$1,589,965                                 | \$96,777              | \$1,686,742 |
| Reserve                              | 2,061,797                                   | 164,457               | 2,226,254   |
| Recover                              | (1,589,965)                                 | (96,777)              | (1,686,742) |
| Losses (gains) on foreign exchange   | 34  | (941)                 | (907)       |
| Ending balance                       | 2,061,831                                   | 163,516               | 2,225,347   |
| Less ceded unearned premium reserve: |   |                       |             |
| Beginning balance                    | 27,204                                      | -                     | 27,204      |
| Increase                             | 13,755                                      | -                     | 13,755      |
| Decrease                             | (27,204)                                    | -                     | (27,204)    |
| Ending balance                       | 13,755                                      | -                     | 13,755      |
| Net amount                           | \$2,048,076                                 | \$163,516             | \$2,211,592 |



**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Reported but not paid claims are reserved according to insurance type and claims department's estimates based on each individual case's related information without exceeding promised insurance amount for covered accidents. Those reported but not paid reserve is reasonably assessed, sufficient to reflect actual claims paid. In addition, some types of claims are not expected to close shortly because these claims usually depend on court judgments before the closure. The legal department tracks the development of these claims and reasonably estimates claims reserve. The actuarial department assesses final unreported claims based on past claims experience with consideration of claims development trends for past closed cases, and then develop the final claims based on homogeneous features of each insurance through Bornhuetter-Ferguson Method. Reserve for unreported and unclosed claims changes according to external environment. For example, actual loss rate will lead to fluctuations of claims. The actuarial department will evaluate periodically to make reasonable estimate of claims reserve.

(4) Special reserve:

|   | 2020.12.31   |         |             |
|---|--|---------|-------------|
|   | Financial instruments with discretionary participation |         |             |
|   | Insurance contract                                     | feature | Total       |
| Participating policies dividend reserve | \$6,633,515  | \$-     | \$6,633,515 |
| Dividend risk reserve                   | -  | -       | -           |
| Total                                   | \$6,633,515  | \$-     | \$6,633,515 |
|   | 2019.12.31   |         |             |
|   | Financial instruments with discretionary participation |         |             |
|   | Insurance contract                                     | feature | Total       |
| Participating policies dividend reserve | \$6,907,466  | \$-     | \$6,907,466 |
| Dividend risk reserve                   | -  | -       | -           |
| Total                                   | \$6,907,466  | \$-     | \$6,907,466 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Movement in special reserve is summarized below:

|  | For the years ended 31 December |                    |
|--|---------------------------------|--------------------|
|  | 2020                            | 2019               |
|  | Insurance contract              | Insurance contract |
| Beginning balance  | \$6,907,466                     | \$6,364,597        |
| Reserve for participating policies dividend reserve  | 1,633,619                       | 2,264,499          |
| Recover for participating policies dividend reserve  | (1,902,200)                     | (1,733,385)        |
| Disposal gains (losses) of participating policies on equity instruments at fair value through other comprehensive income | (5,370)                         | 11,755             |
| Ending balance   | <u>\$6,633,515</u>              | <u>\$6,907,466</u> |

(5) Special reserve for catastrophe and fluctuation of risks:

|                             | 2020.12.31                                  |                       |                    |
|-----------------------------|---|-----------------------|--------------------|
|                             | Financial instruments<br>with discretionary |                       |                    |
|                             | Insurance contract                          | participation feature | Total              |
| Individual life insurance   | \$2,028                                     | \$-                   | \$2,028            |
| Individual injury insurance | 884,209                                     | -                     | 884,209            |
| Individual health insurance | 2,673,733                                   | -                     | 2,673,733          |
| Group insurance             | 3,360,666                                   | -                     | 3,360,666          |
| Annuity insurance           | -   | 476                   | 476                |
| Total                       | <u>\$6,920,636</u>                          | <u>\$476</u>          | <u>\$6,921,112</u> |

  

|                             | 2019.12.31                                  |                       |                    |
|-----------------------------|---|-----------------------|--------------------|
|                             | Financial instruments<br>with discretionary |                       |                    |
|                             | Insurance contract                          | participation feature | Total              |
| Individual life insurance   | \$1,743                                     | \$-                   | \$1,743            |
| Individual injury insurance | 875,865                                     | -                     | 875,865            |
| Individual health insurance | 2,536,247                                   | -                     | 2,536,247          |
| Group insurance             | 3,212,019                                   | -                     | 3,212,019          |
| Annuity insurance           | -   | 759                   | 759                |
| Total                       | <u>\$6,625,874</u>                          | <u>\$759</u>          | <u>\$6,626,633</u> |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(6) Premium deficiency reserve:

|                             | 2020.12.31                                  |                       |                    |
|-----------------------------|---|-----------------------|--------------------|
|                             | Financial instruments<br>with discretionary |                       |                    |
|                             | Insurance contract                          | participation feature | Total              |
| Individual life insurance   | \$4,023,859                                 | \$-                   | \$4,023,859        |
| Individual health insurance | 116,132                                     | -                     | 116,132            |
| <b>Total</b>                | <b>\$4,139,991</b>                          | <b>\$-</b>            | <b>\$4,139,991</b> |

  

|                             | 2019.12.31                                  |                       |                    |
|-----------------------------|---|-----------------------|--------------------|
|                             | Financial instruments<br>with discretionary |                       |                    |
|                             | Insurance contract                          | participation feature | Total              |
| Individual life insurance   | \$6,503,281                                 | \$-                   | \$6,503,281        |
| Individual health insurance | 124,265                                     | -                     | 124,265            |
| <b>Total</b>                | <b>\$6,627,546</b>                          | <b>\$-</b>            | <b>\$6,627,546</b> |

Note: Premium deficiency reserve was not ceded in the above insurance contracts.

Movement in premium deficiency reserve is summarized below:

|                                    | For the year ended 31 December 2020         |                       |                    |
|------------------------------------|---|-----------------------|--------------------|
|                                    | Financial instruments<br>with discretionary |                       |                    |
|                                    | Insurance contract                          | participation feature | Total              |
| Beginning balance                  | \$6,627,546                                 | \$-                   | \$6,627,546        |
| Reserve                            | 862,173                                     | -                     | 862,173            |
| Recover                            | (3,268,916)                                 | -                     | (3,268,916)        |
| Losses (gains) on foreign exchange | (80,812)                                    | -                     | (80,812)           |
| <b>Ending balance</b>              | <b>\$4,139,991</b>                          | <b>\$-</b>            | <b>\$4,139,991</b> |

  

|                                    | For the year ended 31 December 2019         |                       |                    |
|------------------------------------|---|-----------------------|--------------------|
|                                    | Financial instruments<br>with discretionary |                       |                    |
|                                    | Insurance contract                          | participation feature | Total              |
| Beginning balance                  | \$7,504,145                                 | \$-                   | \$7,504,145        |
| Reserve                            | 2,403,191                                   | -                     | 2,403,191          |
| Recover                            | (3,247,243)                                 | -                     | (3,247,243)        |
| Losses (gains) on foreign exchange | (32,547)                                    | -                     | (32,547)           |
| <b>Ending balance</b>              | <b>\$6,627,546</b>                          | <b>\$-</b>            | <b>\$6,627,546</b> |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(7) Other reserve:

| 2020.12.31            |                    |                       |              |
|-----------------------|--------------------|-----------------------|--------------|
| Financial instruments |                    |                       |              |
| with discretionary    |                    |                       |              |
|                       | Insurance contract | participation feature | Total        |
| Other                 | \$19,073,989       | \$-                   | \$19,073,989 |

| 2019.12.31            |                    |                       |              |
|-----------------------|--------------------|-----------------------|--------------|
| Financial instruments |                    |                       |              |
| with discretionary    |                    |                       |              |
|                       | Insurance contract | participation feature | Total        |
| Other                 | \$19,467,292       | \$-                   | \$19,467,292 |

Movement in other reserve is summarized below:

| For the year ended 31 December 2020 |                    |                       |              |
|-------------------------------------|--------------------|-----------------------|--------------|
| Financial instruments               |                    |                       |              |
| with discretionary                  |                    |                       |              |
|                                     | Insurance contract | participation feature | Total        |
| Beginning balance                   | \$19,467,292       | \$-                   | \$19,467,292 |
| Recover                             | (393,303)          | -                     | (393,303)    |
| Ending balance                      | \$19,073,989       | \$-                   | \$19,073,989 |

| For the year ended 31 December 2019 |                    |                       |              |
|-------------------------------------|--------------------|-----------------------|--------------|
| Financial instruments               |                    |                       |              |
| with discretionary                  |                    |                       |              |
|                                     | Insurance contract | participation feature | Total        |
| Beginning balance                   | \$20,002,374       | \$-                   | \$20,002,374 |
| Recover                             | (535,082)          | -                     | (535,082)    |
| Ending balance                      | \$19,467,292       | \$-                   | \$19,467,292 |

The amount of other reserve is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(8) Liability adequacy reserve:

|  | Insurance contract and financial instruments<br>with discretionary participation feature |                        |
|--|--|------------------------|
|  | 2020.12.31   | 2019.12.31             |
| Reserve for life insurance liabilities | \$1,859,718,972  | \$1,698,597,577        |
| Unearned premium reserve               | 4,509,133  | 4,291,429              |
| Premium deficiency reserve             | 4,139,991  | 6,627,546              |
| Special reserve                        | 6,633,515  | 6,907,466              |
| Other reserve                          | 19,073,989   | 19,467,292             |
| Book value of insurance liabilities    | <u>\$1,894,075,600</u>   | <u>\$1,735,891,310</u> |
| Estimated present value of cash flows  | <u>\$1,465,210,122</u>   | <u>\$1,299,369,920</u> |
| Balance of liability adequacy reserve  | <u>\$-</u>   | <u>\$-</u>             |

Liability adequacy testing methodology is as follows:

|             | 2020.12.31  | 2019.12.31   |
|-------------|---|--|
| Test method | Gross premium valuation method (GPV)  | Gross premium valuation method (GPV)   |
| Groups      | Integrated testing  | Integrated testing   |
| Assumptions | Adopt the best estimated scenario investment return on the most recent actuarial report (the actuarial report of 2019) , and discount rate evaluated with consideration of current information. | Adopt the best estimated scenario investment return on the most recent actuarial report (the actuarial report of 2018), and discount rate evaluated with consideration of current information. |

17. Foreign exchange valuation reserve

(1) The hedge strategy and risk exposure

The Company consistently adjusts the hedge ratios to establish an adequate risk exposure planning based on the new foreign exchange valuation exposure principle by integrating the exchange rate and interest rate trends of domestic and foreign financial markets. However, changes in the hedge and risk exposure ratios should follow the internal risk control to alert and adjust hedge strategy in advance to meet the optimal hedge considerations.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Adjustment in foreign exchange valuation reserve:

|                    | <u>For the years ended 31 December</u> |                    |
|--------------------|--|--------------------|
|                    | 2020                                   | 2019               |
| Beginning balance  | \$2,367,039                            | \$3,169,331        |
| Reserve            |  |                    |
| Compulsory reserve | 2,334,944                              | 1,850,078          |
| Extra reserve      | 5,609,102                              | 3,568,203          |
| Subtotal           | 7,944,046                              | 5,418,281          |
| Recover            | (6,288,078)                            | (6,220,573)        |
| Ending balance     | <u>\$4,023,007</u>                     | <u>\$2,367,039</u> |

The company applied to the FSC for additional deposits for foreign exchange price changes in 2020 as follow:

| <u>Application time</u> | <u>Approved document No.</u> | <u>Amount</u>      |
|-------------------------|------------------------------|--------------------|
| August 2020             | 1090427334                   | \$2,000,000        |
| October 2020            | 1090431188                   | 1,000,000          |
| December 2020           | 1090435328                   | 1,000,000          |
| Total                   |                              | <u>\$4,000,000</u> |

(3) Effects due to foreign exchange valuation reserve:

| <u>Item</u>                        | <u>For the year ended 31 December 2020</u> |                   |                |
|------------------------------------|--|-------------------|----------------|
|                                    | <u>Inapplicable</u>                        | <u>Applicable</u> | <u>Effects</u> |
|                                    | <u>amount</u>                              | <u>amount</u>     |                |
| Net income                         | \$16,872,610                               | \$15,547,836      | \$(1,324,774)  |
| Earnings per share (dollar)        | 3.57                                       | 3.29              | (0.28)         |
| Foreign exchange valuation reserve | -  | 4,023,007         | 4,023,007      |
| Equity                             | 181,532,548                                | 179,657,205       | (1,875,343)    |
| <u>Item</u>                        | <u>For the year ended 31 December 2019</u> |                   |                |
|                                    | <u>Inapplicable</u>                        | <u>Applicable</u> | <u>Effects</u> |
|                                    | <u>amount</u>                              | <u>amount</u>     |                |
| Net income                         | \$12,956,044                               | \$13,597,878      | \$641,834      |
| Earnings per share (dollar)        | 2.88                                       | 3.02              | 0.14           |
| Foreign exchange valuation reserve | -  | 2,367,039         | 2,367,039      |
| Equity                             | 143,220,130                                | 142,669,561       | (550,569)      |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

18. Provisions

|                                  | 2020.12.31 | 2019.12.31 |
|----------------------------------|------------|------------|
| Provisions for employee benefits | \$206,930  | \$206,940  |
| Litigation liabilities           | 5,824      | 2,388      |
| Total                            | \$212,754  | \$209,328  |

The Company has an official policy to control and manage litigations. When a professional advice has been made and the loss can be reasonably estimated, the Company will make adjustments to recognize losses and any negative effects arising out of any financial claims. As at 31 December 2020, the Company has 62 unresolved legal suits.

19. Post-employment benefits

The Company's post-employment benefits are classified into defined contribution plan and defined benefit plan based on start date of employment and personal choice. Employees who start employment after 1 July 2005 apply to defined contribution plan; employees who start employment before 1 July 2005 can choose to apply to defined benefit plan or defined contribution plan. Employees who originally apply to defined benefit plan can change to defined contribution plan before 30 June 2010. Those who have chosen or mandatorily applied to defined contribution plan shall not change to defined benefit plan.

Defined contribution plan

The part in our pension plan that is made based on the "Labor Pension Act" is attributed to the Defined Contribution Plan. For employees who are applicable to the Labor Pension Act, the Company shall, on a monthly basis, contribute six percent of their monthly wage, prescribed in the Table of Monthly Contribution Wage Classification, to individual accounts of labor pension at the Bureau of Labor Insurance. Should the employees' monthly salary be higher than the ceiling amount provided in the Table of Monthly Contributions for Labor Pension, 6% may be withheld by the Company from the excess part as pension reserve on a monthly basis. An employee may receive the pension under this item only when he is eligible according to the pension plan.

Expenses under the defined contribution plans for the years ended 31 December 2020 and 2019 were \$254,218 thousand and \$240,580 thousand respectively.

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**Notes to financial statements (Continued)**

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Defined benefit plans

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15<sup>th</sup> year. The total units shall not exceed upper limit. Under the Labor Standards Act, the Company contributes an amount equivalent to certain percentage of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandate, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute \$15,363 thousand to its defined benefit plan during the 12 months beginning after 31 December 2020.

The weighted average duration of the defined benefit obligation as at 31 December 2020 and 2019, are 12.6 years and 13.2 years.

Pension costs recognized in profit or loss for the years ended 31 December 2020 and 2019:

|  | <u>For the years ended 31 December</u> |                |
|--|--|----------------|
|  | <u>2020</u>                            | <u>2019</u>    |
| Current service cost                                       | \$817                                  | \$699          |
| Net interest on the net defined benefit liability (assets) | 1,352                                  | 1,195          |
| Total  | <u>\$2,169</u>                         | <u>\$1,894</u> |



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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Changes in the present value of the defined benefit obligation and the fair value of plan assets are as follows:

|   | 2020.12.31 | 2019.12.31 | 2019.1.1  |
|---|------------|------------|-----------|
| The present value of defined benefit obligation | \$463,896  | \$413,387  | \$316,402 |
| The fair value of plan assets                   | (268,918)  | (223,557)  | (199,044) |
| Net defined benefit liability (asset)           | \$194,978  | \$189,830  | \$117,358 |

Reconciliation of liability (asset) of the defined benefit plan is as follows:

|  | Present Value of<br>the Defined<br>Benefit<br>Obligation | Fair Value of the<br>Plan Assets | Net Defined<br>Benefit<br>Liabilities<br>(Assets) |
|--|--|----------------------------------|---|
| 2020.1.1   | \$413,387  | \$(223,557)                      | \$189,830   |
| Current service cost   | 817  | -                                | 817   |
| Interest expense (income)  | 3,266  | (1,914)                          | 1,352   |
| Subtotal   | 4,083  | (1,914)                          | 2,169   |
| Remeasurements of the net defined benefit liability (asset) :              |  |                                  |   |
| Actuarial gains and losses arising from changes in demographic assumptions | 31,346   | -                                | 31,346  |
| Actuarial gains and losses arising from changes in financial assumptions   | 18,115   | -                                | 18,115  |
| Experience adjustments   | 10,753   | -                                | 10,753  |
| Remeasurements of the net defined benefit asset                            | -  | (7,301)                          | (7,301)   |
| Subtotal   | 60,214   | (7,301)                          | 52,913  |
| Benefits paid  | (13,788)   | 13,788                           | -   |
| Contributions from the employer  | -  | (49,934)                         | (49,934)  |
| 2020.12.31   | \$463,896  | \$(268,918)                      | \$194,978   |

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**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

|  | Present Value of<br>the Defined<br>Benefit<br>Obligation | Fair Value of the<br>Plan Assets | Net Defined<br>Benefit<br>Liabilities<br>(Assets) |
|--|--|----------------------------------|---|
| 2019.1.1   | \$316,402  | \$(199,044)                      | \$117,358   |
| Current service cost   | 699  | -                                | 699   |
| Interest expense (income)  | 3,575  | (2,380)                          | 1,195   |
| Subtotal   | 4,274  | (2,380)                          | 1,894   |
| Remeasurements of the net defined benefit liability (asset) :              |  |                                  |   |
| Actuarial gains and losses arising from changes in demographic assumptions | 63,500   | -                                | 63,500  |
| Actuarial gains and losses arising from changes in financial assumptions   | 23,695   | -                                | 23,695  |
| Experience adjustments   | 13,928   | -                                | 13,928  |
| Remeasurements of the net defined benefit asset                            | -  | (7,084)                          | (7,084)   |
| Subtotal   | 101,123  | (7,084)                          | 94,039  |
| Benefits paid  | (8,412)  | 8,412                            | -   |
| Contributions from the employer  | -  | (23,461)                         | (23,461)  |
| 2019.12.31   | \$413,387  | \$(223,557)                      | \$189,830   |

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

|                                | 2020.12.31  | 2019.12.31  |
|--------------------------------|-------------|-------------|
| Discount rate                  | 0.45%       | 0.80%       |
| Expected growth rate of salary | 0.00%~1.58% | 0.00%~1.58% |

A sensitivity analysis for significant assumptions as at 31 December 2020 and 2019 is, as shown below:

|   | Effect on the present value of the defined benefit obligation |  |  |  |
|---|---|--|--|--|
|   | 2020  |  | 2019   |  |
|   | Increase present value of the defined benefit obligation      | Decrease present value of the defined benefit obligation | Increase present value of the defined benefit obligation | Decrease present value of the defined benefit obligation |
| Discount rate increase by 0.5%                | \$-   | \$28,202   | \$-  | \$26,028   |
| Discount rate decrease by 0.5%                | 30,448  | -  | 28,157   | -  |
| Expected growth rate of salary increase by 1% | 50,307  | -  | 45,003   | -  |
| Expected growth rate of salary decrease by 1% | -   | 44,056   | -  | 39,524   |

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**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The sensitivity analyses above are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

20. Common stock

- (1) As of 31 December 2020 and 31 December 2019, the Company's authorized and issued capital were \$47,313,972 thousand and \$44,635,823 thousand, divided into 4,731,397,242, and 4,463,582,304 common shares at \$10 par value.
- (2) On 21 March 2019, the Company's board of directors approved the capital raising plan to issue 450,000,000 shares of \$10 par value at \$20.6 per share, totaling \$9,270,000 thousand. On 30 April 2019, the capital raising plan has been approved by the Financial Supervisory Commission, with 25 June 2019 being the record date of the cash capital increase. The registration of change has also been completed.
- (3) On 27 May 2020, the Company's shareholders' meeting decided to appropriate \$2,678,149 thousand from 2019 distributable earnings to increase capital in shareholders' meeting, issuing 267,814,938 common shares at \$10 par value. On 15 October 2020, the capital raising plan has been approved by the Competent Authority, with 7 November 2020 being the record date of the cash capital increase.

21. Capital surplus

|                             | <u>2020.12.31</u>  | <u>2019.12.31</u>  |
|-----------------------------|--------------------|--------------------|
| Additional paid-in capital  | \$7,179,692        | \$7,179,692        |
| Treasury stock transactions | 34,831             | 34,831             |
| Total                       | <u>\$7,214,523</u> | <u>\$7,214,523</u> |

Pursuant to the Company Act, the capital surplus shall not be used except for covering the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

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**Notes to financial statements (Continued)**  
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22. Retained earnings

(1) Legal capital reserve

Pursuant to the Insurance Act and the Articles of Incorporation of the Company, during earning distribution, the Company should set aside 20% of the Company's after-tax net income in advance as legal capital reserve until the total amount of the legal capital reserve equals the issued share capital. Legal capital reserve shall not be used except for making good the deficit of the company. When the Company incurs no loss, the Company's board of directors may distribute the portion of its legal capital reserve which exceeds 25% of the issued share capital by issuing new shares or by cash to its original shareholders.

(2) Special capital reserve

Pursuant to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" established by the R.O.C. Financial Supervisory Commission, the after-tax amount of released provision from the special reserves for fluctuation of risks are appropriated as special capital reserve in accordance with Order No. Financial-Supervisory-Insurance-Corporate-0910074195, after obtaining approval at the stockholders' meeting in the following year. The after-tax amount of released provision from the special reserves for contingency appropriated as special capital reserve for the year ended in 2019 and 2018 was \$528,243 thousand and \$449,838 thousand, resolved in the stockholders' meeting in 2020 and 2019.

The Company set aside special reserves for catastrophe and fluctuation of risks for the retained businesses with policy period within 1 year in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". Please refer to Note IV.18 for the set-aside and release calculation. The after-tax amount of reserve and release for the special reserve is converted to special capital reserve at the end of current year. Special capital reserves for the year of 2020 and 2019 were set aside \$939,217 thousand and \$893,072 thousand, and released \$644,740 thousand and \$665,542 thousand, respectively.

The Company set aside special capital reserve \$1,148,644 thousand in accordance with Financial-Supervisory-Securities-Corporate-1090414517, the amount were resolved in the stockholders' meeting in 2020.

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The Company adopts foreign exchange reserve mechanism and hence be required by law to provide special capital reserve. Please refer to Note IV.19. The Company set aside \$2,195,175 thousand and \$2,974,390 thousand of special capital reserve of 2018 and 2019; the abovementioned amounts were resolved in the shareholders' meeting in 2019 and 2020.

The Company changed its accounting policy for subsequent measurement of investment property from cost to fair value starting from 2014. In order to ensure the soundness and stability of the financial structure, the Order No. Financial-Supervisory-Securities-Corporate-10402501001 issued by the FSC on 23 January 2015 requires insurance companies to set aside special capital reserve equal to the amount of the increase in retained earnings net of the increase in reserve for life insurance liabilities resulting from valid contracts' fair value approved by the authority. Hence, the amount set aside by the Company as special capital reserve was \$8,394,443 thousand. The Company reversed \$59,242 thousand from the net loss of changes in fair value and \$875 thousand from sale for 2018, and set aside \$56,943 thousand from net gain of changes in fair value and reversed \$290 thousand from sale for 2019. The abovementioned amounts were resolved in the shareholders' meeting in 2019 and 2020. In accordance to the Order No. Financial-Supervisory-Securities-Corporate-10904917647, since 2020, insurance company should set aside special surpluses for "net after-tax impact of the first use of the fair value model in subsequent measurement" and "changes in after-tax accumulative net gain of fair value in subsequent periods" on investment property, the special reserve should not be distribute. The special capital reserve shall be used only to cover the insufficiency of life insurance liabilities resulting from valid contracts' fair value approved by the authority and to set aside additional liabilities for the soundness of financial structure when complying with IFRS 17 "*Insurance Contracts*" in the future implementation.

Pursuant to the Company Act, when distributing distributable profits, the Company shall set aside special reserve equal to the net deductions of other shareholders' equity at the reporting date for the current year. For any subsequent reversal of net deductions of other shareholders' equity, the amount reversed may be distributed. The Company sets aside \$4,904,181 thousand of special capital reserve based on the net deductions of other shareholders' equity in 2018. The abovementioned amounts were resolved in the shareholders' meeting in 2019. The Company reverse \$4,904,181 thousand of special capital reserve based on there are no more net deductions of other shareholders' equity in 2019. The abovementioned amounts were resolved in the shareholders' meeting in 2020. In order to cope with the trend in financial technology, to assist the transformation of

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employees in insurance industry and to protect the employees' rights, the Company has acted in accordance with the Order No. Financial-Supervisory-Securities-Corporate-10502066461 issued by the FSC on 13 July 2016 that companies shall set aside special capital reserve between the ranges from 0.5% to 1% of after-tax earnings while distributing earnings from 2016 to 2018. After the year of setting aside, the Company can reverse the special capital reserve base on the actual payment. In accordance with the Order No. Financial Supervisory-Securities-Corporate-10804932431 issued by the FSC on 30 July 2019, the Company should stop setting aside reserve since 2019. The Company incurred \$29,455 thousand of actual related expense payment for 2019. The reverse were resolved in the shareholders' meeting in 2020.

In accordance with the Order No. Financial Supervisory-Securities-Corporate-10302153881 issued by the FSC on 10 February 2015, the insurance industry shall set aside special reserve an equal amount as the increase of retained earnings resulted from recognizing gain from bargain purchase through acquisition, and the amount cannot be reversed within one year. After one year expires, other than making good the deficit of the Company, the special reserve may be capitalized if the value of acquired assets through evaluation is equivalent to the value when the acquisition occurred and is not yet subject to unexpected significant impairment. The Company recognized gain on bargain purchase of \$1,731,438 thousand generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life in 2018. The Company set aside special capital reserve of \$1,385,151 thousand upon the resolution of the shareholders' meeting in 2019.

In accordance with the Order No. Financial-Supervisory-Securities-Corporate-10804501381 issued by the FSC on 25 June 2019, the Company set aside or withdraw special capital reserve based on gains or losses arising from derecognition of the unexpired bond investments since 1 January 2019. Except the one that the remaining maturity period cannot be determined, can be amortized in 10 years, the remaining should be amortized through maturity period and released as a distributable surplus on an annual basis. The Company set aside special capital reserve of \$3,498,382 thousand upon the resolution of the shareholders' meeting in 2020.

Changes of gains or losses arising from derecognition of the unexpired bond investments through 2020 are shown below:

| Amount in NT\$ thousand   |             |
|---|-------------|
| Gains or losses arising from derecognition of the unexpired bond investments  | Amount      |
| Beginning balance   | \$3,498,382 |
| Current period set aside amount based on realized capital gain (loss)<br>\$6,118,277 and deduction of tax \$1,223,656 | 4,894,621   |
| Amount that can be amortized in current period  | 421,510     |
| Ending Balance  | \$7,971,493 |

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**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

As of end of 2020, the special capital reserve based on the mechanism is \$3,498,382 thousand. The Company set aside special capital reserve of \$4,473,111 thousand following resolution of the shareholders' meeting in 2021. The balance will be \$7,971,493 thousand after setting aside the special reserve.

The balance of amortizable amount in the end of previous year and set aside or withdraw in current year are shown below :

| Year      | Amortizable amount<br>in the end of<br>previous year<br>(1) | Current year set<br>aside or withdraw<br>amount<br>(2) | Amortizable amount<br>in the end of current<br>period<br>(1)+(2) |
|-----------|---|--|--|
| 2020      | \$225,756   | \$195,754  | \$421,510  |
| 2021      | 225,756   | 195,754  | 421,510  |
| 2022      | 217,467   | 195,754  | 413,221  |
| 2023      | 216,510   | 195,178  | 411,688  |
| 2024      | 210,328   | 195,178  | 405,506  |
| 2025      | 194,558   | 195,178  | 389,736  |
| 2026      | 181,843   | 195,178  | 377,021  |
| 2027      | 170,853   | 195,178  | 366,031  |
| 2028      | 163,276   | 193,195  | 356,471  |
| 2029      | 104,508   | 193,195  | 297,703  |
| 2030~2039 | 980,733   | 1,645,028  | 2,625,761  |
| 2040~2049 | 482,516   | 1,215,713  | 1,698,229  |
| 2050~2109 | 124,278   | 84,338   | 208,616  |
| Total     | \$3,498,382   | \$4,894,621  | \$7,971,493  |

Note : Evaluation is based on 2020, total of (1) + (2) column does not include the amount of 2020.

- (3) According to the Articles of Incorporation of the Company, the information about earnings distribution is as follows:

The Company adopts residual dividend policy in order to keep expanding the business scale, meet the demands for capital and long-term financial plan of the Company, and pursue sustainable and stable development.

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**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Where the Company has surplus earnings after the settlement of account at the end of fiscal year, it shall first cover the losses in the previous fiscal years and pay the taxes by laws. After setting aside legal reserve and special reserve as provided in laws or reversing special reserve and may distribute preferred stock dividends thereafter, the balance, if applicable, shall be added to beginning retained earnings as the unappropriated retained earnings, thirty to one hundred percent of which shall be distributed as dividends for common shares. The proposal of surplus earnings distribution shall be submitted by the Board of Directors to the shareholders' meeting for approval. In case the unappropriated retained earnings is less than NT \$0.5 each share, it may be reserved and not distributed on the basis of canon of economy.

According to the Company's business plans, the surplus earnings distribution shall be based on the capital required and retained for distributing stock dividends, but it may reserve a proportion for distribution in the form of cash dividends. Where cash dividends are distributed in that year, the total amount of cash dividends shall not be less than ten percent of the total amount of dividends. The proportion of the preceding stock dividends and cash dividends may be adjusted appropriately, depending on that year's actual profits and capital condition. The Board of Directors shall draw up the proposal and submit to the shareholders' meeting for deciding the most appropriate dividend policy.

- (4) Pursuant to the Order No. Financial-Supervisory-Securities-Corporate-10202501992 issued by the FSC on 8 February 2013, if the life insurance industry appropriates earnings by distributing cash dividends (not including preferred stocks in liability type), it should report to the FSC and the FSC will review the plan based on the soundness of individual company's finance and business.

For related information about earnings appropriation approved and resolved by the Board of Directors' meeting and shareholders' meeting, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

- (5) Earnings appropriation for the year of 2019 and 2018 is as follows:

|   | Appropriation of earnings |             | Dividends per share(NT\$) |      |
|---|---------------------------|-------------|---------------------------|------|
|   | 2019                      | 2018        | 2019                      | 2018 |
| Set aside Legal capital reserve             | \$2,599,330               | \$2,035,597 | \$-                       | \$-  |
| Set aside (reverse) Special capital reserve | 3,500,206                 | 9,247,668   | -                         | -    |
| Common stock-cash dividend                  | 2,678,149                 | -           | 0.60                      | -    |
| Common stock-stock dividend                 | 2,678,149                 | -           | 0.60                      | -    |

Earnings appropriation for the year of 2019 and 2018 was resolved by shareholders' meeting on 27 May 2020 and 31 May 2019.

Please refer to Note VI.28 for more details on employees' compensation and remuneration to directors.



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**Notes to financial statements (Continued)**  
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23. Components of other comprehensive income

|   | For the year ended 31 December 2020 |  |                                 |  |
|---|-------------------------------------|--|---------------------------------|--|
|   | Arising during<br>the period        | Reclassification<br>adjustments<br>during the period | Income tax<br>benefit (expense) | Other<br>comprehensive<br>income, net of tax |
| Not to be reclassified to profit or loss in subsequent periods:   |                                     |  |                                 |  |
| Remeasurements on defined benefit plans   | \$(52,913)                          | \$-  | \$10,583                        | \$(42,330)                                   |
| Property revaluation surplus  | -                                   | 536,277  | (107,543)                       | 428,734                                      |
| Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income | 8,469,414                           | -  | (806,442)                       | 7,662,972                                    |
| To be reclassified to profit or loss in subsequent periods:   |                                     |  |                                 |  |
| Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income             | 28,232,873                          | (9,246,911)  | (2,985,051)                     | 16,000,911                                   |
| Other comprehensive income reclassified using overlay approach  | 12,212,078                          | (12,473,016)   | 324,312                         | 63,374                                       |
| <b>Total</b>  | <b>\$48,861,452</b>                 | <b>\$(21,183,650)</b>                                | <b>\$(3,564,141)</b>            | <b>\$24,113,661</b>                          |
|   |                                     |  |                                 |  |
|   | For the year ended 31 December 2019 |  |                                 |  |
|   | Arising during<br>the period        | Reclassification<br>adjustments<br>during the period | Income tax<br>benefit (expense) | Other<br>comprehensive<br>income, net of tax |
| Not to be reclassified to profit or loss in subsequent periods:   |                                     |  |                                 |  |
| Remeasurements on defined benefit plans   | \$(94,039)                          | \$-  | \$18,808                        | \$(75,231)                                   |
| Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income | 1,401,560                           | -  | (122,014)                       | 1,279,546                                    |
| To be reclassified to profit or loss in subsequent periods:   |                                     |  |                                 |  |
| Unrealized gains (losses) on debt instrument investments at fair value through other comprehensive income             | 42,055,838                          | (6,838,166)  | (6,918,720)                     | 28,298,952                                   |
| Other comprehensive income reclassified using of overlay approach   | 26,493,725                          | (8,448,293)  | (987,246)                       | 17,058,186                                   |
| <b>Total</b>  | <b>\$69,857,084</b>                 | <b>\$(15,286,459)</b>                                | <b>\$(8,009,172)</b>            | <b>\$46,561,453</b>                          |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

24. Interest income

|  | For the years ended 31 December |                     |
|--|---------------------------------|---------------------|
|  | 2020                            | 2019                |
| Interest income  |                                 |                     |
| Financial assets at fair value through other<br>comprehensive income | \$13,012,263                    | \$11,778,029        |
| Financial assets at amortized cost                                   | 41,268,180                      | 41,323,357          |
| Loans  | 1,816,822                       | 1,769,113           |
| Other  | 243,837                         | 421,414             |
| Total  | <u>\$56,341,102</u>             | <u>\$55,291,913</u> |

25. Expected credit impairment losses and reversal on investments and non-investments

|  | For the years ended 31 December |                 |
|--|---------------------------------|-----------------|
|  | 2020                            | 2019            |
| Operating revenue — expected credit impairment losses<br>and reversal on investment      |                                 |                 |
| Financial assets at fair value through other<br>comprehensive income                     | \$(15,141)                      | \$12,390        |
| Financial assets at amortized cost   | (46,051)                        | 16,326          |
| Other receivables  | (557)                           | 318             |
| Loans  | (3,912)                         | (4,943)         |
| Subtotal   | <u>(65,661)</u>                 | <u>24,091</u>   |
| Operating expenses — expected credit impairment losses<br>and reversal on non-investment |                                 |                 |
| Other receivables  | (971)                           | (70)            |
| Total  | <u>\$(66,632)</u>               | <u>\$24,021</u> |

Please refer to Note IX for more detail on credit risk management.

The Company's financial assets at fair value through other comprehensive income and at amortized cost along with related other receivable are assessed to have no credit risk significantly increased at 31 December 2020 and 2019. Meanwhile, the loss allowance is measured at an amount equal to 12-month expected credit losses and the loss ratios are 0.00%~0.04% and 0.00%~0.18%.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The gross carrying amounts of the Company's debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable as of 31 December 2020 and 2019 are as follows:

|                       | Measured at fair<br>value through<br>other<br>comprehensive<br>income | Measured at<br>amortized cost | Other receivable |
|-----------------------|---|-------------------------------|------------------|
| 31 December 2020      |   |                               |                  |
| Gross carrying amount | \$374,506,422   | \$1,053,544,703               | \$12,120,952     |
| 31 December 2019      |   |                               |                  |
| Gross carrying amount | \$311,747,682   | \$1,017,837,593               | \$10,760,410     |

Note: The balance includes refundable deposits.

Movement of the loss allowances of debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable for the years ended 31 December 2020 and 2019 are as follow:

|   | Measured at fair<br>value through<br>other<br>comprehensive<br>income | Measured at<br>amortized cost | Other receivable |
|---|---|-------------------------------|------------------|
| 1 January 2020  | \$39,460  | \$102,968                     | \$1,362          |
| Financial instruments derecognized<br>during the period           | (6,995)   | (22,780)                      | (167)            |
| Financial instruments originated or<br>acquired during the period | 8,265   | 18,317                        | 211              |
| Changes in models/risk parameters                                 | (15,801)  | (39,892)                      | (579)            |
| Foreign exchange and other movements                              | (610)   | (1,696)                       | (22)             |
| 31 December 2020  | \$24,319  | \$56,917                      | \$805            |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

|   | Measured at fair<br>value through<br>other<br>comprehensive<br>income | Measured at<br>amortized cost | Other receivable |
|---|---|-------------------------------|------------------|
| 1 January 2019  | \$27,070  | \$86,642                      | \$1,044          |
| Financial instruments derecognized<br>during the period           | (9,134)   | (9,419)                       | (212)            |
| Financial instruments originated or<br>acquired during the period | 20,255  | 21,242                        | 483              |
| Changes in models/risk parameters                                 | 1,649   | 6,056                         | 64               |
| Foreign exchange and other movements                              | (380)   | (1,553)                       | (17)             |
| 31 December 2019  | <u>\$39,460</u>   | <u>\$102,968</u>              | <u>\$1,362</u>   |

For the years ended 31 December 2020 and 2019, the change in loss allowance for the debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost mostly came from the impact of recent financial environment, forward-looking factors used for estimation, the derecognition and acquisition of investments.

The gross carrying amounts of the Company's secured loans and related other receivable under credit risk rating as of 31 December 2020 and 2019 are as follows:

As at 31 December 2020:

| Credit risk rating                  | Measurement method for<br>expected credit losses | Secured loans    | Other receivable |
|-------------------------------------|--|------------------|------------------|
| Low credit risk                     | 12-month expected credit losses                  | \$575,133        | \$488            |
| Credit risk significantly increased | Lifetime expected credit losses                  | 2,002            | 9                |
| Credit-impaired                     | Lifetime expected credit losses                  | 6,350            | 6                |
| Gross carrying amount               |  | <u>\$583,485</u> | <u>\$503</u>     |

As at 31 December 2019:

| Credit risk rating                  | Measurement method for<br>expected credit losses | Secured loans    | Other receivable |
|-------------------------------------|--|------------------|------------------|
| Low credit risk                     | 12-month expected credit losses                  | \$835,898        | \$847            |
| Credit risk significantly increased | Lifetime expected credit losses                  | 1,685            | 9                |
| Credit-impaired                     | Lifetime expected credit losses                  | 9,199            | 14               |
| Gross carrying amount               |  | <u>\$846,782</u> | <u>\$870</u>     |

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**Notes to financial statements (Continued)**  
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Movement of the loss allowance of secured loans for the years ended 31 December 2020 and 2019 is summarized below:

|   | 12-month<br>expected<br>credit losses | Lifetime<br>expected<br>credit losses-<br>Collectively<br>assessed | Lifetime<br>expected<br>credit losses-<br>Individually<br>assessed | Subtotal of<br>impairment<br>charged in<br>accordance<br>with IFRS 9 | Difference from<br>impairment<br>charged in<br>accordance<br>with Guidelines<br>for Handling<br>Assessment of<br>Assets, Loans<br>Overdue,<br>Receivable on<br>Demand and<br>Bad Debts by<br>Insurance<br>Enterprises. | Total    |
|---|---------------------------------------|--|--|--|--|----------|
| 1 January 2020  | \$53                                  | \$347  | \$709  | \$1,109  | \$11,951   | \$13,060 |
| Changes due to financial<br>instruments recognized as at<br>1 January:  |                                       |  |  |  |  |          |
| Transfer to Lifetime expected<br>credit losses  | -                                     | -  | -  | -  | -  | -        |
| Transfer to 12-month expected<br>credit losses  | 114                                   | -  | (114)  | -  | -  | -        |
| Financial assets derecognized<br>during the period  | 9                                     | -  | (14)   | (5)  | -  | (5)      |
| Difference from impairment<br>charged in accordance with<br>Guidelines for Handling<br>Assessment of Assets, Loans<br>Overdue, Receivable on<br>Demand and Bad Debts by<br>Insurance Enterprises. | -                                     | -  | -  | -  | (3,639)  | (3,639)  |
| Foreign exchange and other<br>movements   | (168)                                 | 37   | (137)  | (268)  | -  | (268)    |
| 31 December 2020  | \$8                                   | \$384  | \$444  | \$836  | \$8,312  | \$9,148  |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

|   | 12-month<br>expected<br>credit losses | Lifetime<br>expected<br>credit losses-<br>Collectively<br>assessed | Lifetime<br>expected<br>credit losses-<br>Individually<br>assessed | Subtotal of<br>impairment<br>charged in<br>accordance<br>with IFRS 9 | Difference from<br>impairment<br>charged in<br>accordance<br>with Guidelines<br>for Handling<br>Assessment of<br>Assets, Loans<br>Overdue,<br>Receivable on<br>Demand and<br>Bad Debts by<br>Insurance<br>Enterprises. | Total    |
|---|---------------------------------------|--|--|--|--|----------|
| 1 January 2019  | \$73                                  | \$342  | \$1,256  | \$1,671  | \$16,332   | \$18,003 |
| Changes due to financial<br>instruments recognized as at<br>1 January:  |                                       |  |  |  |  |          |
| Transfer to Lifetime expected<br>credit losses  | -                                     | -  | -  | -  | -  | -        |
| Transfer to 12-month expected<br>credit losses  | 99                                    | -  | (99)   | -  | -  | -        |
| Financial assets derecognized<br>during the period  | (10)                                  | -  | (345)  | (355)  | -  | (355)    |
| Difference from impairment<br>charged in accordance with<br>Guidelines for Handling<br>Assessment of Assets, Loans<br>Overdue, Receivable on<br>Demand and Bad Debts by<br>Insurance Enterprises. | -                                     | -  | -  | -  | (4,381)  | (4,381)  |
| Foreign exchange and other<br>movements   | (109)                                 | 5  | (103)  | (207)  | -  | (207)    |
| 31 December 2019  | \$53                                  | \$347  | \$709  | \$1,109  | \$11,951   | \$13,060 |

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

For account receivables arising from other transactions, the Company measures the loss allowance at an amount equal to lifetime expected credit losses. The movement of loss allowance of receivables for the years ended 31 December 2020 and 2019 is as follows:

|  | For the years ended 31 December |                |
|--|---------------------------------|----------------|
|  | 2020                            | 2019           |
| Beginning balance                        | \$7,845                         | \$7,915        |
| Charge (reversal) for the current period | (971)                           | (70)           |
| Write off                                | -                               | -              |
| Ending balance                           | <u>\$6,874</u>                  | <u>\$7,845</u> |

**26. Retained earned premium**

|   | For the year ended 31 December 2020        |                       |                      |
|---|--|-----------------------|----------------------|
|   | Investment contracts<br>with discretionary |                       | Total                |
|   | Insurance contract                         | participation feature |                      |
| Direct premium income                   | \$239,928,953                              | \$4,385,634           | \$244,314,587        |
| Reinsurance premium income              | -  | -                     | -                    |
| Premium income                          | <u>239,928,953</u>                         | <u>4,385,634</u>      | <u>244,314,587</u>   |
| Less:                                   |  |                       |                      |
| Reinsurance expenses                    | 1,436,951                                  | -                     | 1,436,951            |
| Net changes in unearned premium reserve | 211,460                                    | (48)                  | 211,412              |
| Subtotal                                | <u>1,648,411</u>                           | <u>(48)</u>           | <u>1,648,363</u>     |
| Retained earned premium                 | <u>\$238,280,542</u>                       | <u>\$4,385,682</u>    | <u>\$242,666,224</u> |

|   | For the year ended 31 December 2019        |                       |                      |
|---|--|-----------------------|----------------------|
|   | Investment contracts<br>with discretionary |                       | Total                |
|   | Insurance contract                         | participation feature |                      |
| Direct premium income                   | \$240,506,270                              | \$21,345,021          | \$261,851,291        |
| Reinsurance premium income              | -  | -                     | -                    |
| Premium income                          | <u>240,506,270</u>                         | <u>21,345,021</u>     | <u>261,851,291</u>   |
| Less:                                   |  |                       |                      |
| Reinsurance expenses                    | 1,335,913                                  | -                     | 1,335,913            |
| Net changes in unearned premium reserve | 431,255                                    | 22                    | 431,277              |
| Subtotal                                | <u>1,767,168</u>                           | <u>22</u>             | <u>1,767,190</u>     |
| Retained earned premium                 | <u>\$238,739,102</u>                       | <u>\$21,344,999</u>   | <u>\$260,084,101</u> |

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**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

27. Retained claim payments

|                                 | For the year ended 31 December 2020        |                       |               |
|---------------------------------|--|-----------------------|---------------|
|                                 | Investment contracts<br>with discretionary |                       |               |
|                                 | Insurance contract                         | participation feature | Total         |
| Direct insurance claim payments | \$93,179,090                               | \$15,363,065          | \$108,542,155 |
| Reinsurance claim payments      | 23   | -                     | 23            |
| Insurance claim payments        | 93,179,113                                 | 15,363,065            | 108,542,178   |
| Less:                           |  |                       |               |
| Claims recovered from reinsures | 747,249                                    | -                     | 747,249       |
| Retained claim payments         | \$92,431,864                               | \$15,363,065          | \$107,794,929 |

|                                 | For the year ended 31 December 2019        |                       |               |
|---------------------------------|--|-----------------------|---------------|
|                                 | Investment contracts<br>with discretionary |                       |               |
|                                 | Insurance contract                         | participation feature | Total         |
| Direct insurance claim payments | \$85,994,958                               | \$18,334,360          | \$104,329,318 |
| Reinsurance claim payments      | 25   | -                     | 25            |
| Insurance claim payments        | 85,994,983                                 | 18,334,360            | 104,329,343   |
| Less:                           |  |                       |               |
| Claims recovered from reinsures | 740,223                                    | -                     | 740,223       |
| Retained claim payments         | \$85,254,760                               | \$18,334,360          | \$103,589,120 |

28. Employee benefits, depreciation and amortization

(1) Summary statement of employee benefits, depreciation and amortization expenses is as below:



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**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

|                                 | For the years ended 31 December |                    |              |                 |                    |              |
|---------------------------------|---------------------------------|--------------------|--------------|-----------------|--------------------|--------------|
|                                 | 2020                            |                    |              | 2019            |                    |              |
|                                 | Operating costs                 | Operating expenses | Total amount | Operating costs | Operating expenses | Total amount |
| Employee benefits expense       | \$3,693,508                     | \$3,556,211        | \$7,249,719  | \$4,054,602     | \$3,505,366        | \$7,559,968  |
| Payroll expense                 | 3,693,508                       | 2,507,090          | 6,200,598    | 4,054,602       | 2,495,987          | 6,550,589    |
| Labor and health insurance      | -                               | 459,514            | 459,514      | -               | 440,285            | 440,285      |
| Pension                         | -                               | 256,387            | 256,387      | -               | 242,474            | 242,474      |
| Remuneration to directors       | -                               | 112,029            | 112,029      | -               | 107,420            | 107,420      |
| Other employee benefits expense | -                               | 221,191            | 221,191      | -               | 219,200            | 219,200      |
| Depreciation                    | -                               | 375,422            | 375,422      | -               | 241,743            | 241,743      |
| Amortization                    | -                               | 127,887            | 127,887      | -               | 117,736            | 117,736      |

Note1: Other employee benefits expenses consist of meals, group insurance, training and employee benefits, etc.

Note2: The average number of employees for the years ended 31 December 2020 and 2019 were 6,117 and 5,748, respectively. The number of directors who do not serve concurrently as employees was 5 and 4 ,respectively.

Note3: The average employee benefits of 2020 and 2019 are \$1,168 thousand and \$1,297 thousand, respectively. The average employee salaries of 2020 and 2019 are \$1,014 thousand and \$1,140 thousand, decreasing 11% in average.

Note 4: In accordance with Article 14-4 of the Securities and Exchange Act, the company has an audit committee composed of all independent directors. The remuneration of the directors is included in the above summary table.

Note5: The Company's various remuneration policies is as below:

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**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

| Personnel class<br>Item                                  | Director  | Senior Manager  | Employee   |
|--|---|---|--|
| Remuneration policy                                      | Take the industry levels and consider other factors such as the Company's future risk, based on each Director's involvement in the Company's operations, contribution and responsibility.   | Pay relatively reasonable remuneration for the positions in accordance with the management duties each manager takes, the returns on the Company's operations and his performance, meanwhile, in consideration of market conditions to attract and retain professional management talents and the relativity and reasonability of future risks.   | Pay relatively reasonable remuneration for the positions in accordance with the duties the employees take, the returns on the Company's operations and his performance, meanwhile, in consideration of market conditions to attract and retain talents and the relativity and reasonability of future risks.   |
| Standards and portfolios for the payment of remuneration | <p>1. The remuneration package for Directors of the Company is as follows:</p> <p>(1) Remuneration: Remuneration is namely the monetary compensation for service to the Company, including salary and all sorts of bonuses, etc.</p> <p>(2) Compensation: No more than 3% of the annual profit the Company earns, if any, will be appropriated in compliance with the Articles of Incorporation and allocated to the Directors. However, an amount to cover the accumulative losses of the Company shall be reserved before such allocation in proportion.</p> <p>(3) Fees and Expenses for business execution: including transportation fees, attendance fees and payment in kind.</p> <p>2. Independent Directors: Remuneration for the</p> | <p>The remuneration package for the managers of the Company is as follows:</p> <p>1. Regular salary: payment made on basis of the duties of each rank.</p> <p>2. Variable salary:</p> <p>(1) performance bonus: payment allocated on basis of the Company's performance appraisal results and in accordance with the return on the Company's operations and performance of the managers, meanwhile, in consideration of general market levels in the industry and the relativity and reasonability of future risks.</p> <p>(2) Compensation to employees: More than 0.5% of annual profits the Company earns, if any, will be appropriated in compliance with the Articles of Incorporation and shared to employees in accordance with their performance.</p> | <p>The remuneration package for the managers of the Company is as follows:</p> <p>1. Regular salary: payment made on basis of the duties of each rank.</p> <p>2. Variable salary:</p> <p>(1) Performance bonus: payment allocated on basis of the Company's performance appraisal results and in accordance with the return on the Company's operations and performance of the employees, meanwhile, in consideration of general market levels in the industry and the relativity and reasonability of future risks.</p> <p>(2) Compensation to employees: More than 0.5% of annual profits the Company earns, if any, will be appropriated in</p> |

**China Life Insurance Co., Ltd.**  
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| Personnel class<br>Item   | Director   | Senior Manager   | Employee   |
|---|--|--|--|
|   | Independent Director(s) shall be paid in compliance with the Articles of Incorporation, under which the Independent Director(s) can only get a fixed remuneration but not participate in profit-sharing as Directors do. | However, an amount to cover the accumulative losses of the Company shall be reserved before such allocation in proportion.<br><br>(3) Employee stock ownership plan (ESOP): an incentive program is made in accordance with the Company's policy and its plan for talent retention in order to attract more talents and enhance employees' loyalty.<br><br>3. Employee benefits: retirement pension, telecommunications allowance, group insurance, employee health checkup, etc | compliance with the Articles of Incorporation and shared to employees in accordance with their performance. However, an amount to cover the accumulative losses of the Company shall be reserved before such allocation in proportion.<br><br>(3) Employee stock ownership plan (ESOP): an incentive program is made in accordance with the Company's policy and its plan for talent retention in order to attract more talents and enhance employees' loyalty.<br><br>3. Employee benefits: retirement pension, telecommunications allowance, group insurance, employee health checkup, etc |
| The procedures for determining remuneration                             | The Remuneration Committee agrees to the Directors' remuneration, and proposes to the Board for approval.  | 1. To participate in "Market Salary Survey" held by external consulting agents every year in order to obtain market salary levels for reference of remuneration determination of the Company.<br><br>2. Regular appraisal of remuneration of managers by the Remuneration Committee.   | To participate in "Market Salary Survey" held by external consulting agents every year in order to obtain market salary levels for reference of remuneration determination of the Company.   |
| The interrelationship between the business performance and future risks | 1. Pursuant to Article 32 of the Company's Articles of Incorporation, if the Company makes profit for the given fiscal   | The Company appraises the performance of senior managers on an annual basis, and determines the appraisal results in accordance with   | The Company appraises the performance of employees on an annual basis, and determines the appraisal results in accordance  |

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| Personnel class<br>Item | Director  | Senior Manager   | Employee  |
|-------------------------|---|--|---|
|                         | <p>year, it shall allocate no more than 3 percent to be the remuneration of directors. The remuneration of directors shall only be given to Non-independent directors. Fixed remuneration to independent directors is paid on a monthly basis, and independent directors do not participate in the annual distribution of remuneration to directors in accordance with the Articles of Incorporation.</p> <p>2. Pursuant to Article 24 of the Company's Articles of Incorporation, the remuneration of directors and independent directors shall be decided by the Board of Directors based on the director's participation and contribution to the company's business operations, the duties they undertake, and with reference to the remuneration of the industry for both domestic and foreign companies. The remuneration of independent directors is fixed, which is decided by the Board of Directors.</p> <p>3. Based on the above, pursuant to Article 7 of the Regulations Governing Remuneration of Directors, if the score of the individual director's performance evaluation questionnaire is below "Good", the fixed remuneration received by the director must be reexamined and compensation</p> | <p>their performance and links such results to performance bonuses at the end of the year.</p> | <p>with their performance and links such results to performance bonuses at the end of the year.</p> |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

| Personnel class<br>Item | Director   | Senior Manager | Employee |
|-------------------------|--|----------------|----------|
|                         | <p>based on the Company's annual profits will be paid at a discount.</p> <p>4. The Company's Regulations Governing the Performance Assessment of the Board of Directors specifies the criterion of individual director's performance evaluations. It covers 24 different performance items from six main aspects, including understanding of the Company's goals and missions, awareness of a director's duties, level of participation in the Company's business operations, internal networking and communication, director expertise and continuous individual development, and internal control.</p> |                |          |

- (2) The information regarding employees' compensation and remuneration to directors within the Articles of Incorporation of the Company is as follows:

Where the Company makes profits, it shall allocate no less than 0.5 percent of the profits to be the remuneration of employees, and no more than 3 percent to be the remuneration of directors. But the Company shall reserve the amount of money to be used to cover its losses if it still has accumulated losses, and later it shall allocate the remuneration in proportion for employees and directors. The preceding remuneration of employees may be given in the form of share certificates or cash. The remuneration of directors shall only be given to non-independent directors.

For related information on employees' compensation and remuneration to directors approved by the Board of Directors meeting, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

Based on profit for the year ended 31 December 2020, the Company estimated the amounts of the employees' compensation to be \$161,000 thousand, and remuneration to directors to be \$100,000 thousand, recognized as operating expense ; based on profit for the year ended 31 December 2019, the Company estimated the amounts of the employees' compensation to be \$150,000 thousand and remuneration to directors to be \$98,000 thousand, recognized as operating expense. If there is a discrepancy between the estimated amount and the actual distribution decided by the board of directors, it will be listed as the profit and loss of the next year.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

On 20 February 2020, the Board of Directors meeting resolved to distribute \$150,000 thousand of employees' compensation and \$98,000 thousand of remuneration to directors for the year ended 31 December 2019. No differences exist between the estimated amount and the actual amount for the year ended 31 December 2019.

29. Income taxes

(1) The major components of income tax expense (benefit) are as follows:

Income tax expense recognized in profit or loss

|  | <u>For the years ended 31 December</u> |                    |
|--|--|--------------------|
|  | <u>2020</u>                            | <u>2019</u>        |
| Current income tax expense (benefit):  |  |                    |
| Current income tax payable   | \$3,543,549                            | \$1,405,827        |
| Adjustment from prior year income tax expense to current year                                  | (85,296)                               | (27,947)           |
| Deferred income tax expense (benefit):   |  |                    |
| Deferred tax expense (benefit) relating to origination and reversal of temporary differences   | (5,214,069)                            | (2,281,665)        |
| Deferred tax expense (benefit) relating to origination and reversal of tax loss and tax credit | 1,765,289                              | 1,949,701          |
| Others   | 79,554                                 | (42,068)           |
| Total income tax expense (benefit)   | <u>\$89,027</u>                        | <u>\$1,003,848</u> |

Income tax expense recognized in other comprehensive income

|   | <u>For the years ended 31 December</u> |                    |
|---|--|--------------------|
|   | <u>2020</u>                            | <u>2019</u>        |
| Deferred tax expense (benefit):   |  |                    |
| Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income | \$806,442                              | \$122,014          |
| Unrealized valuation gains (losses) of debt instrument investments at fair value through other comprehensive income   | 2,985,051                              | 6,918,720          |
| Other comprehensive income reclassified using overlay approach  | (324,312)                              | 987,246            |
| Remeasurements on defined benefit plans   | (10,583)                               | (18,808)           |
| Property revaluation surplus  | 107,543                                | -                  |
| Income tax expense (benefit) relating to components of other comprehensive income                                     | <u>\$3,564,141</u>                     | <u>\$8,009,172</u> |

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**Notes to financial statements (Continued)**  
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Income tax charged directly to equity

|   | <u>For the years ended 31 December</u> |                    |
|---|--|--------------------|
|   | <u>2020</u>                            | <u>2019</u>        |
| Current income tax expense (benefit):   |  |                    |
| Derecognition of equity instrument investments at fair value through other comprehensive income                       | \$(62,300)                             | \$(131,545)        |
| Deferred tax expense (benefit):   |  |                    |
| Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income | 62,300                                 | 131,545            |
| Deferred tax expense (benefit) relating to origination and reversal of tax loss                                       | (14,395)                               | (136,619)          |
| Income tax charged directly to equity   | <u>\$(14,395)</u>                      | <u>\$(136,619)</u> |

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

|  | <u>For the years ended 31 December</u> |                     |
|--|--|---------------------|
|  | <u>2020</u>                            | <u>2019</u>         |
| Income from continuing operations before income tax                      | <u>\$15,636,863</u>                    | <u>\$14,601,726</u> |
| Tax at the domestic rates applicable to profits in the country concerned | 3,127,373                              | 2,920,345           |
| Tax effect of revenues exempt from taxation                              | (4,086,238)                            | (3,218,649)         |
| Tax effect of expenses not deductible for tax purposes                   | 13,982                                 | 760                 |
| Income tax impact of deferred income tax assets or liabilities           | (8,218)                                | (76,488)            |
| Amount due for minimum tax   | 695,340                                | 1,197,666           |
| Adjustments in respect of current income tax of prior periods            | (85,296)                               | (27,947)            |
| Undeducted foreign investment withholding tax                            | 355,956                                | 205,583             |
| 5% tax on unappropriated retained earnings                               | 72,986                                 | -                   |
| Others   | 3,142                                  | 2,578               |
| Total income tax expense (benefit) recognized in profit or loss          | <u>\$89,027</u>                        | <u>\$1,003,848</u>  |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2020

|  | Beginning<br>balance | Recognized in<br>profit or loss | Recognized in<br>other<br>comprehensive<br>income | Recognized<br>directly in<br>equity | Ending balance        |
|--|----------------------|---------------------------------|---|-------------------------------------|-----------------------|
| Temporary differences  |                      |                                 |   |                                     |                       |
| Depreciation difference for tax purpose  | \$105,716            | \$(304)                         | \$-   | \$-                                 | \$105,412             |
| Revaluations of financial assets and liabilities at fair value through profit or loss  | (1,667,156)          | 846,024                         | -   | -                                   | (821,132)             |
| Gains (losses) on reclassification using overlay approach and revaluation of financial assets at fair value through other comprehensive income | (4,498,451)          | (2,799)                         | (3,467,181)                                       | (62,300)                            | (8,030,731)           |
| Expected credit impairment losses of financial assets at amortized cost  | 18,849               | (8,528)                         | -   | -                                   | 10,321                |
| Provisions   | 477                  | 687                             | -   | -                                   | 1,164                 |
| Net defined benefit liability  | 48,510               | (1,031)                         | 10,583  | -                                   | 58,062                |
| Compensated absences payable   | 17,072               | 3,752                           | -   | -                                   | 20,824                |
| Unrealized (gains) losses on foreign exchange  | 6,316,282            | 4,341,519                       | -   | -                                   | 10,657,801            |
| Land value increment tax   | (7,194)              | -                               | -   | -                                   | (7,194)               |
| Fair value adjustment for investment property  | (883,234)            | (115,396)                       | (107,543)   | -                                   | (1,106,173)           |
| Fair value adjustment for Property and equipment   | 6,370                | 1,333                           | -   | -                                   | 7,703                 |
| Gain on bargain purchase   | (230,859)            | 69,258                          | -   | -                                   | (161,601)             |
| Unused tax losses  | 1,750,894            | (1,765,289)                     | -   | 14,395                              | -                     |
| Deferred tax benefit (expense)   |                      | <u>\$3,369,226</u>              | <u>\$(3,564,141)</u>                              | <u>\$(47,905)</u>                   |                       |
| Net deferred tax assets (liabilities)  | <u>\$977,276</u>     |                                 |   |                                     | <u>\$734,456</u>      |
| Reflected in balance sheet as follows:   |                      |                                 |   |                                     |                       |
| Deferred tax assets  | <u>\$8,264,170</u>   |                                 |   |                                     | <u>\$10,861,287</u>   |
| Deferred tax liabilities   | <u>\$(7,286,894)</u> |                                 |   |                                     | <u>\$(10,126,831)</u> |



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**Notes to financial statements (Continued)**  
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For the year ended 31 December 2019

|  | Beginning     | Recognized in  | Recognized in                    | Recognized            | Ending balance |
|--|---------------|----------------|----------------------------------|-----------------------|----------------|
|  | balance       | profit or loss | other<br>comprehensive<br>income | directly in<br>equity | Ending balance |
| Temporary differences  |               |                |                                  |                       |                |
| Depreciation difference for tax purpose  | \$102,332     | \$3,384        | \$-                              | \$-                   | \$105,716      |
| Revaluations of financial assets and liabilities at fair value through profit or loss  | (132,756)     | (1,534,400)    | -                                | -                     | (1,667,156)    |
| Gains (losses) on reclassification using overlay approach and revaluation of financial assets at fair value through other comprehensive income | 3,658,605     | 2,469          | (8,027,980)                      | (131,545)             | (4,498,451)    |
| Expected credit impairment losses of financial assets at amortized cost  | 15,505        | 3,344          | -                                | -                     | 18,849         |
| Provisions   | 348           | 129            | -                                | -                     | 477            |
| Net defined benefit liability  | 33,762        | (4,060)        | 18,808                           | -                     | 48,510         |
| Compensated absences payable   | 14,327        | 2,745          | -                                | -                     | 17,072         |
| Unrealized (gains) losses on foreign exchange  | 2,555,594     | 3,760,688      | -                                | -                     | 6,316,282      |
| Land value increment tax   | (7,194)       | -              | -                                | -                     | (7,194)        |
| Fair value adjustment for investment property  | (902,231)     | 18,997         | -                                | -                     | (883,234)      |
| Fair value adjustment for Property and equipment   | 5,190         | 1,180          | -                                | -                     | 6,370          |
| Gain on bargain purchase   | (300,116)     | 69,257         | -                                | -                     | (230,859)      |
| Unused tax losses  | 3,563,976     | (1,949,701)    | -                                | 136,619               | 1,750,894      |
| Deferred tax benefit (expense)   |               | \$374,032      | \$(8,009,172)                    | \$5,074               |                |
| Net deferred tax assets (liabilities)  | \$8,607,342   |                |                                  |                       | \$977,276      |
| Reflected in balance sheet as follows:   |               |                |                                  |                       |                |
| Deferred tax assets  | \$9,949,639   |                |                                  |                       | \$8,264,170    |
| Deferred tax liabilities   | \$(1,342,297) |                |                                  |                       | \$(7,286,894)  |

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**Notes to financial statements (Continued)**  
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(3) The following table contains information of the unused tax losses of the Company:

| Year | Tax losses for<br>the period | Unused tax losses |             | Expiration year |
|------|------------------------------|-------------------|-------------|-----------------|
|      |                              | 2020.12.31        | 2019.12.31  |                 |
| 2018 | \$17,991,986                 | \$-               | \$8,754,467 | 2028            |

(4) Unrecognized deferred tax assets

As of 31 December 2020 and 2019, deferred tax assets that have not been recognized amount to both NT\$0 thousand.

(5) The assessment of income tax returns

As of 31 December 2020, the income tax returns of the Company have been assessed and approved up to the year of 2017.

30. Earnings per share

Basic earnings per share amounts are calculated by dividing net income for the year by the weighted average number of shares outstanding during the year.

As the Company has not issued any potential common shares with dilutive effect, the Company would no need to adjust to basic earnings per share.

|   | <u>For the years ended 31 December</u> |              |
|---|--|--------------|
|   | <u>2020</u>                            | <u>2019</u>  |
| <u>Basic earnings per share</u>   |  |              |
| Profit attributable to ordinary equity holders of the Company                                     | \$15,547,836                           | \$13,597,878 |
| Weighted average number of ordinary shares outstanding for basic earning per share (in thousands) | 4,731,397                              | 4,515,644    |
| Basic earnings per share (in dollars)   | \$3.29                                 | \$3.02       |

There is no significant transactions which would change the Company's ordinary shares or potential ordinary shares between that reporting date and the date of completion of the financial statement.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

31. Separate account insurance products

(1) Separate account products – assets and liabilities

| Items   | Assets              |                     |
|---|---------------------|---------------------|
|   | 2020.12.31          | 2019.12.31          |
| Cash in bank  | \$2,886,939         | \$512,650           |
| Financial assets at fair value through profit or loss | 81,612,016          | 77,315,680          |
| Other receivables                                     | 65,151              | 93,788              |
| <b>Total</b>  | <b>\$84,564,106</b> | <b>\$77,922,118</b> |

  

| Items                        | Liabilities         |                     |
|------------------------------|---------------------|---------------------|
|                              | 2020.12.31          | 2019.12.31          |
| Reserve for separate account | \$84,401,006        | \$77,833,832        |
| Other payables               | 163,100             | 88,286              |
| <b>Total</b>                 | <b>\$84,564,106</b> | <b>\$77,922,118</b> |

(2) Separate account products – revenues and expenses:

| Items   | Revenues                        |                     |
|---|---------------------------------|---------------------|
|   | For the years ended 31 December |                     |
|   | 2020                            | 2019                |
| Premium income  | \$5,941,537                     | \$5,580,500         |
| Gains (losses) from financial assets and liabilities at fair value through profit or loss | 4,364,449                       | 5,084,666           |
| Interest income   | 106                             | 611                 |
| Other revenues  | 175,853                         | 178,534             |
| Foreign exchange gains (losses)   | (960,387)                       | (271,188)           |
| <b>Total</b>  | <b>\$9,521,558</b>              | <b>\$10,573,123</b> |

  

| Items                                  | Expenses                        |                     |
|--|---------------------------------|---------------------|
|  | For the years ended 31 December |                     |
|  | 2020                            | 2019                |
| Insurance claim payments               | \$5,175,461                     | \$4,926,607         |
| Net change in separate account reserve | 2,306,385                       | 3,711,539           |
| Custodian fee                          | 2,039,712                       | 1,934,977           |
| <b>Total</b>                           | <b>\$9,521,558</b>              | <b>\$10,573,123</b> |

(3) The rebate earned for engaging in investment-linked insurance business from counterparties for the years ended 31 December 2020 and 2019 were \$397,954 thousand and \$462,966 thousand, respectively. The above rebate were recognized as fee income.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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**VII. Information of insurance contracts**

**1. Objectives, policies, procedures and methods of insurance contracts risk management**

**(1) Framework of risk management, organization structure and responsibilities:**

The board of directors should ensure the effectiveness of risk management and bear the ultimate responsibility for risk management, responsible for formulating the company's overall risk appetite and risk tolerance, review and approve the Company's risk management objectives and strategies. "Risk Management Committee" is set under the board of directors. Various risk management report and related issues are first reported to risk management committee and finally approved by the board of directors. Besides the risk management committee, the Company set up an assets and liability management unit to strengthen the risk management organization and structure.

In addition, the Company establishes the risk management department independent to the business units, which is responsible for the implementation of various risk management measures and the fulfillment of each risk management mechanism, including monitoring the daily risks, measuring and evaluating related issues, assisting the board to develop Company's risk appetite, executing the risk management policies approved by the board of directors. Moreover, the business units should be responsible for the risks identification, report the risk exposure, measure the impact of risks, review the various risks and limits regularly, and make sure that the internal control procedures of each unit are implemented effectively in accordance with related regulations and the Company's risk management policy.

**(2) Risk management policies, procedures and methods:**

According to risk management policies, the Company sets an effective mechanism to proceed identification, measurement, monitoring, reporting and response to risk, establishes clear objectives for risk management, controls approaches and attribution of responsibility to make sure that each operational risk is controlled under the tolerable range, making the largest surplus and profits for shareholders.

Pursuant to "China Life Insurance Company Limited Risk Management Policy", approved by the board of directors, the Company follows the principle of centralized management and specialization, and assigns responsible department to manage various risks, including market, credit, operation, liquidity, underwriting, claim reserve, insurance product development and pricing, asset-liability management, reinsurance and catastrophe risk based on the sources of risk. In addition, the Company develops management guidelines for various types of risk, standardizes measurement and evaluation methods, and regularly issues risk reports to monitor the various risks.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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(3) Risk management policies, procedures and methods related to reserves:

Reserve-related risks refer to risks that various reserves are unable to deal with future obligations due to understatement of liability for premium business. The Company sets and implements the appropriate risk management system for the insurance business reserves and related risks.

(4) Risk management policies, procedures and methods related to matching assets and liabilities:

Risks related to matching assets and liabilities indicate risks arising from inconsistent movement of assets and liabilities. The Company sets appropriate asset-liability management system based on the attributes and complexity of insurance liability risks. The system allows the Company to form, implement, monitor and correct related strategies within the tolerable range. The contents include the following items:

- ① Risk identification related to matching of assets and liabilities
- ② Risk measurement related to matching of assets and liabilities
- ③ Risk responses related to matching of assets and liabilities

2. Information of insurance risks

(1) Sensitivity of insurance risks — Insurance contracts and financial instruments with discretionary participation features:

Insurance companies set aside various reserves according to the legal requirements and regularly conduct adequacy test of liability to assess the adequacy of insurance liabilities of the company as a whole.

For the insurance contracts and financial instruments with discretionary participation features underwritten by the Company, the main risks include mortality, morbidity, surrender, expense and investment returns rate. When doing the liability adequacy test, various actuarial assumptions are made based on available information at assessment point for all insurance contracts and financial instruments with discretionary participation feature, to assess whether the insurance liability of the Company is adequate. If the test result indicates the insurance liability is not adequate, then set aside the insufficient amount as liability adequacy reserve according to the provision. The reserve will affect current profit and loss.

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**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

As at 31 December 2020, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause the Company's insurance liability inadequate.

(2) Interpretation for concentration of insurance risks

① The Company's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. The Company had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note VI.16 for concentration of risk before and after the reinsurance for the Company.

② Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", the annual increased special capital reserve, excluding taxes, for catastrophe and fluctuation of risks for abnormal changes in loss ratio and claims of each type of insurance needs to be recognized in special capital reserve under equity in accordance with IAS 12.

(3) Claim development trend

① Direct business loss development trend

| Accident year | Development year |             |             |             |             |             |             |             |             |             |             |             |             | Reserve claims |
|---------------|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
|               | 1                | 2           | 3           | 4           | 5           | 6           | 7           | 8           | 9           | 10          | 11          | 12          | 13          |                |
| 2008          | \$2,170,100      | \$2,736,556 | \$2,776,542 | \$2,781,989 | \$2,786,399 | \$2,792,187 | \$2,798,032 | \$2,798,807 | \$2,799,546 | \$2,800,435 | \$2,802,449 | \$2,803,020 | \$2,803,856 |                |
| 2009          | 2,243,111        | 2,870,648   | 2,924,110   | 2,934,461   | 2,936,046   | 2,939,451   | 2,940,095   | 2,940,209   | 2,940,748   | 2,941,322   | 2,941,824   | 2,941,957   | -           |                |
| 2010          | 2,574,879        | 3,071,401   | 3,132,443   | 3,137,874   | 3,143,299   | 3,143,963   | 3,144,299   | 3,144,902   | 3,145,167   | 3,145,541   | 3,145,762   | -           | -           |                |
| 2011          | 2,610,108        | 3,276,928   | 3,328,279   | 3,342,075   | 3,346,106   | 3,350,438   | 3,351,824   | 3,354,243   | 3,354,835   | 3,355,901   | -           | -           | -           |                |
| 2012          | 2,345,575        | 2,953,776   | 3,029,335   | 3,045,381   | 3,048,828   | 3,051,256   | 3,054,748   | 3,056,337   | 3,057,879   | -           | -           | -           | -           |                |
| 2013          | 2,267,213        | 2,964,954   | 3,028,400   | 3,040,442   | 3,045,355   | 3,053,040   | 3,054,855   | 3,055,997   | -           | -           | -           | -           | -           |                |
| 2014          | 3,448,229        | 4,203,186   | 4,284,682   | 4,298,217   | 4,303,753   | 4,317,090   | 4,321,020   | -           | -           | -           | -           | -           | -           |                |
| 2015          | 3,530,488        | 4,420,482   | 4,498,438   | 4,510,113   | 4,516,573   | 4,518,832   | -           | -           | -           | -           | -           | -           | -           |                |
| 2016          | 3,721,820        | 4,648,280   | 4,743,133   | 4,757,525   | 4,763,372   | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2017          | 4,320,234        | 5,400,952   | 5,537,543   | 5,552,592   | -           | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2018          | 4,775,948        | 5,950,536   | 6,060,673   | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2019          | 5,257,484        | 6,776,954   | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2020          | 5,208,589        | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | \$2,029,736    |

Note: This table does not include long term life insurance

|  |                    |
|--|--------------------|
| Add : Long term insurance claims       | 307,721            |
| Claim reserve for discount on no claim | 126,186            |
| Reserve for claims balance             | <u>\$2,463,643</u> |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

② Retained business loss development trend

| Accident year | Development year |             |             |             |             |             |             |             |             |             |             |             |             | Reserve claims |
|---------------|------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------|
|               | 1                | 2           | 3           | 4           | 5           | 6           | 7           | 8           | 9           | 10          | 11          | 12          | 13          |                |
| 2008          | \$2,128,556      | \$2,682,784 | \$2,721,905 | \$2,719,002 | \$2,723,312 | \$2,728,970 | \$2,734,682 | \$2,735,440 | \$2,736,162 | \$2,737,031 | \$2,739,000 | \$2,739,557 | \$2,740,394 |                |
| 2009          | 2,204,858        | 2,820,114   | 2,862,350   | 2,868,022   | 2,869,572   | 2,872,900   | 2,873,529   | 2,873,640   | 2,874,167   | 2,874,728   | 2,875,219   | 2,875,351   | -           |                |
| 2010          | 2,535,358        | 3,010,157   | 3,068,543   | 3,066,830   | 3,072,133   | 3,072,782   | 3,073,109   | 3,073,699   | 3,073,958   | 3,074,324   | 3,074,544   | -           | -           |                |
| 2011          | 2,561,841        | 3,214,455   | 3,260,383   | 3,266,408   | 3,270,348   | 3,274,581   | 3,275,936   | 3,278,301   | 3,278,879   | 3,279,945   | -           | -           | -           |                |
| 2012          | 2,304,504        | 2,897,464   | 2,967,538   | 2,976,431   | 2,979,800   | 2,982,173   | 2,985,586   | 2,987,140   | 2,988,681   | -           | -           | -           | -           |                |
| 2013          | 2,227,515        | 2,908,429   | 2,966,622   | 2,971,604   | 2,976,405   | 2,983,916   | 2,985,691   | 2,986,833   | -           | -           | -           | -           | -           |                |
| 2014          | 3,387,852        | 4,123,055   | 4,197,276   | 4,200,902   | 4,206,313   | 4,219,348   | 4,223,278   | -           | -           | -           | -           | -           | -           |                |
| 2015          | 3,468,881        | 4,336,525   | 4,407,051   | 4,408,435   | 4,414,314   | 4,416,573   | -           | -           | -           | -           | -           | -           | -           |                |
| 2016          | 3,657,093        | 4,560,257   | 4,647,033   | 4,649,868   | 4,655,715   | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2017          | 4,244,930        | 5,298,470   | 5,424,716   | 5,439,766   | -           | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2018          | 4,692,869        | 5,837,265   | 5,946,601   | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2019          | 5,165,606        | 6,658,675   | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |                |
| 2020          | 5,136,641        | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           | \$2,021,499    |

Note: This table does not include long term life insurance

|  |                    |
|--|--------------------|
| Add : Long term insurance claims       | 295,143            |
| Claim reserve for discount on no claim | 126,186            |
| Reserve for claims balance             | <u>\$2,442,828</u> |

The Company recognizes claim reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). Due to uncertainty, estimation, and judgment involved in recognition, there is a high degree of complexity in claim reserves. Any changes of the estimation or judgment are treated as the changes of the accounting estimates and can be recognized as profit and loss in current year. The Company was not notified of some claims in time. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experience. Thus, it is uncertain that the estimated claim reserve on the balance sheet date will be equal to the final settled amount of claim payments. The claim reserve recorded on the book is estimated based on the current available information. However, the final amount probably will differ from the original estimates because of the follow-up development of the claim events.

The charts above show the development trend of claim payments (not including cases whose payment and time will be confirmed within a year). The accident year is the actual year for the occurrence of the insurance claim events; the x-axis is the year of the development for the settlement cases. Each slash represents the cumulative amount of compensation for each accident event at the end of the year. The occurred claims include decided and undecided claims which represent the accumulated estimated dollar amounts need to be paid for each accident year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for claim reserve in the current year will be different from those in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by the charts above.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(4) Credit risk:

For insurance contracts undertaken by the Company, the credit risk comes from reinsurers who fail to fulfill their obligation of reinsurance contracts, causing the Company to be exposed to the risk of financial loss. If the Company disputes with the reinsurers, then it may lead to impairment of reinsurance assets. In addition, the account receivables of insurance brokers and agents also have credit risk.

The Company's highest risk exposure for the reinsurance contracts are the carrying amount of reinsurance assets. In order to manage that risk and avoid credit losses, the Company decides to deal with reinsurance companies that have good credits. The Company sets related selection standard, makes regular assessment and monitors the reinsurers' financial business condition, credit status and rating. Also, it will adjust the business scope and scale based on the circumstances to prevent from over concentration of credit risk.

(5) Liquidity risk:

As at 31 December 2020 and 2019, the maturity analysis of liquidity risk for insurance contract liabilities are as follows:

| 31 December 2020  | Within 1 year  | 1 to 3 years  | 3 to 5 years  | 5 to 15 years | Over 15 years   |
|---|----------------|---------------|---------------|---------------|-----------------|
| Insurance liabilities of investment contracts with discretionary participation features | \$11,973,656   | \$115,270,732 | \$157,083,549 | \$618,787,499 | \$3,450,010,853 |
| Reserve for insurance contracts with feature of financial instruments                   | -              | -             | -             | -             | -               |
| 31 December 2019  | Within 1 year  | 1 to 3 years  | 3 to 5 years  | 5 to 15 years | Over 15 years   |
| Insurance liabilities of investment contracts with discretionary participation features | \$(34,198,799) | \$55,226,404  | \$143,257,385 | \$623,765,357 | \$3,612,295,531 |
| Reserve for insurance contracts with feature of financial instruments                   | -              | -             | -             | -             | -               |

Note:

1. This table estimates net cash flow of all related insurance liabilities at its starting point.
2. The actual maturity date will change according to the exercise of termination right by the policyholders.
3. The table cannot match with the liabilities of balance sheet because the above contracts use the undiscounted contractual cash flow analysis. In addition, it includes the cash inflows of future renewal premiums.
4. In addition to the analysis of the above table, the Company uses both the estimated of the expected less and more than 12 months to analyze assets and liabilities. Please refer to Note X.



**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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(6) Market risk:

Pursuant to the “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, when the Company measures insurance liabilities, it sets aside the reserve by using the discount rate required by the authorities. Since the discount rate assumption does not move in the same direction with the interest rate, changes in market risks have no significant influence on the Company’s profit or loss and equity for insurance contracts. However, changes in market risks may have influence on liability adequacy test evaluated based on available information. But, it has little influence on the adequacy of current recognized insurance liabilities.

**VIII. Financial instruments**

1. Categories of financial instruments

Financial assets

|  | <u>2020.12.31</u>      | <u>2019.12.31</u>      |
|--|------------------------|------------------------|
| Financial assets at fair value through profit or loss:               |                        |                        |
| Mandatorily measured at fair value through profit and loss           | \$375,555,929          | \$312,985,212          |
| Financial assets at fair value through other comprehensive income    | 482,873,124            | 382,691,543            |
| Financial assets at amortized cost:                                  |                        |                        |
| Cash and cash equivalents (exclude cash on hand and revolving funds) | 101,374,793            | 85,926,018             |
| Financial assets at amortized cost                                   | 1,046,395,601          | 1,011,036,234          |
| Receivables  | 19,920,386             | 26,826,102             |
| Loans  | 33,557,049             | 34,033,871             |
| Refundable deposits  | 7,213,874              | 6,828,951              |
| Subtotal   | <u>1,208,461,703</u>   | <u>1,164,651,176</u>   |
| Total  | <u>\$2,066,890,756</u> | <u>\$1,860,327,931</u> |

Financial liabilities

|   | <u>2020.12.31</u>   | <u>2019.12.31</u>   |
|---|---------------------|---------------------|
| Financial liabilities at fair value through profit or loss: |                     |                     |
| Held for trading  | \$7,931,359         | \$1,426,070         |
| Financial liabilities at amortized cost:                    |                     |                     |
| Payables  | 13,264,436          | 19,417,296          |
| Bonds Payables  | 10,000,000          | -                   |
| Lease liabilities   | 1,751,214           | 2,206,846           |
| Guarantee deposits received                                 | 6,799,827           | 5,628,413           |
| Subtotal  | <u>31,815,477</u>   | <u>27,252,555</u>   |
| Total   | <u>\$39,746,836</u> | <u>\$28,678,625</u> |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

2. Fair value of financial instruments

(1) Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The methods and assumptions used by the Company to measure and disclose fair value of the financial assets and liabilities are as follows:

- ① Fair value of cash and cash equivalents, receivables and payables are approximately equal to the carrying amount due to their short maturity.
- ② For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value are determined based on market quotation price. (Including listed stocks and beneficiary certificates, etc.)
- ③ Fair value of financial instruments with no active market is estimated based on the valuation methods. The estimates and assumptions used are consistent with those made by market participants during the pricing of financial instruments.
- ④ The assessment bases for forward exchange are exchange rates on the Reuters. Fair value of each forward exchange contract is calculated based on the exchange rate on each maturity date. Fair value of interest rate swap is the quoted price provided by traded parties.
- ⑤ Fair value of other financial assets and liabilities are determined based on discounted cash flow analysis. The interest rates and discount rates assumptions mainly refer to related information of similar instruments and yield curve for the duration, etc.
- ⑥ The adjustments of credit risk valuation for the derivative instrument contracts traded over-the-counter are classified as Credit value adjustments (CVA) and Debit value adjustments (DVA), to reflect the probability of default of the counterparty (CVA) and the Company (DVA).

Under the assumption that the Company will not default, the Company determines its credit value adjustment (CVA) by multiplying three factors, probability of default (PD), loss given default (LGD), and exposure at default (EAD) of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Company calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default of the Company. The Company estimates probability of default through internal rating, estimates loss given default by considering suggestions by scholars and foreign financial institutions, and estimates exposure at default through market approach for derivative instruments, to reflect credit risk of the counterparty and the credit quality of the Company.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, receivables, loans, payables, bond payables, lease liabilities and guarantee deposits received whose carrying amount approximates their fair value, the fair value of financial assets and financial liabilities measured at amortized cost is as follows:

|   | Carrying amount |                 |
|---|-----------------|-----------------|
|   | 2020.12.31      | 2019.12.31      |
| Financial assets                            |                 |                 |
| Financial assets measured at amortized cost | \$1,046,395,601 | \$1,011,036,234 |
| Refundable deposits - Bonds                 | 7,092,185       | 6,698,391       |
|   |                 |                 |
|   | Fair value      |                 |
|   | 2020.12.31      | 2019.12.31      |
| Financial assets                            |                 |                 |
| Financial assets measured at amortized cost | \$1,153,916,803 | \$1,065,016,646 |
| Refundable deposits - Bonds                 | 9,150,548       | 8,005,556       |

3. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly.

Level 3 – Unobservable inputs for assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

|   | 2020.12.31    |               |             |            |
|---|---------------|---------------|-------------|------------|
|   | Total         | Level 1       | Level 2     | Level 3    |
| Financial assets measured at fair value:                          |               |               |             |            |
| Financial assets at fair value through profit or loss             |               |               |             |            |
| Stocks  | \$151,844,229 | \$151,560,864 | \$-         | \$283,365  |
| Bonds   | 46,878,804    | 20,919,647    | 25,959,157  | -          |
| Swaps and forward foreign exchange contracts                      | 12,108,158    | -             | 12,108,158  | -          |
| Others  | 164,724,738   | 156,345,531   | -           | 8,379,207  |
| Financial assets at fair value through other comprehensive income |               |               |             |            |
| Stocks  | 57,532,082    | 35,542,681    | 11,136      | 21,978,265 |
| Bonds   | 425,341,042   | 281,561,897   | 143,779,145 | -          |
| Investment property   | 34,318,973    | -             | -           | 34,318,973 |
| Liabilities measured at fair value:                               |               |               |             |            |
| Financial liabilities at fair value through profit and loss       |               |               |             |            |
| Swaps and forward foreign exchange contracts                      | 7,931,359     | -             | 7,931,359   | -          |
|   |               |               |             |            |
|   | 2019.12.31    |               |             |            |
|   | Total         | Level 1       | Level 2     | Level 3    |
| Financial assets measured at fair value:                          |               |               |             |            |
| Financial assets at fair value through profit or loss             |               |               |             |            |
| Stocks  | \$117,032,939 | \$116,849,773 | \$-         | \$183,166  |
| Bonds   | 52,314,723    | 20,535,466    | 31,779,257  | -          |
| Swaps and forward foreign exchange contracts                      | 9,761,846     | -             | 9,761,846   | -          |
| Others  | 133,875,704   | 129,374,893   | -           | 4,500,811  |
| Financial assets at fair value through other comprehensive income |               |               |             |            |
| Stocks  | 39,120,148    | 22,186,720    | 9,592       | 16,923,836 |
| Bonds   | 343,571,395   | 239,861,772   | 103,709,623 | -          |
| Refundable deposits   |               |               |             |            |
| Bonds   | 9,804         | -             | 9,804       | -          |
| Investment property   | 20,615,842    | -             | -           | 20,615,842 |
| Liabilities measured at fair value:                               |               |               |             |            |
| Financial liabilities at fair value through profit and loss       |               |               |             |            |
| Swaps and forward foreign exchange contracts                      | 1,426,070     | -             | 1,426,070   | -          |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

A. Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2020, the Company's debt instruments measured at fair value through other comprehensive income, amounted to \$2,332,150 thousand, transferred from Level 2 to Level 1 because the Company can access quoted market prices. Debt instruments measured at fair value through other comprehensive income amounted to \$19,138,151 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

During the year ended 31 December 2019, the Company's debt instruments measured at fair value through other comprehensive income, amounted to \$2,375,436 thousand, transferred from Level 2 to Level 1 because the Company can access quoted market prices. Debt instruments measured at fair value through other comprehensive income amounted to \$8,223,225 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

B. Reconciliation for Level 3 of the fair value hierarchy

Reconciliation for recurring fair value measurements categorized within Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended 31 December 2020:

|   | Total gains and losses                      |                                  | Acquisition<br>or issue | Disposal,<br>or forced<br>conversion | Transfer<br>in (out) of<br>Level 3<br>(Note 3) | Ending<br>balance |            |
|---|---|----------------------------------|-------------------------|--------------------------------------|--|-------------------|------------|
|   | recognized                                  |                                  |                         |                                      |  |                   |            |
|   | Recognized<br>in profit or<br>loss (Note 1) | Recognized<br>in OCI<br>(Note 2) |                         |                                      |  |                   |            |
| Beginning<br>balance  | in profit or<br>loss (Note 1)               | in OCI<br>(Note 2)               | Acquisition<br>or issue | Disposal,<br>or forced<br>conversion | Transfer<br>in (out) of<br>Level 3<br>(Note 3) | Ending<br>balance |            |
| Assets  |   |                                  |                         |                                      |  |                   |            |
| Financial assets at fair value through profit or loss             |   |                                  |                         |                                      |  |                   |            |
| Stock   | \$183,166                                   | \$-                              | \$(8,107)               | \$108,306                            | \$-  | \$-               | \$283,365  |
| Others  | 4,500,811                                   | (90,256)                         | (45,876)                | 4,711,485                            | (696,957)                                      | -                 | 8,379,207  |
| Financial assets at fair value through other comprehensive income |   |                                  |                         |                                      |  |                   |            |
| Stock   | 16,923,836                                  | -                                | 5,160,282               | -                                    | (105,853)                                      | -                 | 21,978,265 |
| Investment property   | 20,615,842                                  | 269,438                          | -                       | 12,439                               | (31,872)                                       | 13,453,126        | 34,318,973 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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For the year ended 31 December 2019:

|  | Total gains and losses<br>recognized |   |                                  |                         |                           | Transfer<br>in (out) of<br>Level 3<br>(Note 3) | Ending<br>balance |
|--|--------------------------------------|---|----------------------------------|-------------------------|---------------------------|--|-------------------|
|  | Beginning<br>balance                 | Recognized<br>in profit or<br>loss (Note 1) | Recognized<br>in OCI<br>(Note 2) | Acquisition<br>or issue | Disposal or<br>settlement |  |                   |
|  | <b>Assets</b>                        |   |                                  |                         |                           |  |                   |
| <b>Financial assets at fair value through profit or loss</b>             |                                      |   |                                  |                         |                           |  |                   |
| Stock  | \$133,172                            | \$-   | \$(12,395)                       | \$62,471                | \$(82)                    | \$-  | \$183,166         |
| Others   | 1,675,969                            | (405)                                       | (89,458)                         | 3,082,095               | (167,390)                 | -  | 4,500,811         |
| Convertible bonds  | 191,943                              | (35,753)                                    | -                                | -                       | (156,190)                 | -  | -                 |
| <b>Financial assets at fair value through other comprehensive income</b> |                                      |   |                                  |                         |                           |  |                   |
| Stock  | 10,700,220                           | -   | 962,973                          | 5,333,500               | (72,857)                  | -  | 16,923,836        |
| Investment property  | 20,623,244                           | 1,252                                       | -                                | -                       | (8,654)                   | -  | 20,615,842        |

Note1: presented in “Gains (losses) on financial assets and liabilities at fair value through profit or loss/ Gains (losses) on reclassification using overlay approach/ Gains (losses) on investment property” in the comprehensive income statement.

Note2: presented in “Gains (losses) on reclassification using overlay approach/ valuation gains (losses) on equity instruments at fair value through other comprehensive income/ property revaluation surplus” in the comprehensive income statement.

Note3: The amount of investment property is related to transfer between property and equipment, no transfer in (out) for fair value level.

Total gains (losses) recognized in profit or loss above contains gains (losses) related to assets on hand for the years ended 31 December 2020 and 2019 is as follows:

|  | For the years ended 31<br>December |         |
|--|------------------------------------|---------|
|  | 2020                               | 2019    |
| <b>Total gains and losses</b>            |                                    |         |
| Recognized in profit or loss             | \$175,784                          | \$(37)  |
| Recognized in other comprehensive income | 5,106,299                          | 861,120 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

C. Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

| 2020.12.31  |                      |  |                            |   |
|---|----------------------|--|----------------------------|---|
| Item  | Valuation techniques | Significant unobservable inputs            | Quantification Information | Relationship between inputs and fair value  |
| Financial assets at fair value through profit or loss             | Asset approach       | Discount for liquidity and minor interests | 0~10%                      | The higher the discount for liquidity and minor interests, the lower the estimated fair value |
| Financial assets at fair value through other comprehensive income | Market approach      | Discount for liquidity                     | 10~30%                     | The higher the discount for liquidity, the lower the estimated fair value                     |
|   |                      | Control premium                            | 0~10%                      | The higher the control premium, the higher the estimated fair value                           |
|   | Income approach      | Cost of capital                            | 6.02%                      | The higher the cost of capital, the lower the estimated fair value                            |
|   |                      | Discount for liquidity                     | 0~10%                      | The higher the discount for liquidity, the lower the estimated fair value                     |
|   | Asset approach       | Discount for liquidity and minor interests | 0~30%                      | The higher the discount for liquidity and minor interests, the lower the estimated fair value |
| Investment property   |                      |  | Please refer to Note VI. 8 |   |
| 2019.12.31  |                      |  |                            |   |
| Item  | Valuation techniques | Significant unobservable inputs            | Quantification Information | Relationship between inputs and fair value  |
| Financial assets at fair value through profit or loss             | Asset approach       | Discount for liquidity and minor interests | 0~10%                      | The higher the discount for liquidity and minor interests, the lower the estimated fair value |
| Financial assets at fair value through other comprehensive income | Market approach      | Discount for liquidity                     | 10~30%                     | The higher the discount for liquidity, the lower the estimated fair value                     |
|   |                      | Control premium                            | 0~10%                      | The higher the control premium, the higher the estimated fair value                           |
|   | Income approach      | Cost of capital                            | 6.10%                      | The higher the cost of capital, the lower the estimated fair value                            |
|   |                      | Discount for liquidity                     | 0~10%                      | The higher the discount for liquidity, the lower the estimated fair value                     |
|   | Asset approach       | Discount for liquidity and minor interests | 0~30%                      | The higher the discount for liquidity and minor interests, the lower the estimated fair value |
| Investment property   |                      |  | Please refer to Note VI. 8 |   |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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D. Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions and the sources are independent, reliable, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the Company's accounting policies at each reporting date. Also, assessment of fair value for investment property are outsourced to appraisers from professional agencies every half year and they evaluate the effectiveness of fair value on the balance sheet date quarterly and decides whether to re-issue reports or issue review report. The Company's real estate department will review the legality, the rationality and correctness of valuation parameters important to the results from external reports case-by-case.

(3) Fair value hierarchy of assets and liabilities not measured at fair value but for which the fair value is disclosed.

|   | 2020.12.31    |               |         |                 |
|---|---------------|---------------|---------|-----------------|
|   | Level 1       | Level 2       | Level 3 | Total           |
| Financial assets not measured at fair value but<br>for which the fair value is disclosed: |               |               |         |                 |
| Financial assets at measured amortized cost   |               |               |         |                 |
| Bonds   | \$350,050,491 | \$803,866,312 | \$-     | \$1,153,916,803 |
| Refundable deposits   |               |               |         |                 |
| Bonds   | -             | 9,150,548     | -       | 9,150,548       |
|   |               |               |         |                 |
|   | 2019.12.31    |               |         |                 |
|   | Level 1       | Level 2       | Level 3 | Total           |
| Financial assets not measured at fair value but<br>for which the fair value is disclosed: |               |               |         |                 |
| Financial assets at measured amortized cost   |               |               |         |                 |
| Bonds   | \$220,497,245 | \$844,519,401 | \$-     | \$1,065,016,646 |
| Refundable deposits   |               |               |         |                 |
| Bonds   | -             | 8,005,556     | -       | 8,005,556       |



**China Life Insurance Co., Ltd.**  
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4. Offsetting financial assets and financial liabilities

The Company holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

The Company may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

| 2020.12.31  |  |   |   |   |                          |                             |
|---|--|---|---|---|--------------------------|-----------------------------|
| Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement |  |   |   |   |                          |                             |
|   | Gross amount of                                    |   | Net financial assets recognized on balance sheet<br>(c)= (a)- (b) | Relevant amount that has not been offset on balance sheet (d) |                          |                             |
|   | Gross amount of recognized financial assets<br>(a) | offset financial liabilities recognized on balance sheet<br>(b) |   | Financial instruments   | Cash collateral received | Net amount<br>(e)= (c)- (d) |
|   | Derivative financial instrument                    | \$12,108,158  |   | \$-   | \$12,108,158             | \$6,447,658                 |

| 2020.12.31   |   |  |  |   |                         |                             |
|--|---|--|--|---|-------------------------|-----------------------------|
| Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement |   |  |  |   |                         |                             |
|  | Gross amount of   |  | Net financial liabilities recognized on balance sheet<br>(c)= (a)- (b) | Relevant amount that has not been offset on balance sheet (d) |                         |                             |
|  | Gross amount of recognized financial liabilities<br>(a) | offset financial assets recognized on balance sheet<br>(b) |  | Financial instruments   | Cash collateral pledged | Net amount<br>(e)= (c)- (d) |
|  | Derivative financial instrument                         | \$7,931,359  |  | \$-   | \$7,931,359             | \$6,447,658                 |

Note1: The net amount of financial assets reported is negative after offsetting with the cash collateral received, so it is expressed as \$-.

| 2019.12.31  |  |   |   |   |                          |                             |
|---|--|---|---|---|--------------------------|-----------------------------|
| Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement |  |   |   |   |                          |                             |
|   | Gross amount of                                    |   | Net financial assets recognized on balance sheet<br>(c)= (a)- (b) | Relevant amount that has not been offset on balance sheet (d) |                          |                             |
|   | Gross amount of recognized financial assets<br>(a) | offset financial liabilities recognized on balance sheet<br>(b) |   | Financial instruments   | Cash collateral received | Net amount<br>(e)= (c)- (d) |
|   | Derivative financial instrument                    | \$9,761,846   |   | \$-   | \$9,761,846              | \$1,363,504                 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

2019.12.31

|                                 | Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement |   |   |  |                            |                             |
|---------------------------------|--|---|---|--|----------------------------|-----------------------------|
|                                 | Gross amount of<br>recognized<br>financial<br>liabilities (a)  | Gross amount of<br>offset financial<br>assets recognized<br>on balance sheet<br>(b) | Net financial<br>liabilities<br>recognized on<br>balance sheet<br>(c)= (a)- (b) | Relevant amount that has not been<br>offset on balance sheet (d) |                            |                             |
|                                 |  |   |   | Financial<br>instruments   | Cash collateral<br>pledged | Net amount<br>(e)= (c)- (d) |
| Derivative financial instrument | \$1,426,070  | \$-   | \$1,426,070   | \$1,363,504  | \$-                        | \$62,566                    |

**IX. Financial risk management**

The Company's financial risk management objectives are primarily managing risks arising from holding financial assets. According to the Company's risk management policies, the main financial risks is market risk, credit risk and liquidity risk. The Company has established guidelines related to the management of the financial risk. The following is the definition, source, management procedures of the risk and methods used to measure the risk:

**1. Credit risk analysis**

- (1) Credit risk is the risk that an issuer or a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities and financing activities (primarily loans, financial instrument investments and receivables).

Credit risk is managed by each business unit subject to the Company's established policy, procedures and control relating to credit risk management. Credit limits are established for all issuers or counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company's internal rating criteria, etc. To lower certain issuers' or counter parties' credit risk, credit enhancing instruments will be taken at the appropriate time.

For financial instrument investments, low credit risk is the premise of initial purchase, and at each reporting date, the Company shall assess if the financial instrument investments still qualify for conditions of low credit risk in order to determine the measurement method for allowance for losses. The Company disposes investments at the appropriate time (e.g., when credit risk significantly increases) to lower credit loss. In addition, the Company has built a credit risk model to assess the maximum possible loss on credit positions resulting from changes of credit rating or default. Moreover, based on issuer's region, industry and credit ratings within portfolios, the Company evaluates credit risk and concentration risk, respectively.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The Company determines risk-influencing factors based on 5P Principles for loans, and according to the extent of influence, each P is given different weight to calculate each borrower's credit rating. Credit rating evaluates the reasonableness of loan purpose, the region of collateral, loan-to-value, the customer's credit report, the interest-paying history records, financial conditions and debt-paying ability, etc. and the Company approves the credit rating through multiple layers to control loan risk. Once delay of payment occurs, the Company will actively collect as stated in procedure manual to avoid financial loss.

The Company evaluates expected credit loss in accordance with IFRS 9. Except for those receivables whose allowance for loss is measured at lifetime expected credit loss, the Company shall assess whether the credit risk has increased significantly since initial recognition at each reporting date for other debt instrument investments not measured at fair value through profit or loss whose premise of initial purchase is low credit risk and grouped under different classes of credit risk in order to determine the measurement method of allowance for loss and its loss rate. The primary consideration to determine whether the credit risk increases significantly includes objective evidence such as external credit rating and its change of class interval, overdue situations, occurrence of major financial difficulties or company liquidation or reorganization, etc. Besides, the measurement of expected credit losses is to multiply the future 12-month or the lifetime Probability of default (PD), and Loss given default (LGD) and Exposure at default (EAD). The Company also considers the effect of the time value of money to calculate 12-month expected credit losses or the lifetime expected credit losses respectively.

Default rate is the rate that a default occurs on issuers or counter parties. Loss given default is the loss rate resulted from the default of issuers or counter parties. The Company used the default rate and loss given default published by external credit assessment institutions, and calculated based on adjustments of forward-looking macroeconomics factors.

Exposure at default is measured at the amortized cost of financial assets with accrued interests and receivables. For loans, exposure at default is the total of debtor's outstanding balance at the time of calculation, interest and accrued expense.

Allowance for losses for certain receivables is recognized at lifetime expected credit losses. Past default records and prevailing information are taken into consideration for lifetime expected credit losses. The expected credit loss rate is calculated based on the overdue days of receivables.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(2) Financial assets credit risk concentration analysis

A. The largest credit risk exposure of the financial debt instrument investments held by the Company or deposit in the bank is listed in accordance with the regional distribution as follows:

Date: 31 December 2020

| Financial assets                   | Taiwan               | Asia                 | Europe               | America              | Global             | Total                  |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|--------------------|------------------------|
| Cash and cash equivalents          | \$84,093,524         | \$6,884,611          | \$10,396,658         | \$-                  | \$-                | \$101,374,793          |
| Financial assets at fair value     |                      |                      |                      |                      |                    |                        |
| through profit or loss             | 25,959,157           | 6,815,077            | 12,949,791           | 1,154,779            | -                  | 46,878,804             |
| Financial assets at fair value     |                      |                      |                      |                      |                    |                        |
| through other comprehensive income | 79,525,371           | 145,013,479          | 88,243,469           | 112,558,723          | -                  | 425,341,042            |
| Financial assets measured at       |                      |                      |                      |                      |                    |                        |
| amortized cost                     | 150,155,870          | 280,982,045          | 233,038,226          | 376,078,307          | 6,141,153          | 1,046,395,601          |
| Refundable deposits – Bonds        | 7,092,185            | -                    | -                    | -                    | -                  | 7,092,185              |
| <b>Total</b>                       | <b>\$346,826,107</b> | <b>\$439,695,212</b> | <b>\$344,628,144</b> | <b>\$489,791,809</b> | <b>\$6,141,153</b> | <b>\$1,627,082,425</b> |
| <b>Proportion</b>                  | <b>21.32%</b>        | <b>27.02%</b>        | <b>21.18%</b>        | <b>30.10%</b>        | <b>0.38%</b>       | <b>100.00%</b>         |

Date: 31 December 2019

| Financial assets                   | Taiwan               | Asia                 | Europe               | America              | Global              | Total                  |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|---------------------|------------------------|
| Cash and cash equivalents          | \$59,222,242         | \$18,687,554         | \$8,016,222          | \$-                  | \$-                 | \$85,926,018           |
| Financial assets at fair value     |                      |                      |                      |                      |                     |                        |
| through profit or loss             | 25,533,331           | 8,950,753            | 16,606,529           | 1,224,110            | -                   | 52,314,723             |
| Financial assets at fair value     |                      |                      |                      |                      |                     |                        |
| through other comprehensive income | 74,743,643           | 110,640,035          | 77,612,643           | 80,575,074           | -                   | 343,571,395            |
| Financial assets measured at       |                      |                      |                      |                      |                     |                        |
| amortized cost                     | 133,360,531          | 238,509,983          | 248,102,345          | 372,806,878          | 18,256,497          | 1,011,036,234          |
| Refundable deposits – Bonds        | 6,708,195            | -                    | -                    | -                    | -                   | 6,708,195              |
| <b>Total</b>                       | <b>\$299,567,942</b> | <b>\$376,788,325</b> | <b>\$350,337,739</b> | <b>\$454,606,062</b> | <b>\$18,256,497</b> | <b>\$1,499,556,565</b> |
| <b>Proportion</b>                  | <b>19.98%</b>        | <b>25.13%</b>        | <b>23.36%</b>        | <b>30.31%</b>        | <b>1.22%</b>        | <b>100.00%</b>         |

B. Regional distribution of the largest credit risk exposure for secured loans (excluding policy loan and automatic premium loan) is as follows:

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**Notes to financial statements (Continued)**  
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| Location            | Northern areas:             | Central area:                   | Southern area:        | Total     |
|---------------------|-----------------------------|---------------------------------|-----------------------|-----------|
|                     | Taipei and eastern counties | Taichung to Changhua and Nantou | Counties below Tainan |           |
| Secured loans       | \$289,438                   | \$138,635                       | \$146,264             | \$574,337 |
| Overdue receivables | -                           | -                               | -                     | -         |
| Total               | \$289,438                   | \$138,635                       | \$146,264             | \$574,337 |
| Proportion          | 50.39%                      | 24.14%                          | 25.47%                | 100.00%   |

Date: 31 December 2019

| Location            | Northern areas:             | Central area:                   | Southern area:        | Total     |
|---------------------|-----------------------------|---------------------------------|-----------------------|-----------|
|                     | Taipei and eastern counties | Taichung to Changhua and Nantou | Counties below Tainan |           |
| Secured loans       | \$414,446                   | \$211,086                       | \$208,190             | \$833,722 |
| Overdue receivables | -                           | -                               | -                     | -         |
| Total               | \$414,446                   | \$211,086                       | \$208,190             | \$833,722 |
| Proportion          | 49.71%                      | 25.32%                          | 24.97%                | 100.00%   |

(3) Financial asset credit quality and overdue impairment analysis

The Company's internal credit risk is classified into investment grade and non-investment grade mainly based on rating of the credit rating agencies:

- a. Investment grade means credit rating reaches at least BBB-granted by a credit rating agency.
- b. Non-investment grade means no credit rating or credit rating lower than BBB- granted by a credit rating agency.

Credit quality by classification is listed as follows:

Date: 31 December 2020

| Financial assets  | Investment grade | Non-investment grade |
|---|------------------|----------------------|
| Cash and cash equivalents   | \$101,374,793    | \$-                  |
| Financial assets at fair value through profit or loss             | 46,878,804       | -                    |
| Financial assets at fair value through other comprehensive income | 416,658,705      | 8,682,337            |
| Financial assets measured at amortized cost                       | 1,043,645,769    | 2,749,832            |
| Refundable deposits   | 7,092,185        | -                    |
| Total   | \$1,615,650,256  | \$11,432,169         |
| Proportion  | 99.30%           | 0.70%                |

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**Notes to financial statements (Continued)**  
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| Financial assets  | Investment grade       | Non-investment grade |
|---|------------------------|----------------------|
| Cash and cash equivalents   | \$85,926,018           | \$-                  |
| Financial assets at fair value through profit or loss             | 52,314,723             | -                    |
| Financial assets at fair value through other comprehensive income | 336,578,279            | 6,993,116            |
| Financial assets measured at amortized cost                       | 1,011,036,234          | -                    |
| Refundable deposits   | 6,708,195              | -                    |
| Total   | <u>\$1,492,563,449</u> | <u>\$6,993,116</u>   |
| Proportion  | <u>99.53%</u>          | <u>0.47%</u>         |

## 2. Liquidity risk analysis

- (1) Liquidity risks are classified into “funding liquidity risk” and “market liquidity risk.” “Funding liquidity risk” represents that the Company is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. “Market liquidity risk” represents the risk that the Company sells at loss to meet the demand for cash.

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how the Company in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

The Company regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To deal with possible liquidity risk early, the company reports duration of assets and liabilities quarterly, creates cash flow model and reviews cash flow status regularly.

- (2) Financial assets held for managing liquidity risk and maturity analysis of non-derivative financial liabilities

### A. Financial assets held for managing liquidity risk

The Company holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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**B. Maturity analysis of non-derivative financial liabilities**

The analysis of cash outflows to the Company is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

Non-derivative financial instruments

|                   | In 1 year    | 1 to 5 years | Over 5 years | Total        |
|-------------------|--------------|--------------|--------------|--------------|
| 2020.12.31        |              |              |              |              |
| Payables          | \$13,226,534 | \$37,902     | \$-          | \$13,264,436 |
| Bonds payable     | -            | -            | 10,000,000   | 10,000,000   |
| Lease liabilities | 142,264      | 370,750      | 3,517,832    | 4,030,846    |
| 2019.12.31        |              |              |              |              |
| Payables          | \$19,381,881 | \$35,415     | \$-          | \$19,417,296 |
| Lease liabilities | 165,162      | 370,132      | 4,835,373    | 5,370,667    |

**C. Maturity analysis of derivative financial liabilities**

The Company operates derivatives including foreign exchange derivative instruments (such as swap contracts, foreign exchange forward).

The Company has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. The Company enters into forward contracts and swap contracts derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and swap contracts will be operated continually, and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

Maturity structure of derivative financial liabilities is as follows:

|  | 2020.12.31  |             |          |             |             |
|--|-------------|-------------|----------|-------------|-------------|
|  | 181 days    |             |          |             |             |
|  | In 90 days  | 91-180 days | -1 year  | Over 1 year | Total       |
| Financial liabilities at fair value through profit or loss | \$7,535,594 | \$255,285   | \$83,149 | \$57,331    | \$7,931,359 |
|  | 2019.12.31  |             |          |             |             |
|  | 181 days    |             |          |             |             |
|  | In 90 days  | 91-180 days | -1 year  | Over 1 year | Total       |
| Financial liabilities at fair value through profit or loss | \$1,357,762 | \$43,560    | \$24,748 | \$-         | \$1,426,070 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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3. Market risk analysis

- (1) Market risk is the risk of losses on financial assets and liabilities caused by adverse movements in market risk factors.

The Company has built Value at Risk (VaR) model. The risk management system monitors all financial assets involve market risks and calculates VaR regularly. Risk control indices are notional amount and VaR. The Company will issue risk management reports weekly and execute routine control and plan risk response when over limit. We also report VaR, the utilization of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

- (2) Exchange rate risk

The Company continues to exercise swaps and forward exchange derivative transactions to hedge the loss due to currency fluctuations in accordance with relevant laws and internal control mechanism to effectively control this risk.

The Company's exchange rate risk is primarily related to operating activities (the currencies the income or expense used are not the same as the functional currency of the Company).

Some of the Company's accounts receivable and accounts payable are denoted in the same foreign currency. Under such circumstances, the similar positions will naturally generate the hedging effect. Some foreign currency positions use forward exchange contracts to manage foreign exchange risk. As the foregoing natural hedge and foreign exchange forward do not meet the requirements of hedge accounting in terms of managing exchange rate risk, hedge accounting is not adopted.

- (3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in interest rates which causes fluctuations in the fair value of financial instruments. The Company manages interest rate risk by combinations of fixed and floating interest rate products. Because they do not meet the requirements for hedge accounting, hedge accounting is not adopted.



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**Notes to financial statements (Continued)**  
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(4) Equity price risk

The Company holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC-traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. The Company diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of the Company. The board of directors should authorize the senior executives to review and approve all equity investment decisions.

(5) Value at Risk

Value at Risk is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. The Company uses 99% VaR to measure the market risk over the next ten days.

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model must be validated and backtested to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

(6) Stress testing

The Company measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to VaR model. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

The Company performs stress testing regularly by using “Simple Sensitivity” and “Scenario Analysis” methods. The test is capable of representing the position loss resulted from the movement of a specific risk factor under different kinds of historical scenarios:

A. Simple Sensitivity

Simple Sensitivity measures the dollar amount change of the portfolio value from the movement of specific risk factors.

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**Notes to financial statements (Continued)**  
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B. Scenario Analysis

Scenario Analysis measures the dollar amount changes of the total value of investment positions if stress scenarios occur. The types of scenario include:

a. Historical scenario:

Applying the volatilities of risk factors in a specific historical event, the Company can estimate the losses of the current investment portfolio in the same period of time.

b. Hypothetical scenario:

The Company makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses of the investment position by taking into consideration the movement of relevant risk factors.

Risk management department performs the stress testing with historical and hypothetical scenarios regularly. The Company's risk analysis, early warning, and business management are in accordance with the stress testing report.

Summarization of Simple Sensitivity

Date: 31 December 2020

| Risk Factors                             | Changes (+/-)   | Changes in income | Changes in equity |
|--|---|-------------------|-------------------|
| Equity risk (Stock index)                | +1%   | \$-               | \$2,757,465       |
| Interest rate risk (Yield curve)         | +1BP  | -                 | (735,342)         |
| Exchange risk<br>(Foreign exchange rate) | +1% (NTD appreciates 1%<br>against each foreign currency) | (2,613,715)       | (930,369)         |

Date: 31 December 2019

| Risk Factors                             | Changes (+/-)   | Changes in income | Changes in equity |
|--|---|-------------------|-------------------|
| Equity risk (Stock index)                | +1%   | \$-               | \$1,669,270       |
| Interest rate risk (Yield curve)         | +1BP  | -                 | (583,242)         |
| Exchange risk<br>(Foreign exchange rate) | +1% (NTD appreciates 1%<br>against each foreign currency) | (2,118,730)       | (632,610)         |

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X. Assets and liabilities are classified based on expected recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date:

| Item  | 2020.12.31                              |  | Total           |
|---|---|--|-----------------|
|   | Recovery or settlement within 12 months | Recovery or settlement more than 12 months |                 |
| <b>Assets</b>   |   |  |                 |
| Cash and cash equivalents   | \$101,376,515                           | \$-  | \$101,376,515   |
| Receivables   | 19,920,386                              | -  | 19,920,386      |
| Current tax assets  | 526,131                                 | -  | 526,131         |
| Financial assets at fair value through profit or loss             | 320,014,553                             | 55,541,376                                 | 375,555,929     |
| Financial assets at fair value through other comprehensive income | 1,586,843                               | 481,286,281                                | 482,873,124     |
| Financial assets measured at amortized cost                       | 15,730,533                              | 1,030,665,068                              | 1,046,395,601   |
| Investments accounted for using equity method                     | -                                       | 69,863                                     | 69,863          |
| Investment property   | -                                       | 36,838,917                                 | 36,838,917      |
| Loans   | 8,609                                   | 33,548,440                                 | 33,557,049      |
| Reinsurance assets  | 740,256                                 | -  | 740,256         |
| Property and equipment  | -                                       | 12,414,988                                 | 12,414,988      |
| Right of use assets   | -                                       | 6,058,770                                  | 6,058,770       |
| Intangible assets   | -                                       | 234,530                                    | 234,530         |
| Deferred tax assets   | 10,678,774                              | 182,513                                    | 10,861,287      |
| Other assets  | 315,662                                 | 7,408,734                                  | 7,724,396       |
| Separate account product assets                                   |   |  | 84,564,106      |
| Total assets  | \$470,898,262                           | \$1,664,249,480                            | \$2,219,711,848 |
| <b>Liabilities</b>  |   |  |                 |
| Payables  | \$13,226,534                            | \$37,902                                   | \$13,264,436    |
| Current tax liabilities   | 2,591,206                               | -  | 2,591,206       |
| Financial liabilities at fair value through profit or loss        | 7,874,028                               | 57,331                                     | 7,931,359       |
| Bonds payable   | -                                       | 10,000,000                                 | 10,000,000      |
| Lease liabilities   | 86,006                                  | 1,665,208                                  | 1,751,214       |
| Insurance liabilities   | 45,973,240                              | 1,850,707,190                              | 1,896,680,430   |
| Foreign exchange valuation reserve                                | -                                       | 4,023,007                                  | 4,023,007       |
| Provision   | -                                       | 212,754                                    | 212,754         |
| Deferred tax liabilities  | (252,245)                               | 10,379,076                                 | 10,126,831      |
| Other liabilities   | 7,576,098                               | 1,333,202                                  | 8,909,300       |
| Separate account product liabilities                              |   |  | 84,564,106      |
| Total liabilities   | \$77,074,867                            | \$1,878,415,670                            | \$2,040,054,643 |

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| Item   | 2019.12.31                                    |  | Total           |
|--|---|--|-----------------|
|  | Recovery or<br>settlement within<br>12 months | Recovery or<br>settlement more<br>than 12 months |                 |
| <b>Assets</b>  |   |  |                 |
| Cash and cash equivalents  | \$85,927,723                                  | \$-  | \$85,927,723    |
| Receivables  | 26,826,102                                    | -  | 26,826,102      |
| Current tax assets   | 526,131                                       | -  | 526,131         |
| Financial assets at fair value through profit or loss                | 255,986,513                                   | 56,998,699                                       | 312,985,212     |
| Financial assets at fair value through other<br>comprehensive income | 49,328  | 382,642,215                                      | 382,691,543     |
| Financial assets measured at amortized cost                          | 6,711,102                                     | 1,004,325,132                                    | 1,011,036,234   |
| Investment property  | -   | 23,136,905                                       | 23,136,905      |
| Loans  | 9,438   | 34,024,433                                       | 34,033,871      |
| Reinsurance assets   | 533,134                                       | -  | 533,134         |
| Property and equipment   | -   | 14,113,541                                       | 14,113,541      |
| Right of use assets  | -   | 15,174,273                                       | 15,174,273      |
| Intangible assets  | -   | 190,409  | 190,409         |
| Deferred tax assets  | 6,333,602                                     | 1,930,568  | 8,264,170       |
| Other assets   | 42,379  | 6,834,175  | 6,876,554       |
| Separate account product assets                                      |   |  | 77,922,118      |
| Total assets   | \$382,945,452                                 | \$1,539,370,350                                  | \$2,000,237,920 |
| <b>Liabilities</b>   |   |  |                 |
| Payables   | \$19,381,881                                  | \$35,415   | \$19,417,296    |
| Current tax liabilities  | 714,434                                       | -  | 714,434         |
| Financial liabilities at fair value through profit<br>or loss        | 1,426,070                                     | -  | 1,426,070       |
| Lease liabilities  | 85,932  | 2,120,914  | 2,206,846       |
| Insurance liabilities  | 37,603,715                                    | 1,700,656,500                                    | 1,738,260,215   |
| Foreign exchange valuation reserve                                   | -   | 2,367,039  | 2,367,039       |
| Provision  | -   | 209,328  | 209,328         |
| Deferred tax liabilities   | 963,858                                       | 6,323,036  | 7,286,894       |
| Other liabilities  | 6,359,657                                     | 1,398,462  | 7,758,119       |
| Separate account product liabilities                                 |   |  | 77,922,118      |
| Total liabilities  | \$66,535,547                                  | \$1,713,110,694                                  | \$1,857,568,359 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

**XI. Capital management**

The Company's main objective of capital management is to make sure the risk-based capital (RBC) ratio calculated in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" meets the ratio provided by the Insurance Act, to maintain a sound capital structure to protect rights and interests of customers and shareholders.

The Company implements capital management mainly by monitoring the results of RBC report to ensure its solvency.

**XII. Related party transaction**

Information of the related parties that had transactions with the company during the financial reporting period is as follows:

**1. Name and nature of relationship of the related parties**

| Name of the related parties                               | Nature of relationship of the related parties   |
|---|---|
| China Development Financial Holding Corp. (CDF)           | Parent company/Juristic-person director of the Company (Parent company)   |
| Tai li Investment Co., Ltd.                               | Juristic-person director of the Company (Other related party)   |
| Hong Fu Ltd.  | Juristic-person director of the Company (Other related party) (Note 3)  |
| Shenhe Energy Co., Ltd.                                   | Associate of the Company  |
| CDIB Capital Group  | Brother company (Other related party)   |
| KGI Securities Co., Ltd.                                  | Brother company (Other related party)   |
| China Development Asset Management Corp.                  | Brother company (Other related party)   |
| KGI Bank  | Brother company (Other related party)   |
| CDIB Capital Management Inc.                              | Equity method investee of subsidiary of parent company (Other related party)  |
| CDIB & Partners Investment Holding Corporation            | Equity method investee of subsidiary of parent company (Other related party)  |
| CDIB Innovation Advisors Corporation Limited              | Equity method investee of subsidiary of parent company (Other related party)  |
| CDIB Capital Growth Partners L.P.                         | Equity method investee of subsidiary of parent company (Other related party)  |
| CDIB Capital Healthcare Ventures II Limited Partnership   | Equity method investee of subsidiary of parent company (Other related party)  |
| CDIB Management Consulting Corporation                    | Equity method investee of subsidiary of parent company (Other related party)  |
| CDIB CME Fund Ltd.  | Equity method investee of subsidiary of parent company (Other related party)  |
| KGI Venture Capital Co., Ltd.                             | Equity method investee of subsidiary of parent company (Other related party)  |
| CDIB Biomedical Venture Capital Corporation               | Equity method investee of subsidiary of parent company (Other related party)  |
| KGI Securities Investment Trust Co., Ltd.                 | Equity method investee of subsidiary of parent company (Other related party)  |
| Funds managed by KGI Securities Investment Trust Co., Ltd | Funds and designated accounts managed by Equity method investee of subsidiary of parent company (Other related party) |
| KGI Insurance Brokers Co., Ltd.                           | Equity method investee of subsidiary of parent company (Other related party)  |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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| Name of the related parties                     | Nature of relationship of the related parties  |
|---|--|
| KGI Futures Co., Ltd.                           | Equity method investee of subsidiary of parent company (Other related party)   |
| CDC Finance & Leasing Corp.                     | Equity method investee of subsidiary of parent company (Other related party)   |
| KGI Securities Investment Advisory Co., Ltd.    | Equity method investee of subsidiary of parent company (Other related party)   |
| CDIB Capital Asia Partners L.P.                 | Equity method investee of subsidiary of parent company (Other related party)   |
| CDIB Capital International Corporation          | Equity method investee of subsidiary of parent company (Other related party)   |
| CDIB Capital Global Opportunities Fund L.P.     | Equity method investee of subsidiary of parent company (Other related party)   |
| China Development Foundation                    | Substantial related party  |
| China Life Insurance Employee Welfare Committee | Substantial related party  |
| Business Next Media Corp.                       | Substantial related party (Note 2)   |
| Bank of Taiwan Co., Ltd.                        | Juristic-person director of parent company (Other related party) (Note 1)  |
| GPPC Chemical Corporation                       | Juristic-person director of parent company (Other related party)   |
| Others  | Directors, the key management personnel with their spouse, the relationship within second degree by consanguinity and CDF's affiliates or substantial related parties (Other related party) (Note 4) |

Note 1: Bank of Taiwan Co., Ltd. is no longer related parties of the company from 14 June 2019.

Note 2: Business Next Media Corp. is no longer related parties of the company from 5 November 2019.

Note 3: Hong Fu Ltd. is no longer related parties of the company from 28 May 2020.

Note 4: Related parties such as parent company, brother company, equity method investee of subsidiary of parent company, juristic-person directors of parent company become related parties of the Company as the result of the tender offer by CDF.

2. Significant transactions with the related parties are as follows:

(1) Cash in banks

| Name                  | 2020.12.31  | 2019.12.31  |
|-----------------------|-------------|-------------|
| Other related parties | \$1,503,444 | \$3,996,654 |

(2) Receivables

| Name                  | 2020.12.31  | 2019.12.31  |
|-----------------------|-------------|-------------|
| Other receivables:    |             |             |
| KGI Bank              | \$2,045,386 | \$2,188,412 |
| Other related parties | 2,570       | 665,027     |
| Total                 | \$2,047,956 | \$2,853,439 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(3) Derivative financial instruments

| Name                  | Contract type  | Period                   | Notional Amount<br>(In thousands of<br>USD dollars) | Balance Sheets<br>(2020.12.31)                              |           |
|-----------------------|----------------|--------------------------|---|---|-----------|
|                       |                |                          |   | Items   | Balance   |
| Other related parties | Swap contracts | 2020/2/6~<br>2021/4/13   | USD 375,000   | financial assets at fair value<br>through profit or loss    | \$118,238 |
| Other related parties | Swap contracts | 2020/11/25~<br>2021/2/26 | USD 120,000   | financial liability at fair<br>value through profit or loss | 1,278     |

  

| Name                  | Contract type  | Period                  | Notional Amount<br>(In thousands of<br>USD dollars) | Balance Sheets<br>(2019.12.31)                           |           |
|-----------------------|----------------|-------------------------|---|--|-----------|
|                       |                |                         |   | Items  | Balance   |
| Other related parties | Swap contracts | 2019/10/3~<br>2020/8/26 | USD 445,000   | financial assets at fair value<br>through profit or loss | \$169,924 |

(4) Financial assets at fair value through profit and loss

| Name                      | 2020.12.31         | 2019.12.31         |
|---------------------------|--------------------|--------------------|
| Stocks:                   |                    |                    |
| Other related parties     | \$283,365          | \$183,166          |
| Beneficiary certificates: |                    |                    |
| Other related parties     | 802,677            | 922,053            |
| Total                     | <u>\$1,086,042</u> | <u>\$1,105,219</u> |

(5) Financial assets at fair value through other comprehensive income

| Name                  | 2020.12.31         | 2019.12.31         |
|-----------------------|--------------------|--------------------|
| Stocks:               |                    |                    |
| Parent company        | \$3,374,154        | \$5,472,816        |
| Other related parties | 224,433            | 235,663            |
| Total                 | <u>\$3,598,587</u> | <u>\$5,708,479</u> |

(6) Bond transaction

| Name                  | For the year ended 31<br>December 2020 |            | For the year ended 31<br>December 2019 |                    |
|-----------------------|--|------------|--|--------------------|
|                       | Purchase                               | Sell       | Purchase                               | Sell               |
| Other related parties | <u>\$8,231,600</u>                     | <u>\$-</u> | <u>\$12,850,481</u>                    | <u>\$2,452,192</u> |

Note: Including purchase and sell of bonds through related parties.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(7) Investment balance appointed to parties' discretionary investment

| Name                                      | 2020.12.31  | 2019.12.31  |
|---|-------------|-------------|
| KGI Securities Investment Trust Co., Ltd. | \$1,737,861 | \$1,867,336 |

(8) Details of the fund balance issued by relationships are as follows

| Name                  | 2020.12.31  | 2019.12.31   |
|-----------------------|-------------|--------------|
| Other related parties | \$8,452,235 | \$10,113,305 |

(9) Amount invested by related parties through cash capital raise

| Name                  | For the years ended 31 December |             |
|-----------------------|---------------------------------|-------------|
|                       | 2020                            | 2019        |
| Parent company        | \$-                             | \$3,112,710 |
| Other related parties | -                               | 139,531     |
| Total                 | \$-                             | \$3,252,241 |

(10) Policy loans

| Name                  | 2020.12.31 | 2019.12.31 |
|-----------------------|------------|------------|
| Other related parties | \$22,602   | \$15,714   |

(11) Payables

| Name                  | 2020.12.31 | 2019.12.31 |
|-----------------------|------------|------------|
| Commissions payable:  |            |            |
| Other related parties | \$34,644   | \$24,435   |
| Other payables:       |            |            |
| Other related parties | 18,846     | 5,399      |
| Total                 | \$53,490   | \$29,834   |

(12) Bonds payable

| Name                     | 2020.12.31  | 2019.12.31 |
|--------------------------|-------------|------------|
| KGI Securities Co., Ltd. | \$4,850,000 | \$-        |



**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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The Company appointed KGI Securities Co., Ltd. as the underwriting agency for the Company's first issue of 2020 perpetual cumulative subordinated corporate bonds, and KGI Securities Co., Ltd. obtained the denomination of the corporate bonds in the amount of \$10,000,000 thousand on 28 December, 2020. As of 31 December, 2020, KGI Securities Co., Ltd. held a total face value of \$4,850,000 thousand of corporate bonds issued by the company, and the interest payable generated amounted to \$1,435 thousand. Interest expenses arising from the aforementioned KGI Securities Co., Ltd. transactions recognized in 2020, totaled \$1,457 thousand.

(13) Guarantee deposits received

| Name                  | 2020.12.31 | 2019.12.31 |
|-----------------------|------------|------------|
| Other related parties | \$81,718   | \$2,441    |

(14) Premium income

| Name                  | For the years ended 31 December |           |
|-----------------------|---------------------------------|-----------|
|                       | 2020                            | 2019      |
| Parent company        | \$2,053                         | \$1,923   |
| Other related parties | 176,710                         | 276,720   |
| Total                 | \$178,763                       | \$278,643 |

(15) Fee income

| Name                                     | For the years ended 31 December |           |
|--|---------------------------------|-----------|
|  | 2020                            | 2019      |
| KGI Securities Investment Trust Co., Ltd | \$159,611                       | \$213,145 |

(16) Interest income

| Name                  | For the years ended 31 December |          |
|-----------------------|---------------------------------|----------|
|                       | 2020                            | 2019     |
| Other related parties | \$3,498                         | \$75,451 |

(17) Financial assets and liabilities measured at fair value through profit or loss - dividend income

| Name                  | For the years ended 31 December |           |
|-----------------------|---------------------------------|-----------|
|                       | 2020                            | 2019      |
| Other related parties | \$275,738                       | \$200,712 |

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

(18) Financial assets at fair value through other comprehensive income – dividend income

| Name           | For the years ended 31 December |           |
|----------------|---------------------------------|-----------|
|                | 2020                            | 2019      |
| Parent company | \$337,481                       | \$168,740 |

(19) Gains on Investment property - rental income

| Name                  | For the years ended 31 December |          |
|-----------------------|---------------------------------|----------|
|                       | 2020                            | 2019     |
| Other related parties | \$10,068                        | \$10,014 |

According to contracts, leasing periods are generally 3 to 11 years, and rentals are usually paid on a monthly basis.

(20) Insurance claim payments

| Name                  | For the years ended 31 December |         |
|-----------------------|---------------------------------|---------|
|                       | 2020                            | 2019    |
| Other related parties | \$2,997                         | \$2,080 |

(21) Commission expenses

| Name                  | For the years ended 31 December |           |
|-----------------------|---------------------------------|-----------|
|                       | 2020                            | 2019      |
| Other related parties | \$373,137                       | \$707,954 |

(22) Professional service fees (recognized in operating expenses)

| Name                  | For the years ended 31 December |          |
|-----------------------|---------------------------------|----------|
|                       | 2020                            | 2019     |
| Other related parties | \$41,323                        | \$31,671 |

(23) Handling fees (recognized in net investment incomes (losses) or in adjustment for investment cost)

| Name                  | For the years ended 31 December |          |
|-----------------------|---------------------------------|----------|
|                       | 2020                            | 2019     |
| Other related parties | \$83,179                        | \$70,590 |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

Other handling fees (recognized in operating expenses)

| Name                  | For the years ended 31 December |          |
|-----------------------|---------------------------------|----------|
|                       | 2020                            | 2019     |
| Other related parties | \$37,829                        | \$35,433 |

(24) Donation expense (recognized in operating expenses)

| Name                  | For the years ended 31 December |          |
|-----------------------|---------------------------------|----------|
|                       | 2020                            | 2019     |
| Other related parties | \$16,250                        | \$10,000 |

(25) The company entrusted the parent company to collect and transfer fees to non-related parties. As of 31 December, 2020 and December 31, 2019, there were no payables arising from the aforementioned transactions. The amount of fees collected and transferred by the parent company is \$1 thousand and \$4,434 thousand for the years ended 31 December 2020 and 2019 respectively. There is no difference between the collection and transfer, and the above transaction are recorded in operating expense.

(26) Finance costs

| Name                  | For the years ended 31 December |      |
|-----------------------|---------------------------------|------|
|                       | 2020                            | 2019 |
| Other related parties | \$1,483                         | \$25 |

(27) Non-operating income and expenses

| Name                  | For the years ended 31 December |         |
|-----------------------|---------------------------------|---------|
|                       | 2020                            | 2019    |
| Other related parties | \$1,541                         | \$3,106 |

The abovementioned transaction terms with related parties do not differ from that with non-related parties.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

3. Key management personnel remuneration

| Item                         | For the years ended 31 December |                  |
|------------------------------|---------------------------------|------------------|
|                              | 2020                            | 2019             |
| Short-term employee benefits | \$384,678                       | \$327,002        |
| Post-employment benefits     | 5,117                           | 4,367            |
| Share-based payment          | -                               | 18,109           |
| Total                        | <u>\$389,795</u>                | <u>\$349,478</u> |

XIII. Pledged assets

Details of pledged and guaranteed assets are as follows:

| Item   | 2020.12.31  | 2019.12.31  |
|--|-------------|-------------|
| Government bonds (recognized as refundable deposits) | \$7,092,185 | \$6,708,195 |

XIV. Commitment and Contingencies

1. Investment commitment not yet contributed

As of 31 December 2020, among the investment contracts signed, the upper limit of the amount not yet contributed were NTD 2,598,775 thousand, USD 531,362 thousand and EUR 113,499 thousand.

2. On 16 December 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy. On 1 March 2017, the Company signed the first contract amendment protocol, amending the total amount of contract to be \$5,623,913 thousand. As of 31 December 2020, the actual accumulated payment of construction is \$5,121,788 thousand after deducting 5% of construction reserve for each payment, leaving \$502,125 thousand unpaid.

XV. Significant disaster damages

None.

XVI. Significant subsequent events

None.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

**XVII. Other matters**

1. Foreign currency financial assets and liabilities with significant influence as of 31 December 2020 and 31 December 2019 are as follows:

|                              | 2020.12.31       |                              |                 |
|------------------------------|------------------|------------------------------|-----------------|
|                              | Foreign currency | Exchange rate<br>(in dollar) | NTD             |
| <u>Financial assets</u>      |                  |                              |                 |
| <u>Monetary items</u>        |                  |                              |                 |
| USD                          | \$41,864,113     | 28.5080                      | \$1,193,462,138 |
| AUD                          | 4,515,182        | 21.9711                      | 99,203,515      |
| <u>Non-monetary items</u>    |                  |                              |                 |
| USD                          | 2,401,796        | 28.5080                      | 68,470,412      |
| <u>Financial Liabilities</u> |                  |                              |                 |
| <u>Monetary items</u>        |                  |                              |                 |
| USD                          | 233,970          | 28.5080                      | 6,670,007       |
| <br>                         |                  |                              |                 |
|                              | 2019.12.31       |                              |                 |
|                              | Foreign currency | Exchange rate<br>(in dollar) | NTD             |
| <u>Financial assets</u>      |                  |                              |                 |
| <u>Monetary items</u>        |                  |                              |                 |
| USD                          | \$37,169,001     | 30.1060                      | \$1,119,007,204 |
| AUD                          | 3,964,377        | 21.0983                      | 83,641,608      |
| <u>Non-monetary items</u>    |                  |                              |                 |
| USD                          | 987,605          | 30.1060                      | 29,732,838      |
| <u>Financial Liabilities</u> |                  |                              |                 |
| <u>Monetary items</u>        |                  |                              |                 |
| USD                          | 290,758          | 30.1060                      | 8,753,554       |

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to the functional currency.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (Continued)**

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2. Participation of unconsolidated structured entities

As of 31 December 2020 and 2019, interests in unconsolidated structured entities the Company holds are as follows. The Company does not provide any financial or other support for these structured entities. The estimated maximum exposure amount is the interests the Company holds.

Date: 31 December 2020

|  | Asset Securitization |             | Total        |
|--|----------------------|-------------|--------------|
|  | Private Equity Fund  | Product     |              |
| Assets held by the Company                             |                      |             |              |
| Financial assets at fair value through profit and loss | \$8,379,207          | \$4,641,441 | \$13,020,648 |
| Financial assets measured at amortized cost            | -                    | 14,507,834  | 14,507,834   |
| The maximum exposure amount                            | 8,379,207            | 19,149,275  | 27,528,482   |
| Financial or other support provided                    | None                 | None        |              |

Date: 31 December 2019

|  | Asset Securitization |             | Total       |
|--|----------------------|-------------|-------------|
|  | Private Equity Fund  | Product     |             |
| Assets held by the Company                             |                      |             |             |
| Financial assets at fair value through profit and loss | \$4,500,811          | \$3,635,108 | \$8,135,919 |
| Financial assets measured at amortized cost            | -                    | 51,003,028  | 51,003,028  |
| The maximum exposure amount                            | 4,500,811            | 54,638,136  | 59,138,947  |
| Financial or other support provided                    | None                 | None        |             |

3. The individual health insurance, individual injury insurance and catastrophe reinsurance contracts between the Company and the reinsurance transaction partner Trust International Insurance and Reinsurance CO. B.S.C. (C) have so far expired. However, the reinsurer still has the responsibility of claims. The credit rating agency canceled the credit rating of the reinsurer in December 2018; therefore, the reinsurer became unqualified.

The Company's unqualified reinsurance expenses and reserve are listed below:

|  | For the years ended 31 December |            |
|--|---------------------------------|------------|
|  | 2020                            | 2019       |
| Reinsurance expenses   | \$-                             | \$4,498    |
|  |                                 |            |
|  | 2020.12.31                      | 2019.12.31 |
| Ceded reserve for claims reported but not paid                               | \$-                             | \$-        |
| Claims recoverable from reinsurers of paid claims non-overdue in nine months | -                               | -          |
| Unqualified reinsurance reserve  | \$-                             | \$-        |

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
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4. Discretionary account management

- (1) The Company contracts with securities investment trust business for discretionary investments management. The investment details are disclosed as follows:

| Items                    | 2020.12.31         |                    | 2019.12.31         |                    |
|--------------------------|--------------------|--------------------|--------------------|--------------------|
|                          | Carrying           |                    | Carrying           |                    |
|                          | Amount             | Fair Value         | Amount             | Fair Value         |
| Domestic listed stocks   | \$1,537,861        | \$1,537,861        | \$1,867,336        | \$1,867,336        |
| Domestic cash equivalent | 200,000            | 200,000            | -                  | -                  |
| Overseas listed stocks   | 5,892,364          | 5,892,364          | -                  | -                  |
| Total                    | <u>\$7,630,225</u> | <u>\$7,630,225</u> | <u>\$1,867,336</u> | <u>\$1,867,336</u> |

- (2) As of 31 December 2020, the discretionary investments limits were USD 100,000 thousand, CNY 500,000 thousand and NTD 2,000,000 thousand ; As of 31 December 2019, the discretionary investments limits were NTD 2,000,000 thousand.
5. When the insurance enterprise is a subsidiary of a financial holding company, manner of revenue, cost, expense and profit (loss) sharing between the insurance enterprise and the financial holding company and other subsidiaries in terms of business or trading activities, joint business promotions, sharing of information, and sharing of facilities or premises.
6. As of 31 December 2020 and 31 December 2019, the Company's equity divided by total assets excluding the separate accounts product assets was 8.41% and 7.42%.
7. The Company had taken the economic influence caused by Covid-19 epidemic into significant accounting estimation considerations when preparing financial statements. After careful assessment, the Company concluded that the epidemic had no material impact on the financial condition of the Company, its ability to operate as a going concern, and impairment of assets through the year of 2020.

XVIII. Additional disclosure

1. Information on significant transactions:

- (1) Acquisition of real estate reaching NT\$100 million or 20% of paid-in capital or more: please refer to Table 1.
- (2) Disposal of real estate reaching NT\$100 million or 20% of paid-in capital or more: None.

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**Notes to financial statements (Continued)**

**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

- (3) Transactions with related parties involving main business items reaching NT\$100 million or 20% of paid-in capital or more: please refer to Note XII.
- (4) Accounts receivable from related parties reaching NT\$100 million or 20% of paid-in or more: please refer to Table 2.
- (5) Trading in derivative instruments:

As of 31 December 2020 and 31 December 2019, the amount (notional amount) that the Company engaged in the contract of derivative instruments transactions is as follows:  
(Unit: US dollar in thousand)

A. Type of derivative instrument held:

|                                     | 2020.12.31          | 2019.12.31          |
|-------------------------------------|---------------------|---------------------|
| Swap and forward exchange contracts | <u>\$30,290,934</u> | <u>\$27,481,497</u> |

2. Information about reinvestment businesses in non-mainland China areas:

- (1) Information on investee company that the Company exercises significant influence over:

| Investor    | Name of Investee       | Location | Main Businesses and Products  | Original Investment Amount |                   | Balance as of 31 December, 2020 |                             |                 | Investee Company's profit or loss for the period | Recognized investment gain or loss for the period | Note   |
|-------------|------------------------|----------|---|----------------------------|-------------------|---------------------------------|-----------------------------|-----------------|--|---|--|
|             |                        |          |   | 31 December, 2020          | 31 December, 2019 | Shares                          | Percentage of ownership (%) | Carrying Amount |  |   |  |
| The Company | Shenhe Energy Co., LTD | Taiwan   | self-usage power generation equipment utilizing renewable energy industry | \$69,650                   | \$-               | 6,965,000                       | 19.90%                      | \$69,863        | \$(75)   | \$213   | Investment Accounted for Using Equity Method |

- (2) If the Company directly or indirectly exercises significant influence over the investee, it shall disclose information on significant transaction with the investee:

- 1) Loans made to others: None.
- 2) Endorsements/ guarantees for others: Please refer to Table 3.
- 3) Securities held at the end of the year:



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**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

| Holding Company Name   | Type and Name of Marketable Securities | Relationship with the Holding Company | Financial Statements Accounts                | 31 December, 2020                             |                 |                             |            |
|------------------------|--|---------------------------------------|--|---|-----------------|-----------------------------|------------|
|                        |  |                                       |  | Shares  | Carrying Amount | Percentage of Ownership (%) | Fair Value |
|                        | <u>Stocks</u>                          |                                       |  |   |                 |                             |            |
| Shenhe Energy Co., LTD | Dehe Energy Co., Ltd.                  | Parent and subsidiary                 | Investment Accounted for Using Equity Method | 154,340                                       | \$153,915       | 100%                        | \$153,915  |
| Shenhe Energy Co., LTD | Dehe 1 Energy Co., Ltd.                | Parent and subsidiary                 | Investment Accounted for Using Equity Method | 948,000                                       | 10,326          | 100%                        | 10,326     |
| Shenhe Energy Co., LTD | Dehe 2 Energy Co., Ltd.                | Parent and subsidiary                 | Investment Accounted for Using Equity Method | 12,370 thousand (Capital contribution amount) | 12,265          | 100%                        | 12,265     |

- 4) Transactions where the aggregate purchases or sales of the same security reaching NT\$100 million or 20% of paid-in capital or more: None.
- 5) Acquisition of real estate reaching NT\$100 million or 20% of paid-in capital or more: None.
- 6) Disposal of real estate reaching NT\$100 million or 20% of paid-in capital or more: None.
- 7) Transactions with related parties involving main business items reaching NT\$100 million or 20% of paid-in capital or more: None.
- 8) Accounts receivable from related parties reaching NT\$100 million or 20% of paid-in capital or more: None.
- 9) Trading in derivative instruments: None.

### 3. Information regarding investment in Mainland China

- (1) The Company set up China Life Insurance Co., Ltd. (Taiwan) Beijing Representative Office in Mainland China, which was approved by FSC on November 2004 and was approved by the China Insurance Regulatory Commission in July 2005. The Beijing representative office was officially established in August 2005.
- (2) The Company participated in the equity investment of Pacific-Antna Life Insurance Company Ltd. in Mainland China authorized by FSC on 30 December 2010, and by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) on 28 January

**China Life Insurance Co., Ltd.**

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**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

2011, and by the China Insurance Regulatory Commission on 6 April 2011. The Company remitted US\$58,775 thousand on 24 June 2011, completed settlement on 29 June 2011 and obtained 19.9% ownership. The Company shared 100% equity of Pacific-Antna Life Insurance Company Ltd. with China Construction Bank and other financial investors and used the channel and customer resources of China Construction Bank to develop bank insurance business which is to ensure the Company successfully enters the mainland market and increases the Company's long-term value and shareholders' interests. Pacific-Antna Life Insurance Company Ltd. was renamed to CCB Life Insurance Company Ltd. authorized by the China Insurance Regulatory Commission on 7 June 2011. And CCB Life Insurance Company Ltd. made an announcement to change into a company limited by shares from a limited company on 20 December 2016.

The Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to increase capital of US\$216,000 thousand CCB Life Insurance Company Ltd. on 29 August 2011 and to remit US\$11,844 thousand on 30 August 2011. The increased share capital case was approved by China Insurance Regulatory Commission on 28 September 2011 and by Shanghai Administration for Industry and Commerce on 13 December 2011. Moreover, the Company remitted US\$179,070 thousand to increase share capital in June 2012, and this increased share capital case was approved by China Insurance Regulatory Commission on 27 July 2012 and by Shanghai Administration for Industry and Commerce on 5 November 2012. MOEAIC authorized the Company to revoke the approved case on 29 August 2011 of US\$25,086 thousand not implemented on 2 October 2017.

On 29 December 2016, the Board has resolved to participate CCB Life Insurance Co., Ltd.'s capital raising plan in exact proportion to its current shareholding. The MOEAIC approved the Company's plan to increase capital investment in CCB Life Insurance Company Ltd. on 29 March 2017 and the Company remitted RMB\$1,194,000 thousand in April 2019. The capital raising plan was approved by the China Insurance Regulatory Commission on 21 July 2020 and the Shanghai Administration for Industry and Commerce as of 28 October 2020.

- (3) Information on the investee company, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area: Please refer to Table 4.

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (Continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

4. Information of major shareholders:

| Shares |   |                    |
|--------|---|--------------------|
|        | Major shareholders                        | Holding Shares     |
|        |   | Holding Percentage |
|        | China Development Financial Holding Corp. | 1,237,925,697      |
|        | KGI Securities Co., Ltd. (Note 3)         | 418,554,623        |
|        |   | 26.16%             |
|        |   | 8.84%              |

Note :

- (1) The major shareholders' information in the table is calculated by Taiwan Depository & Clearing Corporation on the last business day at the end of each quarter. The information included the total number of ordinary shares and preferred shares (including treasury stock) held by the shareholders who have completed the delivery of dematerialized registration that reached 5% of the Company's total shares. The share capital stated in the Company's financial report and the number of shares actually delivered by the Company with dematerialized registration may differ because the calculation bases were different.
- (2) If the above information included the shareholders' shares transferred to a trust, it will be disclosed by the individual settlor account opened by the trustee. As for shareholders who declared insider equity holding for more than 10% of shareholding percentage in accordance with the Securities and Exchange Act, such holdings shall include their shareholdings plus their shares that have been delivered to the trust that they have control of. For related information on insider stock holding declaration, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.
- (3) It includes 9,043,000 shares held by KGI Securities Co., Ltd.'s borrowing positions for securities undertaking, with 0.18% holding percentage.

**XIX. Operating segment information**

1. Information on products and services

The Company engaged in life insurance business in accordance with Insurance Act. According to IFRS 8 "Operating Segments", the Company offers only insurance contract products. The operating executives assign resources on a basis of entire company, therefore the entire company is a single operating segment.

2. Information on the geographical areas in which the business operates

The Company does not have foreign operating segment, therefore no information shall be disclosed.

3. Information on major customer

The Company does not have any one customer whose revenue constitute 10% or more on the income statement, therefore no information shall be disclosed.

China Life Insurance Co., Ltd.

Notes to financial statements (continued)

(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 1: Acquisition of real estate reaching NT\$100 million or 20 percent of paid-in capital or more

| Acquiring Company | Name of Property   | Event Date     | Transaction Amount | Payment Status                   | Counterparty  | Relationship | Information on previous transaction, if Counterparty is a Related Party |              |                  |        | Pricing Determination Reference | Purpose of Acquisition | Others |
|-------------------|--|----------------|--------------------|----------------------------------|---|--------------|---|--------------|------------------|--------|---------------------------------|------------------------|--------|
|                   |  |                |                    |                                  |   |              | Owner   | Relationship | Transaction Date | Amount |                                 |                        |        |
| The Company       | Taoyuan City, Taoyuan Dist, Jingguo 1st Rd, No.65,67,69,71,73, 3F,5F,12F and No.65,67,71,73, 4F,7F with 70 parkinglots | 20 August 2020 | \$852,666          | Paid in accordance with contract | Land : Chung-mao estate development Co., Ltd.<br>、 Hung Yue Ying<br>Building : Making Rich Asset Investment Co., Ltd. | None         | -   | -            | -                | -      | Valuation reports (Note 1)      | For operating use      | None   |

Note 1 : Amount include taxes. Valuation report is aquired from Home Ban Appraisers Joint Firm for transaction price.

**China Life Insurance Co., Ltd.**

**Notes to financial statements (continued)**

**(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)**

Table 2:Accounts receivable from related parties reaching NT\$100 million or 20 percent of paid-in capital or more

| Company Name | Related Party | Nature of Relationships | Ending Balance                | Turnover rate | Overdue |              | Amounts Received in Subsequent Period | Allowance for impairment loss |
|--------------|---------------|-------------------------|-------------------------------|---------------|---------|--------------|---------------------------------------|-------------------------------|
|              |               |                         |                               |               | Amount  | Action Taken |                                       |                               |
| The Company  | KGI Bank      | Brother company         | Other receivables \$2,045,386 | Note 1        | \$-     | -            | \$2,045,386                           | \$-                           |

Note 1: No turnover rate is available as the receivables were caused by Automated Clearing House (ACH).

China Life Insurance Co., Ltd.  
Notes to financial statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 3: The reinvestment business provided Endorsements/Guarantees for others

| Endorsement/ Guarantee Provider | Guaranteed Party        |                        | Limits on Endorsement/ Guarantee Amount Provided to Each Fuaranteed Party | Maximum Balance for the Period | Ending Balance | Amount Actually Drawn | Amount of Endorsement / Guarantee Collateralized by Properties | Ratio of Accumulated Endorsement/ Guarantee to Equity per Latest Financial Statements | Maximum Endorsement/ Guarantee Limit | Guarantee Provided by Parent Company | Guarantee Provided by A Subsidiary | Guarantee Provided to Subsidiaries in Mainland China |
|---------------------------------|-------------------------|------------------------|---|--------------------------------|----------------|-----------------------|--|---|--------------------------------------|--------------------------------------|------------------------------------|--|
|                                 | Name                    | Nature of Relationship |   |                                |                |                       |  |   |                                      |                                      |                                    |  |
| Shenhe Energy Co., Ltd.         | Dehe Energy Co., Ltd.   | Parent and Subsidiary  | None  | \$950,000                      | \$950,000      | \$66,118              | -  | 271%  | None                                 | Yes                                  | No                                 | No   |
| Shenhe Energy Co., Ltd.         | Dehe 1 Energy Co., Ltd. | Parent and Subsidiary  | None  | 16,120                         | 15,542         | 16,120                | -  | 4.60%   | None                                 | Yes                                  | No                                 | No   |

China Life Insurance Co., Ltd.

Notes to financial statements (continued)

(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 4: Information on Investment in Mainland China

| Investee Company                   | Principal Business Activities | Paid-in Capital                          | Method of investment                | Accumulated outward remittance from Taiwan for investment purpose at the beginning of the period | Inward or outward remittance for investment purpose for the period |        | Accumulated outward remittance from Taiwan for investment purpose at the end of the period | Investee Company's profit or loss for the period | Shareholding ratio of direct or indirect investment by the Company | Recognized investment gain or loss for the period | Carrying amount of the investment at the end of the period | Accumulated repatriated investment gains up to the period |
|------------------------------------|-------------------------------|--|-------------------------------------|--|--|--------|--|--|--|---|--|---|
|                                    |                               |  |                                     |  | Outward  | Inward |  |  |  |   |  |   |
| CCB Life Insurance Ltd<br>(Note 1) | Life Insurance                | \$32,212,967<br>(CNY 7,120,461 thousand) | Direct investment in Mainland China | \$12,880,969   | \$-  | \$-    | \$12,880,969   | \$3,554,131<br>(Note 3)                          | 19.90%   | \$-   | \$18,836,120<br>(Note 2)                                   | \$148,983<br>(Note 4)                                     |

| Accumulated outward remittance from Taiwan for investment in Mainland China at the end of the period | Approved amount of investment in the Mainland China promulgated by the Investment Commission, Ministry of Economic Affairs | Limit on the amount of investment in the Mainland China promulgated by the Investment Commission, Ministry of Economic Affairs |
|--|--|--|
| \$12,880,969   | \$12,880,969   | \$107,794,323  |

Note 1: The investee company was originally named as Pacific-Antna Life Insurance Company Ltd. On 7 June 2011, the investee company was approved to change the name to CCB Life Insurance Ltd. by China Insurance Regulatory Commission.

On 20 December 2016, the investee company announced to restructure as incorporation.

Note 2: The Company classified the investment in the financial assets at fair value through other comprehensive income. The ending carrying amount includes unrealized gains or losses.

Note 3: Investee Company's profit or loss for the period is the book balance of the investee company, unaudited by the CPA.

Note 4: The accumulated cash dividends.

Note 5: The Investee Company raised RMB \$6 billion in cash capital in 2019. The payments of the capital raising plan have been fully collected and the capital verification was completed in April 2019. The paid-in capital following the capital increase was approved by the China Insurance Regulatory Commission on 21 July 2020 and has approved by the Shanghai Administration for Industry and Commerce as of 28 October 2020.

China Life Insurance Co., Ltd.  
The Statements of Major Accounting Items

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China Life Insurance Co., Ltd.

1.Statement of cash and cash equivalents

31-December-20

Unit: NT\$ thousands

| Item                       | Summary   | Amounts       |
|----------------------------|---|---------------|
| Cash on hand               |   | \$657         |
| Revolving funds            |   | 1,065         |
| Cash in banks              | Including foreign currency accounts as follow :<br>USD            952,986 thousands Exchange rate : 28.508<br>EUR                354 thousands Exchange rate : 35.0506<br>AUD            116,152 thousands Exchange rate : 21.9711<br>CNH            113,857 thousands Exchange rate : 4.3817<br>CNY            339,088 thousands Exchange rate : 4.3643<br>HKD            182,885 thousands Exchange rate : 3.6775<br>JPY                27 thousands Exchange rate : 0.2765<br>SGD            6,173 thousands Exchange rate : 21.5806<br>CAD            315 thousands Exchange rate : 22.3627<br>CHF            955 thousands Exchange rate : 32.3734 | 70,335,073    |
| Time deposits              | Maturity date on the time deposits falls within 12 months. The interest intervals are between 0.06% to 0.525%<br><br>Including foreign currency time deposits as follow :<br>USD            400,000 thousands Exchange rate : 28.508  | 24,408,100    |
| Bond with resale agreement | Maturity date on bond with resale agreement falls within 3 months. The interest intervals are between 0.15% to 0.23%.   | 6,631,620     |
| Total                      |   | \$101,376,515 |

China Life Insurance Co., Ltd.  
2.Statement of financial assets at fair value through profit or loss  
31-December-20

Unit: NT\$ thousands

| Name of financial instrument                          | Summary | Number of shares or bonds | Face value(NT\$) | Total value | Interest rate | Acquisition cost     | Fair value       |                      | Changes in fair value attributable to changes in credit risk | Note  |
|---|---------|---------------------------|------------------|-------------|---------------|----------------------|------------------|----------------------|--|-------|
|   |         |                           |                  |             |               |                      | Unit price(NT\$) | Total                |  |       |
| Financial assets at fair value through profit or loss |         |                           |                  |             |               |                      |                  |                      |  |       |
| 1.Domestic listed stocks                              |         |                           |                  |             |               |                      |                  |                      |  |       |
| TSMC  |         | 44,198,000                | \$10             | \$441,980   |               | \$17,017,502         | 530              | \$23,424,940         | None   | Note2 |
| Others (Note2)  |         |                           |                  |             |               | 95,471,991           |                  | 93,688,395           | None   | Note2 |
| Total   |         |                           |                  |             |               | <u>112,489,493</u>   |                  | <u>117,113,335</u>   |  |       |
| 2.Domestic unlisted stocks                            |         |                           |                  |             |               | 301,052              |                  | 283,365              | None   | Note2 |
| 3.Domestic beneficiary certificates                   |         |                           |                  |             |               | 104,487,227          |                  | 102,669,517          | None   | Note2 |
| 4.Domestic real estate investment trust               |         |                           |                  |             |               | 1,726,644            |                  | 2,224,345            | None   | Note2 |
| 5.Domestic financial debentures                       |         |                           |                  |             |               | 14,440,000           |                  | 15,296,061           | None   | Note2 |
| 6.Domestic structured products                        |         |                           |                  |             |               | 1,000,000            |                  | 997,360              | None   | Note2 |
| 7.Derivative not designed as hedging instruments      |         |                           |                  |             |               | -                    |                  | 12,108,158           | None   | Note2 |
| 8.Overseas listed stocks                              |         |                           |                  |             |               | 31,335,058           |                  | 28,472,031           | None   | Note2 |
| 9.Overseas beneficiary certificates                   |         |                           |                  |             |               | 55,758,896           |                  | 57,413,779           | None   | Note2 |
| 10.Overseas real estate investment trust              |         |                           |                  |             |               | 2,503,533            |                  | 2,417,097            | None   | Note2 |
| 11.Overseas preferred stocks                          |         |                           |                  |             |               | 5,785,319            |                  | 5,975,498            | None   | Note2 |
| 12.Overseas corporate bonds                           |         |                           |                  |             |               | 14,036,395           |                  | 14,648,671           | None   | Note2 |
| 13.Overseas financial debentures                      |         |                           |                  |             |               | 14,113,736           |                  | 15,936,712           | None   | Note2 |
| Total(1+2+3+4+5+6+7+8+9+10+11+12+13)                  |         |                           |                  |             |               | <u>357,977,353</u>   |                  | <u>\$375,555,929</u> |  |       |
| Valuation adjustment                                  |         |                           |                  |             |               | <u>17,578,576</u>    |                  |                      |  |       |
| Net amount  |         |                           |                  |             |               | <u>\$375,555,929</u> |                  |                      |  |       |

Note1: The above financial assets are not pledged.

Note2: The balance of each securities that does not constitute over 5% of the balance of the major accounting item does not present separately

China Life Insurance Co., Ltd.  
3.Statement of financial assets at fair value through other comprehensive income  
31-December-20

Unit: NT\$ thousands

| Name of financial instrument    | Summary | Number of shares or bonds | Face value | Total value | Allowance for losses | Valuation adjustment for allowance | Acquisition cost     | Fair value       |                      | Note             |
|---------------------------------|---------|---------------------------|------------|-------------|----------------------|------------------------------------|----------------------|------------------|----------------------|------------------|
|                                 |         |                           |            |             |                      |                                    |                      | Unit price(NT\$) | Total                |                  |
| 1.Domestic listed stocks        |         |                           |            |             | Not applicable       | \$2,299,180                        | \$20,954,171         |                  | \$23,253,351         | Note1            |
| 2.Domestic government bonds     |         |                           |            |             | 1,297                | 9,764,095                          | 69,761,276           |                  | 79,525,371           | Due 2050 · Note1 |
| 3.Domestic unlisted stocks      |         |                           |            |             | Not applicable       | 927,699                            | 2,225,582            |                  | 3,153,281            | Note1            |
| 4.Domestic preferred stocks     |         |                           |            |             | Not applicable       | 520,528                            | 11,768,802           |                  | 12,289,330           | Note1            |
| 5.Overseas government bonds     |         |                           |            |             | 4,336                | 4,943,629                          | 52,204,075           |                  | 57,147,704           | Due 2110 · Note1 |
| 6.Overseas corporate bonds      |         |                           |            |             | 12,897               | 17,968,901                         | 144,721,469          |                  | 162,690,370          | Due 2070 · Note1 |
| 7.Overseas financial debentures |         |                           |            |             | 5,788                | 18,157,995                         | 107,819,602          |                  | 125,977,597          | Due 2048 · Note1 |
| 8.Overseas unlisted stocks      |         |                           |            |             | Not applicable       | 6,715,003                          | 12,121,117           |                  | 18,836,120           | Note1            |
| Less: Refundable deposits       |         |                           |            |             | -                    | -                                  | -                    |                  | -                    |                  |
| Total(1+2+3+4+5+6+7+8+9)        |         |                           |            |             | <u>\$24,318</u>      | <u>\$61,297,030</u>                | <u>\$421,576,094</u> |                  | <u>\$482,873,124</u> |                  |

Note 1: The balance of each securities that does not constitute over 5% of the balance of the major accounting item does not present separately

Note2: The above financial assets are not pledged.

China Life Insurance Co., Ltd.  
4.Statement of financial assets at amortized cost  
31-December-20

Unit: NT\$ thousands

| Name of Bonds                         | Summary | Number of bonds | Face value | Total value   | Interest rate | Allowance for losses | Unamortized Premiums(discounts) | Book value             | Note               |
|---------------------------------------|---------|-----------------|------------|---------------|---------------|----------------------|---------------------------------|------------------------|--------------------|
| 1.Domestic government bonds           |         |                 |            | \$63,947,700  | 0.25%~5%      | \$(1,199)            | \$657,762                       | \$64,605,462           | Due on 2050, Note2 |
| 2.Domestic corporate bonds            |         |                 |            | 54,330,000    | 0.45%~3.7%    | (3,370)              | (5,807)                         | 54,324,193             | Due on 2050, Note2 |
| 3.Domestic financial debentures       |         |                 |            | 21,950,000    | 0.4%~4%       | (1,258)              | -                               | 21,950,000             | Due on 2030, Note2 |
| 4.Domestic structured products        |         |                 |            | 3,500,000     | 0.845%~1.32%  | (231)                | -                               | 3,500,000              | Due on 2030, Note2 |
| 5.Overseas government bonds           |         |                 |            | 40,335,178    | 3.27%~7.75%   | (3,111)              | 5,168,026                       | 45,503,204             | Due on 2110, Note2 |
| 6.Overseas corporate bonds            |         |                 |            | 293,409,063   | 0%~8.2%       | (21,689)             | 18,006,775                      | 311,415,838            | Due on 2069, Note2 |
| 7.Overseas financial debentures       |         |                 |            | 1,426,800,831 | 0%~7.75%      | (25,733)             | (889,062,985)                   | 537,737,846            | Due on 2110, Note2 |
| 8.Overseas real estate mortgage bonds |         |                 |            | 14,855,673    | 2.5%~5%       | (326)                | (347,513)                       | 14,508,160             | Due on 2054, Note2 |
| Less: refundable deposits             |         |                 |            |               |               |                      |                                 | (7,092,185)            | Note1              |
| Less: expected credit loss            |         |                 |            |               |               |                      |                                 | (56,917)               |                    |
| Total                                 |         |                 |            |               |               | <u>\$(56,917)</u>    | <u>\$(865,583,742)</u>          | <u>\$1,046,395,601</u> |                    |

Note1:\$7,091,495 thousand is deposited to the Department of the Treasury of CBC as insurance deposits ; \$690 thousand is litigation deposits paid to and deposited in court °

Note2: The balance of each securities that does not constitute over 5% of the balance of the major accounting item does not present separately

Note3: Except for the abovementioned in Note1, the financial assets listed above are not pledged.

China Life Insurance Co., Ltd.

5.Statement of changes in investments accounted for using equity method

For the year ended 31 December 2020

Unit: NT\$ thousands

| Name                   | Beginning balance |        | Increase for the current period (Note1) |          | Decrease for the current period |        | Ending balance   |            |          | Fair value or net worth |              | Pledged or lent | Note |
|------------------------|-------------------|--------|---|----------|---------------------------------|--------|------------------|------------|----------|-------------------------|--------------|-----------------|------|
|                        | Number of shares  | Amount | Number of shares                        | Amount   | Number of shares                | Amount | Number of shares | Proportion | Amount   | Unit price(NT\$)        | Total Amount |                 |      |
| Shenhe Energy Co., Ltd | -                 | \$-    | 6,965,000                               | \$69,863 | \$-                             | \$-    | 6,965,000        | 19.90%     | \$69,863 | \$10                    | \$69,635     | None            |      |

Note1 : Increase for the current period include acquisition cost \$69,650 thousand for 6,965,000 shares and gain from investment under equity method \$213 thousand.

## China Life Insurance Co., Ltd.

## 6.Statement of changes in right-of-use assets

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                    | Beginning balance   | Increase for the current period |                  | Decrease for the current period |                      | Ending balance     | Note |
|-------------------------|---------------------|---------------------------------|------------------|---------------------------------|----------------------|--------------------|------|
|                         |                     | A                               | B                | A                               | B                    |                    |      |
| Land                    | \$2,098,517         | A                               | \$201            | A                               | \$(544,307)          | \$636,057          |      |
|                         |                     | B                               | -                | B                               | (918,354)            |                    |      |
| Royalty-surface rights  | 13,179,623          | A                               | -                | A                               | -                    | 5,392,024          |      |
|                         |                     | B                               | -                | B                               | (7,787,599)          |                    |      |
| Buildings               | 94,329              | A                               | 26,644           | A                               | (8,346)              | 112,627            |      |
| Computer equipment      | 94,957              | A                               | 131,384          | A                               | (94,957)             | 131,384            |      |
| Transpotation equipment | 13,735              | A                               | 8,373            | A                               | (7,003)              | 15,105             |      |
| Other office equipment  | 26,160              | A                               | 37,099           | A                               | (13,784)             | 49,475             |      |
| Total                   | <u>\$15,507,321</u> |                                 | <u>\$203,701</u> |                                 | <u>\$(9,374,350)</u> | <u>\$6,336,672</u> |      |

## China Life Insurance Co., Ltd.

## 6-1.Statement of changes in accumulated depreciation of right-of-use assets

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                     | Beginning balance | Increase for the current period | Decrease for the current period | Ending balance   | Note |
|--------------------------|-------------------|---------------------------------|---------------------------------|------------------|------|
| Land                     | \$32,243          | A \$21,231                      | A \$-                           | \$23,351         |      |
|                          |                   | B -                             | B (30,123)                      |                  |      |
| Royalty-surface rights   | 202,605           | A 172,676                       | A -                             | 165,779          |      |
|                          |                   | B -                             | B (209,502)                     |                  |      |
| Buildings                | 31,107            | A 43,400                        | A (7,415)                       | 67,092           |      |
| Computer equipment       | 51,795            | A 47,964                        | A (94,957)                      | 4,802            |      |
| Transportation equipment | 3,636             | A 3,335                         | A (3,075)                       | 3,896            |      |
| Other office equipment   | 11,662            | A 15,104                        | A (13,784)                      | 12,982           |      |
| Total                    | <u>\$333,048</u>  | <u>\$303,710</u>                | <u>\$(358,856)</u>              | <u>\$277,902</u> |      |

China Life Insurance Co., Ltd.  
7.Statement of changes in investment property  
For the year ended 31 December 2020

Unit: NTS thousands

| Item  | Beginning balance                 |                                  |                     | A Increase for the current period<br>B Transfers (from) |                                  |                  | A Decrease for the current period<br>B Transfers (to) |                                  |                   | Ending balance                    |                                  |                     | Pledge              | Note                |      |       |
|---|-----------------------------------|----------------------------------|---------------------|---|----------------------------------|------------------|---|----------------------------------|-------------------|-----------------------------------|----------------------------------|---------------------|---------------------|---------------------|------|-------|
|   | The amount at initial recognition | Accumulated change in fair value | Total               | The amount at initial recognition                       | Accumulated change in fair value | Total            | The amount at initial recognition                     | Accumulated change in fair value | Total             | The amount at initial recognition | Accumulated change in fair value | Total               |                     |                     |      |       |
| Measured at fair value :                    |                                   |                                  |                     |   |                                  |                  |   |                                  |                   |                                   |                                  |                     |                     |                     |      |       |
| Land  | \$7,235,962                       | \$8,632,716                      | \$15,868,678        | A   | \$-                              | \$81,113         | \$81,113  | A                                | \$(13,064)        | \$(1,080)                         | \$(14,144)                       | \$7,317,986         | \$8,691,416         | \$16,009,402        | None | Note1 |
|   |                                   |                                  |                     | B   | 95,088                           | 14,702           | 109,790   |                                  | -                 | (36,035)                          | (36,035)                         |                     |                     |                     |      |       |
| Buildings                                   | 3,544,641                         | 1,202,523                        | 4,747,164           | A   | 12,439                           | -                | 12,439  | A                                | (8,270)           | (137,152)                         | (145,422)                        | 7,987,282           | 1,047,591           | 9,034,873           | None | Note1 |
|   |                                   |                                  |                     | B   | 4,438,472                        | 29,224           | 4,467,696   | B                                | -                 | (47,004)                          | (47,004)                         |                     |                     |                     |      |       |
| Right-of-use assets - Land                  | -                                 | -                                | -                   | A   | -                                | 2,045            | 1,275,780   | A                                | -                 | -                                 | -                                | 888,231             | 387,549             | 1,275,780           | None | Note1 |
|   |                                   |                                  |                     | B   | 888,231                          | 385,504          |   |                                  |                   |                                   |                                  |                     |                     |                     |      |       |
| Right-of-use assets - Royalty-surfacerights | -                                 | -                                | -                   | A   | -                                | 313,974          | 7,998,918   | A                                | -                 | -                                 | -                                | 7,578,097           | 420,821             | 7,998,918           | None | Note1 |
|   |                                   |                                  |                     | B   | 7,578,097                        | 106,847          |   |                                  |                   |                                   |                                  |                     |                     |                     |      |       |
| <b>Total</b>                                | <b>\$10,780,603</b>               | <b>\$9,835,239</b>               | <b>\$20,615,842</b> |   | <b>\$13,012,327</b>              | <b>\$933,409</b> | <b>\$13,945,736</b>                                   |                                  | <b>\$(21,334)</b> | <b>\$(221,271)</b>                | <b>\$(242,605)</b>               | <b>\$23,771,596</b> | <b>\$10,547,377</b> | <b>\$34,318,973</b> |      |       |
| Measured at cost :                          |                                   |                                  |                     |   |                                  |                  |   |                                  |                   |                                   |                                  |                     |                     |                     |      |       |
| Land  | \$3,654,175                       | \$-                              | \$3,654,175         |   | \$-                              | \$-              | \$-   | A                                | \$-               | \$-                               | \$-                              | \$3,654,175         | \$-                 | \$3,654,175         | None | Note2 |
| <b>Total</b>                                | <b>\$3,654,175</b>                | <b>\$-</b>                       | <b>\$3,654,175</b>  |   | <b>\$-</b>                       | <b>\$-</b>       | <b>\$-</b>  |                                  | <b>\$-</b>        | <b>\$-</b>                        | <b>\$-</b>                       | <b>\$3,654,175</b>  | <b>\$-</b>          | <b>\$3,654,175</b>  |      |       |

Note 1: For investment property measured at fair value, the amounts listed above are evaluated through independent valuation appraisers. Please refer to Note VI.8 in financial reports for the approaches and assumptions adopted.

Note 2: For investment property measured at cost, the amounts listed above is at initial recognition.



China Life Insurance Co., Ltd.

7-1.Statement of changes in accumulated impairment of investment property

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item               | Beginning balance  | Increase for the current period | Decrease for the current period | Ending balance     | Note |
|--------------------|--------------------|---------------------------------|---------------------------------|--------------------|------|
| Measured at cost : |                    |                                 |                                 |                    |      |
| Land               | <u>\$1,133,112</u> | <u>\$1,119</u>                  | <u>\$-</u>                      | <u>\$1,134,231</u> |      |

China Life Insurance Co., Ltd.

8.Statement of loans made to others

31-December-20

Unit: NT\$ thousands

| Item                          | Amount              | Allowance for losses | Adjustments of premiums and discounts | Net amount          | Note |
|-------------------------------|---------------------|----------------------|---------------------------------------|---------------------|------|
| Policy loans                  | \$27,137,356        | \$-                  | \$-                                   | \$27,137,356        |      |
| Automatic premium loans       | 5,845,356           | -                    | -                                     | \$5,845,356         |      |
| Secured loans                 | 583,485             | (9,148)              | -                                     | \$574,337           |      |
| Secured loans - overdue loans | -                   | -                    | -                                     | -                   |      |
| Total                         | <u>\$33,566,197</u> | <u>\$(9,148)</u>     | <u>\$-</u>                            | <u>\$33,557,049</u> |      |

China Life Insurance Co., Ltd.

9.Statement of claims recoverable from reinsurers

31-December-20

Unit: NT\$ thousands

| Item                          | Summary | Amount                | Note |
|-------------------------------|---------|-----------------------|------|
| Individual health insurance   |         | \$463,045             |      |
| Group insurance               |         | 75,872                |      |
| Individual life insurance     |         | 66,734                |      |
| Investment-linked insurance   |         | 34,861                |      |
| Individual accident insurance |         | 6,437                 |      |
| Total                         |         | <hr/> \$646,949 <hr/> |      |

China Life Insurance Co., Ltd.

10.Statement of due from and due to reinsurers and ceding companies

31-December-20

Unit: NT\$ thousands

| Summary                                  | Debit balance   | Summary                                | Credit balance   | Note |
|--|-----------------|--|------------------|------|
| Due from reinsurers and ceding companies |                 | Due to reinsurers and ceding companies |                  |      |
| Central Reinsurance Corporation.         | \$10,718        | RGAs Global Reinsurance Company        | \$509,863        |      |
|  |                 | Munich Reinsurance Company             | 143,398          |      |
|  |                 | Others(note)                           | 155,433          |      |
| Total                                    | <u>\$10,718</u> | Total                                  | <u>\$808,694</u> |      |

Note: The balance of each item that does not constitute about 5% of the balance of the major accounting item does not present separately

China Life Insurance Co., Ltd.

11. Statement of change in property and equipment

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item  | Beginning balance | Increase for the current period |               | Decrease for the current period |                | Ending balance | Pledge | Note |
|---|-------------------|---------------------------------|---------------|---------------------------------|----------------|----------------|--------|------|
|   |                   | A<br>B                          | Transfer from | A<br>B                          | Transfer to    |                |        |      |
| Land  | \$6,617,371       | A                               | \$545,398     | A                               | \$-            | \$7,077,678    | None   |      |
|   |                   | B                               | 36,035        | B                               | (121,126)      |                |        |      |
| Buildings   | 1,848,625         | A                               | 312,569       | A                               | -              | 6,135,541      | None   |      |
|   |                   | B                               | 8,488,086     | B                               | (4,513,739)    |                |        |      |
| Computer equipment                                    | 460,948           | A                               | 70,990        | A                               | (81,406)       | 477,220        | None   |      |
|   |                   | B                               | 26,688        | B                               | -              |                |        |      |
| Transportation equipment                              | 9,825             | A                               | 2,741         | A                               | (3,230)        | 9,336          | None   |      |
| Other equipment                                       | 542,956           | A                               | 10,775        | A                               | (8,248)        | 551,864        | None   |      |
|   |                   | B                               | 6,381         | B                               | -              |                |        |      |
| Leaseholde improvements                               | 23,226            |                                 | -             |                                 | -              | 23,226         | None   |      |
| Prepayment for buildings and construction in progress | 6,523,265         | A                               | 2,169,207     | A                               | -              | 148,206        | None   |      |
|   |                   | B                               | -             | B                               | (8,544,266)    |                |        |      |
| Total   | \$16,026,216      |                                 | \$11,668,870  |                                 | \$(13,272,015) | \$14,423,071   |        |      |

China Life Insurance Co., Ltd.

11-1.Statement of changes in accumulated depreciation of property and equipment

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                     | Beginning balance  | A Increase for the current period |                  | A Decrease for the current period |                    | Ending balance     | Note   |
|--------------------------|--------------------|-----------------------------------|------------------|-----------------------------------|--------------------|--------------------|--------|
|                          |                    | B Transfer from                   |                  | B Transfer to                     |                    |                    |        |
| Buildings                | \$563,180          | A                                 | \$91,173         | A                                 | \$-                | \$616,859          | Note 1 |
|                          |                    | B                                 | -                | B                                 | (37,494)           |                    |        |
| Computer equipment       | 209,469            | A                                 | 74,991           | A                                 | (81,312)           | 203,148            | Note 2 |
| Transportation equipment | 7,623              | A                                 | 1,294            | A                                 | (3,229)            | 5,688              | Note 3 |
| Other equipment          | 366,031            | A                                 | 58,740           | A                                 | (8,247)            | 416,524            | Note 4 |
| Leasehold improvement    | 22,417             | A                                 | 364              |                                   | -                  | 22,781             | Note 5 |
| Total                    | <u>\$1,168,720</u> |                                   | <u>\$226,562</u> |                                   | <u>\$(130,282)</u> | <u>\$1,265,000</u> |        |

Note 1: Accrued on a straight-line basis over the estimated economic lives 15-60 years.

Note 2: Accrued on a straight-line basis over the estimated economic lives 3-15 years.

Note 3: Accrued on a straight-line basis over the estimated economic lives 5-10 years.

Note 4: Accrued on a straight-line basis over the estimated economic lives 3-5 years.

Note 5: Accrued on a straight-line basis over the lease terms or the estimated economic lives, whichever is shorter.

China Life Insurance Co., Ltd.

11-2.Statement of changes in accumulated impairment of property and equipment

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item      | Beginning balance | Increase for the current period | Decrease for the current period | Ending balance   | Note |
|-----------|-------------------|---------------------------------|---------------------------------|------------------|------|
| Land      | \$740,474         | \$26,083                        | \$(26,038)                      | \$740,519        |      |
| Buildings | 3,481             | 36,856                          | (37,773)                        | 2,564            |      |
| Total     | <u>\$743,955</u>  | <u>\$62,939</u>                 | <u>\$(63,811)</u>               | <u>\$743,083</u> |      |

China Life Insurance Co., Ltd.  
 12.Statement of changes in intangible assets  
 For the year ended 31 December 2020

Unit: NT\$ thousands

| Item              | Beginning balance | Increase for the current period |                  | Decrease for the current period |                    | Ending balance   | Note   |
|-------------------|-------------------|---------------------------------|------------------|---------------------------------|--------------------|------------------|--------|
|                   |                   | A                               | B                | A                               | B                  |                  |        |
| Computer software | \$190,409         | A                               | \$82,092         | A                               | \$(127,887)        | \$234,530        | Note 2 |
|                   |                   | B                               | 89,916           | B                               |                    |                  |        |
| Total             | <u>\$190,409</u>  |                                 | <u>\$172,008</u> |                                 | <u>\$(127,887)</u> | <u>\$234,530</u> |        |

Note1 : The amount decrease in the current period is amortization.

Note2 : Accrued on a straight-line basis over the estimated economic lives 1-5 years.



## China Life Insurance Co., Ltd.

## 13.Statement of other assets

31-December-20

Unit: NT\$ thousands

| Item                  | Summary                                  | Amount      | Note  |
|-----------------------|--|-------------|---|
| Prepayments           | Prepaid expenses                         | \$42,378    |   |
|                       | Imputation Tax Credit                    | 273,283     |   |
|                       | Other prepayments                        | 141,269     |   |
|                       | Subtotal                                 | 456,930     |   |
| Refundable deposits   | Insurance enterprise deposits            | 7,091,495   |   |
|                       | Litigation deposits                      | 690         |   |
|                       | Other deposits                           | 121,689     | ( Other deposits<br>including telephone<br>equipment, leases, etc.) |
|                       | Subtotal                                 | 7,213,874   |   |
| Other assets – others | Temporary payments and suspense accounts | 14,237      |   |
|                       | Building Public Fund                     | 39,355      |   |
|                       | Subtotal                                 | 53,592      |   |
| Total                 |  | \$7,724,396 |   |

China Life Insurance Co., Ltd.

14. Statement of financial liabilities at fair value through profit or loss

31-December-20

Unit: NT\$ thousands

| Name of financial instrument     | Summary                                      | Number of shares or bonds | Face value | Total value | Interest rate | Fair value       |                    | Changes in fair value attributable to changes in credit risk | Note |
|----------------------------------|--|---------------------------|------------|-------------|---------------|------------------|--------------------|--|------|
|                                  |  |                           |            |             |               | Unit price(NT\$) | Total              |  |      |
| Derivative financial instruments | Swaps and forward foreign exchange contracts |                           |            |             |               |                  | \$7,931,359        | None   |      |
| Total                            |  |                           |            |             |               |                  | <u>\$7,931,359</u> |  |      |

China Life Insurance Co., Ltd.

15.Statement of bonds payable

31-December-20

Unit: NT\$ thousands

| Bonds   | Entrusted entity                      | Issuance date | Coupon frequency | Coupon Rate(%) | Amount         |           |                   |                                 |                | Redemption  | Pledge | Note |
|---|---------------------------------------|---------------|------------------|----------------|----------------|-----------|-------------------|---------------------------------|----------------|---|--------|------|
|   |                                       |               |                  |                | Total issuance | Clear off | End of the period | Unamortized premium or discount | Gross carrying |   |        |      |
| China Life Insurance Co., Ltd. 1st Perpetual cumulative Subordinated Corporate Bonds issued in 2020 | TAIPEI FUBON COMMERCIAL BANK CO., LTD | 28-Dec-20     | annual           | 2.70%          | \$10,000,000   | \$-       | \$10,000,000      | \$-                             | \$10,000,000   | Ten years after the issuance date, the bonds may be redeemed in whole by China Life with regulator's approval if the Company's capital adequacy ratio (after the bond redemption) is one time higher than the minimum regulation requirement at the time of calculation. The redemption price will be equal to par value plus any accrued and unpaid interest payable up to the date of redemption. | None   |      |

## China Life Insurance Co., Ltd.

## 16. Statement of changes in policy reserve

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                        | Beginning balance      | Net change in the current period | Amount for other changes (Note2) | Ending balance         | Note |
|-----------------------------|------------------------|----------------------------------|----------------------------------|------------------------|------|
| Total amount :              |                        |                                  |                                  |                        |      |
| Life insurance              | \$1,397,981,405        | \$173,635,616                    | \$(15,125,092)                   | \$1,556,491,929        |      |
| Health insurance            | 133,612,862            | 10,901,284                       | -                                | 144,514,146            |      |
| Annuity insurance           | 165,210,594            | (7,206,983)                      | (1,054,279)                      | 156,949,332            |      |
| Investment-linked insurance | 1,792,716              | (28,957)                         | (194)                            | 1,763,565              |      |
| Total                       | <u>\$1,698,597,577</u> | <u>\$177,300,960</u>             | <u>\$(16,179,565)</u>            | <u>\$1,859,718,972</u> |      |

Note 1: There is no ceded liability reserve for the above insurance contracts.

Note 2: Amount for other changes \$16,179,565 thousand are from net gains on foreign exchange.

Note 3: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to \$1,859,860,159 thousand.

## China Life Insurance Co., Ltd.

## 17.Statement of changes in unearned premium reserve

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                        | Beginning balance  | Net change in the current period | Amount for other changes (Note1) | Ending balance     | Note |
|-----------------------------|--------------------|----------------------------------|----------------------------------|--------------------|------|
| Total amount :              |                    |                                  |                                  |                    |      |
| Individual life insurance   | \$1,072            | \$(69)                           | \$-                              | \$1,003            |      |
| Individual injury insurance | 1,414,617          | 103,425                          | -                                | 1,518,042          |      |
| Individual health insurance | 2,249,115          | 106,504                          | -                                | 2,355,619          |      |
| Group insurance             | 568,302            | 3,640                            | -                                | 571,942            |      |
| Investment-linked insurance | 58,248             | 4,254                            | (2)                              | 62,500             |      |
| Annuity insurance           | 75                 | (48)                             | -                                | 27                 |      |
| Total                       | <u>\$4,291,429</u> | <u>\$217,706</u>                 | <u>\$(2)</u>                     | <u>\$4,509,133</u> |      |
| Ceded :                     |                    |                                  |                                  |                    |      |
| Individual life insurance   | \$15,728           | \$909                            | \$(7)                            | \$16,630           |      |
| Individual injury insurance | 1,324              | 454                              | -                                | 1,778              |      |
| Individual health insurance | 30,079             | 3,733                            | -                                | 33,812             |      |
| Group insurance             | 3,145              | 1,451                            | -                                | 4,596              |      |
| Investment-linked insurance | 5,211              | (253)                            | -                                | 4,958              |      |
| Total                       | <u>\$55,487</u>    | <u>\$6,294</u>                   | <u>\$(7)</u>                     | <u>\$61,774</u>    |      |

Note 1: Amount for other changes \$5 thousand are from net losses on foreign exchange.

China Life Insurance Co., Ltd.

18. Statement of changes in reserve for claims

For the year ended 31 December 2020

Unit: NTS thousands

| Item                        | Beginning balance  | Net change in the current period | Amount for other changes (Note 1) | Ending balance     | Note |
|-----------------------------|--------------------|----------------------------------|-----------------------------------|--------------------|------|
| Total amount :              |                    |                                  |                                   |                    |      |
| Individual life insurance   | \$306,449          | \$(126,773)                      | \$(324)                           | \$179,352          |      |
| Individual injury insurance | 462,149            | 112,362                          | -                                 | 574,511            |      |
| Individual health insurance | 849,792            | 253,816                          | -                                 | 1,103,608          |      |
| Group insurance             | 526,104            | 18,898                           | -                                 | 545,002            |      |
| Investment-linked insurance | 11,029             | 8,711                            | (16)                              | 19,724             |      |
| Annuity insurance           | 69,824             | (28,252)                         | (126)                             | 41,446             |      |
| Total                       | <u>\$2,225,347</u> | <u>\$238,762</u>                 | <u>\$(466)</u>                    | <u>\$2,463,643</u> |      |
| Ceded :                     |                    |                                  |                                   |                    |      |
| Individual life insurance   | \$3,925            | \$(1,651)                        | \$-                               | \$2,274            |      |
| Individual injury insurance | -                  | 2,237                            | -                                 | 2,237              |      |
| Individual health insurance | 5,030              | 5,274                            | -                                 | 10,304             |      |
| Group insurance             | 4,800              | 1,200                            | -                                 | 6,000              |      |
| Total                       | <u>\$13,755</u>    | <u>\$7,060</u>                   | <u>\$-</u>                        | <u>\$20,815</u>    |      |

Note 1: Amount for other changes \$466 thousand are from net gains on foreign exchange.

## China Life Insurance Co., Ltd.

## 19.Statement of changes in special reserves

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item   | Beginning balance<br>(Note1) | Net change in the<br>current period | Amount for other<br>changes (Note1) | Ending balance     | Note |
|--|------------------------------|-------------------------------------|-------------------------------------|--------------------|------|
| Individual life insurance                    | \$-                          | \$-                                 | \$-                                 | \$-                |      |
| Participating policies dividend reserve      | 6,907,466                    | (268,581)                           | (5,370)                             | 6,633,515          |      |
| Participating policies dividend risk reserve | -                            | -                                   | -                                   | -                  |      |
| Total  | <u>\$6,907,466</u>           | <u>\$(268,581)</u>                  | <u>\$(5,370)</u>                    | <u>\$6,633,515</u> |      |

Note 1: Amount for other changes is the balance of gain (loss) from the disposal of participating policies linked with equity instruments measured at fair value through other comprehensive income transferred to retained earning with the deduction of special reserve.

## China Life Insurance Co., Ltd.

## 20.Statement of changes in special reserves (special reserves for catastrophe and fluctuation of risk)

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                        | Beginning balance  | Reserve for the current period | Recover for the current period | Ending balance     | Note |
|-----------------------------|--------------------|--------------------------------|--------------------------------|--------------------|------|
| Individual life insurance   | \$1,743            | \$285                          | \$-                            | \$2,028            |      |
| Individual injury insurance | 875,865            | 158,702                        | (150,358)                      | 884,209            |      |
| Individual health insurance | 2,536,247          | 175,367                        | (37,881)                       | 2,673,733          |      |
| Group insurance             | 3,212,019          | 604,786                        | (456,139)                      | 3,360,666          |      |
| Annuity insurance           | 759                | 78                             | (361)                          | 476                |      |
| Total                       | <u>\$6,626,633</u> | <u>\$939,218</u>               | <u>\$(644,739)</u>             | <u>\$6,921,112</u> |      |



China Life Insurance Co., Ltd.

20-1.Calculation of special reserves (special reserves for catastrophe and fluctuation of risk) allocated

For the year ended 31 December 2020

Unit: NT\$ thousands

| Type of insurance           | Earned premium retained | Anticipated dollar amount need to be paid |                            | Retained claim     | The special reserved in the current period |                       |                                       |                  |                  | Note |
|-----------------------------|-------------------------|---|----------------------------|--------------------|--|-----------------------|---------------------------------------|------------------|------------------|------|
|                             |                         | Expected loss rate                        | Expected amount for claims |                    | Reserve rate                               | Reserve of fixed rate | Less than expected reserve for claims | Tax effect       | Total reserve    |      |
| Individual life insurance   | \$3,388                 | 94%                                       | \$3,198                    | \$1,500            | 3.00%                                      | \$101                 | \$255                                 | \$71             | \$285            |      |
| Individual injury insurance | 2,596,783               | 81%                                       | 2,099,298                  | 949,907            | 1.00%                                      | 25,968                | 172,409                               | 39,675           | \$158,702        |      |
| Individual health insurance | 5,480,826               | 76%                                       | 4,179,885                  | 3,814,660          | 3.00%                                      | 164,425               | 54,784                                | 43,842           | \$175,367        |      |
| Group insurance             | 6,905,758               | 82%                                       | 5,662,721                  | 2,003,987          | 3.00%                                      | 207,173               | 548,810                               | 151,197          | \$604,786        |      |
| Annuity insurance           | 782                     | 100%                                      | 782                        | 289                | 3.00%                                      | 23                    | 74                                    | 19               | \$78             |      |
| Total                       | <u>\$14,987,537</u>     |   | <u>\$11,945,884</u>        | <u>\$6,770,343</u> |  | <u>\$397,690</u>      | <u>\$776,332</u>                      | <u>\$234,804</u> | <u>\$939,218</u> |      |

China Life Insurance Co., Ltd.

20-2.Calculation of special reserves (special reserves for catastrophe and fluctuation of risk) recovered

For the year ended 31 December 2020

Unit: NT\$ thousands

| Type of insurance           | The accumulated special reserve in the prior period | Special reserve, sum of prior period accumulation and reserve in the current period | Special reserves recovered in the current period |   |   |                  | The accumulated special reserve in the current period | Note               |
|-----------------------------|---|---|--|---|---|------------------|---|--------------------|
|                             |   |   | More than expected recovery for claims           | More than recovery of self-retention earned premium | Special reserves recovered from catastrophic events | Tax effect       |   |                    |
| Individual life insurance   | \$1,743   | \$2,028   | \$-  | \$-   | \$-   | \$-              | \$-   | \$2,028            |
| Individual injury insurance | 875,865   | 1,034,567   | -  | 171,260   | 16,687  | 37,589           | 150,358   | 884,209            |
| Individual health insurance | 2,536,247   | 2,711,614   | -  | -   | 47,352  | 9,471            | 37,881  | 2,673,733          |
| Group insurance             | 3,212,019   | 3,816,805   | -  | 478,603   | 91,571  | 114,035          | 456,139   | 3,360,666          |
| Annuity insurance           | 759   | 837   | -  | 451   | -   | 90               | 361   | 476                |
| Total                       | <u>\$6,626,633</u>                                  | <u>\$7,565,851</u>  | <u>\$-</u>                                       | <u>\$650,314</u>                                    | <u>\$155,610</u>                                    | <u>\$161,185</u> | <u>\$644,739</u>                                      | <u>\$6,921,112</u> |

China Life Insurance Co., Ltd.

21.Statement of changes in premium deficiency reserve

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                        | Brginning balance  | Net change in the current period | Amount for other changes (Note2) | Ending balance     | Note |
|-----------------------------|--------------------|----------------------------------|----------------------------------|--------------------|------|
| Total amount :              |                    |                                  |                                  |                    |      |
| Individual life insurance   | \$6,503,281        | \$(2,398,610)                    | \$(80,812)                       | \$4,023,859        |      |
| Individual health insurance | 124,265            | (8,133)                          | -                                | 116,132            |      |
| Total                       | <u>\$6,627,546</u> | <u>\$(2,406,743)</u>             | <u>\$(80,812)</u>                | <u>\$4,139,991</u> |      |

Note1: There is no ceded premium deficiency reserve included in the above insurance contracts.

Note2: Amount for other changes \$80,812 thousand are from net gains on foreign exchange.

China Life Insurance Co., Ltd.

22.Statement of changes in reserve for foreign exchange valuation reserve

For the year ended 31 December 2020

Unit: NT\$ thousands

| Beginning balance  | Net change in the current period     |  |                               |                    | Ending balance     | Note |
|--------------------|--------------------------------------|--|-------------------------------|--------------------|--------------------|------|
|                    | Fixed reserve for the current period | Incremental reserve for the current period | Offset for the current period | Total              |                    |      |
| \$2,367,039        | \$2,334,944                          | \$5,609,102                                | \$(6,288,078)                 | \$1,655,968        | \$4,023,007        |      |
| <u>\$2,367,039</u> | <u>\$2,334,944</u>                   | <u>\$5,609,102</u>                         | <u>\$(6,288,078)</u>          | <u>\$1,655,968</u> | <u>\$4,023,007</u> |      |
|                    |                                      |  |                               |                    |                    |      |

China Life Insurance Co., Ltd.

23.Statement of provisions

31-December-20

Unit: NT\$ thousands

| Item                            | Summary              | Amount           | Note |
|---------------------------------|----------------------|------------------|------|
| Provision for employee benefits |                      | \$206,930        |      |
| Other provisions                | Litigation provision | 5,824            |      |
| Total                           |                      | <u>\$212,754</u> |      |

China Life Insurance Co., Ltd.

24.Statement of lease liabilities

31-December-20

Unit: NT\$ thousands

| Item                    | Summary   | Lease period    | Discount rate   | Ending balance     | Note |
|-------------------------|---|-----------------|-----------------|--------------------|------|
| Land                    | Royalty-surface rights and rent on land in Penghu | 2014/01~2084/01 | 0.77%~3.5%      | \$1,539,683        |      |
| Buildings               | Rent on office and parking space                  | 2018/06~2023/04 | 0.716%~0.869%   | 46,260             |      |
| Computer equipment      | Hardware and software                             | 2020/04~2025/10 | 0.7697%~0.8561% | 115,975            |      |
| Transpotation equipment | Business car                                      | 2015/06~2027/09 | 0.8561%~1.077%  | 11,299             |      |
| Other office equipment  | Multi Function machine etc.                       | 2019/06~2023/06 | 0.749%~0.819%   | 37,997             |      |
| Total                   |   |                 |                 | <u>\$1,751,214</u> |      |

Note 1: It is show separately by the type of the right-of-use asset, and the lease period and discount rate are disclosed in intervals.

China Life Insurance Co., Ltd.  
 25.Statement of other liabilities  
 31-December-20

Unit: NT\$ thousands

| Item                        | Summary                                  | Amount                    | Note |
|-----------------------------|--|---------------------------|------|
| Unearned receipts           | Unearned premiums                        | \$971,568                 |      |
|                             | Other unearned revenue                   | <u>14,051</u>             |      |
|                             | Subtotal                                 | 985,619                   |      |
| Guarantee deposits received | Real estate lease deposit                | 209,348                   |      |
|                             | Other deposits                           | <u>6,590,479</u>          |      |
|                             | Subtotal                                 | 6,799,827                 |      |
| Other liabilities—other     | Temporary receipts and suspense accounts | <u>1,123,854</u>          |      |
| Total                       |  | <u><u>\$8,909,300</u></u> |      |

China Life Insurance Co., Ltd.  
26.Statement of retained earned premium  
For the year ended 31 December 2020

Unit: NTS thousands

| Types of insurance          | Premium income       | Reinsurance premium income | Reinsurance expenses | Retain premium       | Reserve method | Net change in unearned premium reserve | Retained earned premium | Note |
|-----------------------------|----------------------|----------------------------|----------------------|----------------------|----------------|--|-------------------------|------|
| Individual life insurance   | \$215,135,906        | \$-                        | \$(392,340)          | \$214,743,566        | Note           | \$978                                  | \$214,744,544           |      |
| Individual injury insurance | 2,703,553            | -                          | (23,850)             | 2,679,703            |                | (102,971)                              | 2,576,732               |      |
| Individual health insurance | 20,407,628           | -                          | (824,292)            | 19,583,336           |                | (102,771)                              | 19,480,565              |      |
| Group insurance             | 2,616,868            | -                          | (78,237)             | 2,538,631            |                | (2,189)                                | 2,536,442               |      |
| Investment-linked insurance | 1,767,814            | -                          | (118,232)            | 1,649,582            |                | (4,507)                                | 1,645,075               |      |
| Annuity insurance           | 1,682,818            | -                          | -                    | 1,682,818            |                | 48                                     | 1,682,866               |      |
| <b>Total</b>                | <u>\$244,314,587</u> | <u>\$-</u>                 | <u>\$(1,436,951)</u> | <u>\$242,877,636</u> |                | <u>\$(211,412)</u>                     | <u>\$242,666,224</u>    |      |

Note: Unearned premium reserve is calculated based on each individual case: premium income in the current period multiplies by the percentage of undue days.



China Life Insurance Co., Ltd.

27.Statement of interest income

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                                   | Summary | Amount              | Note |
|--|---------|---------------------|------|
| Deposits and short-term notes interest |         | \$205,321           |      |
| Securities interest                    |         | 54,280,443          |      |
| Policy loan interest                   |         | 1,515,525           |      |
| Secured loans interest                 |         | 14,272              |      |
| Automatic premium loans interest       |         | 287,025             |      |
| Other                                  |         | 38,516              |      |
| Total                                  |         | <u>\$56,341,102</u> |      |

China Life Insurance Co., Ltd.

28.Statement of gains (losses) on financial assets and liabilities at fair value through profit or loss

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item               | Summary                         | Amount              | Note |
|--------------------|---------------------------------|---------------------|------|
| Debt instruments   | Gains (losses) from transaction | \$1,356,347         |      |
|                    | Security lending income         | 149                 |      |
|                    | Gains (losses) from valuation   | 1,210,092           |      |
|                    | Interest income                 | 1,926,194           |      |
| Equity instruments | Gains (losses) from transaction | 12,473,015          |      |
|                    | Security lending income         | 27,289              |      |
|                    | Gains (losses) from valuation   | (1,542,172)         |      |
|                    | Dividend income                 | 10,688,319          |      |
| Derivatives        | Gains (losses) from transaction | 21,967,302          |      |
|                    | Gains (losses) from valuation   | (4,158,977)         |      |
| Total              |                                 | <u>\$43,947,558</u> |      |

China Life Insurance Co., Ltd.

29.Statement of realized gains (losses) on financial assets at fair value through other comprehensive income

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item               | Amount                    | Note                            |
|--------------------|---------------------------|---------------------------------|
| Equity instruments | \$1,369,673               | Dividend income                 |
| Debt instruments   | 9,246,911                 | Gains (losses) from transaction |
|                    | 11,118                    | Security lending income         |
| Total              | <hr/> <u>\$10,627,702</u> |                                 |

China Life Insurance Co., Ltd.

30. Statement of gains (losses) from derecognition of financial assets measured at amortized cost

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item             | Amount         | Note                            |
|------------------|----------------|---------------------------------|
| Debt instruments | \$552,759      | Gains (losses) from transaction |
|                  | 10,096         | Security lending income         |
|                  | <hr/>          |                                 |
| Total            | <u>562,855</u> |                                 |

China Life Insurance Co., Ltd.

31.Statement of other net investment incomes (losses)

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                     | Summary | Amount  | Note |
|--------------------------|---------|---|------|
| Fund revenue             |         | \$5,450   |      |
| Security lending expense |         | (14,595)  |      |
| Total                    |         | <u>                    </u><br><u>                    </u><br>\$(9,145) |      |

China Life Insurance Co., Ltd.

32.Statement of foreign exchange gains (losses)

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item             | Summary | Amount                | Note |
|------------------|---------|-----------------------|------|
| Debt instruments |         | \$(40,730,188)        |      |
| Other            |         | (310,044)             |      |
| Total            |         | <u>\$(41,040,232)</u> |      |

China Life Insurance Co., Ltd.

33.Statement of gains (losses) on investment property

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item              | Amount           | Note |
|-------------------|------------------|------|
| Rent income       | \$487,902        |      |
| Gain on disposal  | 3,399            |      |
| Gain on valuation | 266,040          |      |
| Other expense     | (129,738)        |      |
| Other income      | 3,898            |      |
| Total             | <u>\$631,501</u> |      |

China Life Insurance Co., Ltd.

34. Statement of expected credit impairment loss and reversal on investments

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item           | Impairment losses | Gains on reversal | Note |
|----------------|-------------------|-------------------|------|
| Domestic bonds | \$-               | \$5,109           |      |
| Overseas bonds | -                 | 56,640            |      |
| Loans          | -                 | 3,912             |      |
| Total          | <u>\$-</u>        | <u>\$65,661</u>   |      |



China Life Insurance Co., Ltd.

35.Statement of other impairment loss and reversal on other investments

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                | Impairment losses       | Gains on reversal | Note |
|---------------------|-------------------------|-------------------|------|
| Investment property | <u><u>\$(1,119)</u></u> | <u><u>\$-</u></u> |      |

China Life Insurance Co., Ltd.  
 36.Statement of other operating cost  
 For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                               | Amount              | Note |
|------------------------------------|---------------------|------|
| Revenue :                          | <u>\$-</u>          |      |
| Cost :                             |                     |      |
| Disbursement on guaranty fund      | \$(412,394)         |      |
| Exchange losses of non-investments | (163)               |      |
| Total                              | <u>\$ (412,557)</u> |      |

China Life Insurance Co., Ltd.

37.Statement of retained claim payments

For the year ended 31 December 2020

Unit: NT\$ thousands

| Type of insurance           | claim payments<br>(including claim expenses) | Reinsurance claim<br>payments | Claims recovered from<br>reinsures | Retained claim payment | Note |
|-----------------------------|--|-------------------------------|------------------------------------|------------------------|------|
| Individual life insurance   | \$85,292,610                                 | \$23                          | \$(70,794)                         | \$85,221,839           |      |
| Individual injury insurance | 964,942                                      | -                             | (12,513)                           | 952,429                |      |
| Individual health insurance | 8,127,686                                    | -                             | (540,957)                          | 7,586,729              |      |
| Group insurance             | 2,096,728                                    | -                             | (86,635)                           | 2,010,093              |      |
| Investment-linked insurance | 26,137                                       | -                             | (36,350)                           | (10,213)               |      |
| Annuity insurance           | 12,034,052                                   | -                             | -                                  | 12,034,052             |      |
| <b>Total</b>                | <b>\$108,542,155</b>                         | <b>\$23</b>                   | <b>\$(747,249)</b>                 | <b>\$107,794,929</b>   |      |

China Life Insurance Co., Ltd.

38.Statement of commission expenses

For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                           | Summary | Amount             | Note |
|--------------------------------|---------|--------------------|------|
| Acquisition commission expense |         |                    |      |
| Individual life insurance      |         | \$4,873,342        |      |
| Individual injury insurance    |         | 395,288            |      |
| Individual health insurance    |         | 1,428,123          |      |
| Group insurance                |         | 77,471             |      |
| Investment-linked insurance    |         | 420,100            |      |
| Annuity insurance              |         | 16,128             |      |
| Agent allowance                |         | 2,003,671          |      |
| Total                          |         | <u>\$9,214,123</u> |      |

China Life Insurance Co., Ltd.  
39.Statement of general expenses  
For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                      | Summary   | Amount             | Note |
|---------------------------|---|--------------------|------|
| Payroll expense           |   | \$1,410,227        |      |
| Insurance expense         |   | 410,166            |      |
| Tax expense               |   | 180,264            |      |
| Handling fees             |   | 721,911            |      |
| Professional service fees |   | 247,906            |      |
| Other                     | The balance of items do not constitute over 5% of the balance of the major accounting item. | 561,819            |      |
| Total                     |   | <u>\$3,532,293</u> |      |

China Life Insurance Co., Ltd.  
40.Statement of administrative expenses  
For the year ended 31 December 2020

Unit: NT\$ thousands

| Item                      | Summary   | Amount                    | Note |
|---------------------------|---|---------------------------|------|
| Payroll expense           |   | \$1,342,601               |      |
| Depreciation expense      |   | 378,444                   |      |
| Amortization expense      |   | 127,887                   |      |
| Professional service fees |   | 159,756                   |      |
| Other                     | The balance of items do not constitute over 5% of the balance of the major accounting item. | 512,386                   |      |
| Total                     |   | <u><u>\$2,521,074</u></u> |      |

China Life Insurance Co., Ltd.  
 41. Statement of non-operating income and expenses  
 For the year ended 31 December 2020

Unit: NT\$ thousands

| Item   | Summary | Amount                   | Note |
|--|---------|--------------------------|------|
| Revenue :  |         |                          |      |
| Recovered bad debts and overdue accounts                             |         | \$3,474                  |      |
| Other  |         | 11,043                   |      |
| Subtotal   |         | <u>14,517</u>            |      |
| Expense :  |         |                          |      |
| Impairment losses on non-financial assets and reversal on impairment |         | (62,939)                 |      |
| Loss on abandonment of assets  |         | (95)                     |      |
| Other  |         | (19,440)                 |      |
| Subtotal   |         | <u>(82,474)</u>          |      |
| Total  |         | <u><u>\$(67,957)</u></u> |      |

X. Independent Auditors' Review Report

**China Life Insurance Co., Ltd.**  
**Review Report of Other Disclosures to the Financial Statements**  
Independent Auditors' Report Translated from Chinese

To China Life Insurance Co., Ltd.

We have audited the financial statements of China Life Insurance Co., Ltd. for the year ended December 31, 2020. Our audit was conducted in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China, and we issued the audit report thereon on 20 February 2021. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The attached "Other Disclosures to the Financial Statements" ("Other Disclosures") was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. We have reviewed that information included in the Other Disclosures was in accordance with the Directions for Reviews of Other Disclosures in Financial Reports.

Based on our review, nothing has come to our attention that causes us to believe that the Other Disclosures to the Financial Statements of China Life Insurance Co., Ltd. for the year ended December 31, 2020, do not present fairly, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. The financial information disclosed is consistent with the financial statements and does not require any material modification.

/s/FUH, WEN-FUN

/s/CHANG, CHENG-TAO

Ernst & Young, Taiwan

25 February 2021

Notice to Readers:

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.



## XI. Other Disclosure

### 1. Business

#### (1) Significant business matters (most recent 5 fiscal years)

① Acquisition or merger: On 19 October 2017, the Board has resolved to pay \$1 to acquire the traditional policies and riders spun off from Allianz Taiwan Life Insurance Co., Ltd. The transaction is approved by FSC on 27 February 2018 and settled on 18 May 2018.

② Demerger: None noted.

③ Change in management rights (equity) reaching 10% or more: The Company was informed by China Development Financial Holding Corp. (CDF), about the tender offer of the Company's ordinary shares and the Public Tender Offer Report on 16 August 2017. CDF started the tender offer from 17 August 2017 to 6 September 2017. CDF completed the tender to acquire 25.33% of the Company's common shares, totaling 880,000,000 shares, on 13 September 2017. The Company became a subsidiary of CDF as defined in the "Financial Holding Company Act". As of 31 December 2020, CDF and its subsidiary, KGI Securities (excluding KGI Securities' borrowing positions for securities undertaking), jointly held 34.82% of the Company's common shares. Also, the Company was informed by CDF, about the second tender offer of the Company's ordinary shares and the Public Tender Offer Report on 7 January 2021. CDF started the tender offer from 8 January 2021 to 2 February 2021. CDF completed the tender to acquire 21.13% of the Company's common shares, totaling 1,000,000,000 shares, on 5 February 2021. As of 5 February 2021, CDF and its subsidiary, KGI Securities (excluding KGI Securities' borrowing positions for securities undertaking), jointly held 55.95% of the Company's common shares.

④ Transfer of business: None noted.

⑤ Investments in affiliated enterprises:

Unit: NT\$ thousands / thousand of shares

| Year<br>Name            | 2016   |        | 2017   |        | 2018   |        | 2019   |        | 2020     |        |
|-------------------------|--------|--------|--------|--------|--------|--------|--------|--------|----------|--------|
|                         | Amount | Shares | Amount | Shares | Amount | Shares | Amount | Shares | Amount   | Shares |
| Shenhe Energy Co., Ltd. | \$-    | -      | \$-    | -      | \$-    | -      | \$-    | -      | \$69,863 | 6,965  |

⑥ reorganization: None noted.

⑦ Acquisition or disposal of major assets:

A. Acquisition of major assets:

Unit: NT\$ thousands

| Year of Acquisition | Type of Assets   | Total Price for Acquisition | Transaction Counterparts   | Purpose for Acquisition |
|---------------------|--|-----------------------------|--|-------------------------|
| 2017                | Land No. 405 and additional building ( 1 level), Subsec. 1st, Dunhua Sec., Songshan Dist., Taipei City                 | 450,000                     | International CSRC Investment Holdings Co., Ltd.   | For business operation. |
| 2020                | Taoyuan City, Taoyuan Dist, Jingguo 1st Rd, No.65,67,69,71,73, 3F,5F,12F and No.65,67,71,73, 4F,7F with 70 parkinglots | 852,666                     | Land : Chung-mao estate development Co., Ltd.<br>、 Hung Yue Ying Building : Making Rich Asset Investment Co., Ltd. | For business operation. |

B. Disposal of major assets:

| Year of Disposal | Year of Acquisition | Type of Assets   | Carrying Amounts | Selling Price | Gain(loss) on Disposal | Purpose for Disposal           |
|------------------|---------------------|--|------------------|---------------|------------------------|--------------------------------|
| 2016             | 2001                | 35 units of land around Land No. 147, Subsec. 3rd, Bihu Sec., Neihu Dist., Tapei City. | \$144,594        | \$145,107     | \$30                   | To realize gain on investment. |

Note : The above property items do not include work in progress buiilding.

⑧ Significant changes in operation method (including sales system) or business activity: None noted.

(2) Remuneration of Directors, Supervisors, President, and Vice Presidents in the Most Recent Year

(1) Remuneration of Directors and Independent Directors

| Title                | Name   | Remuneration          |  |                             |  |                        |  |                |  | Ratio of Total Remuneration (A+B+C+D) to Net Income (%) |  | Relevant Remuneration Received by Directors Who are Also Employees |  |                             |  |                                    |       |  |       | Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%) |  | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary and parent company |
|----------------------|--|-----------------------|--|-----------------------------|--|------------------------|--|----------------|--|---|--|--|--|-----------------------------|--|------------------------------------|-------|--|-------|---|--|--|
|                      |  | Base Compensation (A) |  | Pension upon retirement (B) |  | Bonus to Directors (C) |  | Allowances (D) |  |   |  | Salary, Bonuses, and Allowances (E)                                |  | Pension upon retirement (F) |  | Profit Sharing- Employee Bonus (G) |       |  |       |   |  |  |
|                      |  | The company           | Companies in the consolidated financial statements | The company                 | Companies in the consolidated financial statements | The company            | Companies in the consolidated financial statements | The company    | Companies in the consolidated financial statements | The company   | Companies in the consolidated financial statements | The company  | Companies in the consolidated financial statements | The company                 | Companies in the consolidated financial statements | The company                        |       | Companies in the consolidated financial statements |       | The company   | Companies in the consolidated financial statements |  |
|                      |  |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  | Cash                               | Stock | Cash   | Stock |   |  |  |
| Chairperson          | China Development Financial Representative: Alan Wang (Note 2)   |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Chairperson          | China Development Financial Representative: Yu Ling Kuo(Note 2)  |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Director             | China Development Financial Representative: Hui Chi Shih         |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Director             | China Development Financial Representative: Shan-Jung Yu(Note 3) |                       |  |                             |  | 100,000                | 100,000  | 1,835          | 1,835  | 0.65%   | 0.65%  | 98,551   | 98,551   | 1,242                       | 1,242  | 3,400                              | -     | 3,400  | -     | 1.32%   | 1.32%  | 71,179   |
| Director             | Tai li Investment Co., Ltd. Representative: Stephanie Hwang      |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Director             | Tai li Investment Co., Ltd. Representative: Tony Hsu             |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Director             | Hong Fu Ltd. Representative: Lauren Hsieh(Note 3)                |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Independent Director | Wei-Ta Pan(Note 2)   |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Independent Director | Wen-Yen Hsu(Note 2)  |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Independent Director | Johnson F.H. Huang   | 7,921                 | 7,921  |                             |  |                        |  | 2,273          | 2,273  | 0.07%   | 0.07%  |  |  |                             |  |                                    |       |  |       | 0.07%   | 0.07%  |  |
| Independent Director | Cheng-Hsien Tsai(Note 2)   |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Independent Director | Da-Bai Shen(Note 2)  |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |
| Independent Director | Ming-Jung Lai(Note 2)  |                       |  |                             |  |                        |  |                |  |   |  |  |  |                             |  |                                    |       |  |       |   |  |  |

The Company's independent directors' remuneration policy, system, standards and structure, and the relationship with the amount of remuneration according to the responsibilities, risks and time invested are described below:

The remuneration of the independent directors of the Company are evaluated based on the directors' participation in the Company's operations, the value of their contributions, and their responsibilities while taking into consideration other domestic or foreign company's remuneration policies in the same industry and the company's future risk. According to the Company's articles of association, independent directors receive fixed remuneration and do not participate in the distribution of directors' remuneration. The remuneration includes salaries and other bonus that are due for providing services to the Company, and business execution costs include transportation fees and attendance fees.

Range of Remuneration

| Range of Remuneration                                    | Name of Directors and Independent Directors   |   |  |   |
|--|---|---|--|---|
|  | Total of (A+B+C+D)  |   | Total of (A+B+C+D+E+F+G)   |   |
|  | The Company   | Companies in the consolidated financial statements(H)   | The Company  | Parent company and all invested company(I)                |
| Less than NTS 1,000,000                                  | Alan Wang, Shan-Jung Yu, Hui-Chi Shih, Yu Ling Kuo, Tony Hsu, Stephanie Hwang, Wei-Ta Pan, Lauren Hsieh | Alan Wang, Shan-Jung Yu, Hui-Chi Shih, Yu Ling Kuo, Tony Hsu, Stephanie Hwang, Wei-Ta Pan, Lauren Hsieh | Shan-Jung Yu, Hui-Chi Shih, Wei-Ta Pan                               | Wei-Ta Pan  |
| NTS1,000,000(inclusive) ~ NTS2,000,000(not inclusive)    | Da-Bai Shen, Wen-Yen Hsu, Ming-Jung Lai, Cheng-Hsien Tsai   | Da-Bai Shen, Wen-Yen Hsu, Ming-Jung Lai, Cheng-Hsien Tsai   | Alan Wang, Da-Bai Shen, Wen-Yen Hsu, Ming-Jung Lai, Cheng-Hsien Tsai | Da-Bai Shen, Wen-Yen Hsu, Ming-Jung Lai, Cheng-Hsien Tsai |
| NTS2,000,000(inclusive) ~ NTS3,500,000(not inclusive)    | Johnson F.H. Huang  | Johnson F.H. Huang  | Johnson F.H. Huang   | Johnson F.H. Huang  |
| NTS3,500,000(inclusive) ~ NTS5,000,000 (not inclusive)   |   |   |  |   |
| NTS5,000,000(inclusive) ~ NTS10,000,000(not inclusive)   | Hong Fu   | Hong Fu   | Hong Fu  | Alan Wang, Shan-Jung Yu, Hong Fu                          |
| NTS10,000,000(inclusive) ~ NTS15,000,000(not inclusive)  |   |   |  | Hui-Chi Shih  |
| NTS15,000,000(inclusive) ~ NTS30,000,000(not inclusive)  |   |   | Yu Ling Kuo, Tony Hsu, Lauren Hsieh                                  | Tony Hsu, Lauren Hsieh                                    |
| NTS30,000,000(inclusive) ~ NTS50,000,000(not inclusive)  | Tai li Investment   | Tai li Investment   | Stephanie Hwang, Tai li Investment                                   | Stephanie Hwang, Tai li Investment                        |
| NTS50,000,000(inclusive) ~ NTS100,000,000(not inclusive) | China Development Financial   | China Development Financial   | China Development Financial  | Yu Ling Kuo, China Development Financial                  |
| NTS100,000,000 and above                                 |   |   |  |   |
| Total  | 16  | 16  | 16   | 16  |

Note 1 : Salary and bonus in 2020 for the Directors' drivers excluded from the above is NTS 3,226 thousands. The company also provided other exclusive personal expenses amounted to NTS439 thousands.

Note 2 : Chairperson Alan Wang retired on 4 March 2020; Chairperson Yu Ling Kuo retired on 1 January 2021 ; Independent Director Wei-Ta Pan left his position on 12 May 2020 ; Independent Director Wen-Yen Hsu's position expired on 26 May 2020 ; Independent Director Cheng-Hsien Tsai, Da-Bai Shen, Ming-Jung Lai arrived their position on 27 May 2020.

Note 3 : Director Lauren Hsieh's position expired on 26 May 2020, the table include full year amount of 2020 ; Director Shan-Jung Yu arrived her position on 27 May 2020, the "Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary and parent company" on the table include full year amount of 2020.

Note 4 : Remunerations of Directors for 2020 are estimated as NTS 100,000 thousands, actual distributed amount is to be confirmed after being distributed by this Company according to the resolution of general shareholders' meeting on report therewith.

©Remuneration of President and Vice Presidents (Disclosure in order of range of remuneration)

Unit: NT\$ thousands

| Title                           | Name                       | Salary(A)   |  | Pension upon retirement (B) |  | Bonuses and Allowances (C) |  | Profit Sharing- Employee Bonus (D) |       |  |       | Ratio of total compensation (A+B+C+D) to net income (%) |  | Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary and parent company |  |
|---------------------------------|----------------------------|-------------|--|-----------------------------|--|----------------------------|--|------------------------------------|-------|--|-------|---|--|--|--|
|                                 |                            | The company | Companies in the consolidated financial statements | The company                 | Companies in the consolidated financial statements | The company                | Companies in the consolidated financial statements | The company                        |       | Companies in the consolidated financial statements |       | The company   | Companies in the consolidated financial statements |  |  |
|                                 |                            |             |  |                             |  |                            |  | Cash                               | Stock | Cash   | Stock |   |  |  |  |
| President                       | Stephanie Hwang            |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Chief Executive Vice President  | Tony Hsu                   |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Executive Vice president | Sung Ching Tsai            |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Johnny Chang               |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Lauren Hsieh               |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Angel Lu                   |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Eric Su                    |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Anne Su                    |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Jay Ueng                   |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Jeff Leu                   |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Henry Chang (Note 3)       |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Gary Lee (Note 3)          |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Executive Vice president        | Jacky Lee (Note 3)         |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Ben Huang                  |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Judith Lin                 |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Yih Ruey Kang              | 98,865      | 98,865   | 4,858                       | 4,858  | 135,013                    | 135,013  | 26,000                             | -     | 26,000   | -     | 1.70%   | 1.70%  |  |  |
| Senior Vice president           | Helen Chen                 |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Share Hsieh                |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Percy Su                   |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Crystal Chen               |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Janron Sung                |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Ming Lung Lin              |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Yueh Fang Hsu              |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Terry Wang                 |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Jina Tsai                  |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Robbin Hsu                 |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Chen Tung Chen             |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Yao Min Chou (Note 3)      |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Yi Te Lin (Note 3)         |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Shih Jung Hsu (Note 2)     |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Victor Hsu (Note 2)        |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |
| Senior Vice president           | Christopher Chern (Note 2) |             |  |                             |  |                            |  |                                    |       |  |       |   |  |  |  |

Range of Remuneration

| Remuneration Range of President and Vice Presidents        | Name of President and Vice Presidents  |  |
|--|--|--|
|  | The company  | Parent company and all invested company  |
| Less than NT\$ 1,000,000                                   | Shih Jung Hsu  | Shih Jung Hsu  |
| NT\$1,000,000(inclusive) – NT\$2,000,000(not inclusive)    | Yi Te Lin, Victor Hsu, Christopher Chern   | Yi Te Lin, Victor Hsu, Christopher Chern   |
| NT\$2,000,000(inclusive) – NT\$3,300,000(not inclusive)    | Jacky Lee  | Jacky Lee  |
| NT\$3,300,000(inclusive) – NT\$5,000,000 (not inclusive)   | Gary Lee, Yao Min Chou, Yih Ruey Kang, Crystal Chen, Share Hsieh   | Gary Lee, Yao Min Chou, Yih Ruey Kang, Crystal Chen, Share Hsieh   |
| NT\$5,000,000(inclusive) – NT\$10,000,000(not inclusive)   | Janron Sung, Terry Wang, Judith Lin, Jay Ueng, Yueh Fang Hsu, Johnny Chang, Henry Chang, Robbin Hsu, Ben Huang, Angel Lu, Chen Tung Chen, Helen Chen, Jina Tsai, Percy Su, Anne Su | Janron Sung, Terry Wang, Judith Lin, Jay Ueng, Yueh Fang Hsu, Johnny Chang, Henry Chang, Robbin Hsu, Ben Huang, Angel Lu, Chen Tung Chen, Helen Chen, Jina Tsai, Percy Su, Anne Su |
| NT\$10,000,000(inclusive) – NT\$15,000,000(not inclusive)  | Jeff Leu, Ming Lung Lin, Sung Ching Tsai, Eric Su  | Jeff Leu, Ming Lung Lin, Sung Ching Tsai, Eric Su  |
| NT\$15,000,000(inclusive) – NT\$30,000,000(not inclusive)  | Tony Hsu, Lauren Hsieh   | Tony Hsu, Lauren Hsieh   |
| NT\$30,000,000(inclusive) – NT\$50,000,000(not inclusive)  | Stephanie Hwang  | Stephanie Hwang  |
| NT\$50,000,000(inclusive) – NT\$100,000,000(not inclusive) |  |  |
| NT\$100,000,000 and above                                  |  |  |
| Total  | 32   | 32   |

Note 1: Salary and bonus in 2020 for the managers' drivers excluded from the above is NT\$ 5,433 thousands. The company also provided other exclusive personal expenses amounted to NT\$642 thousands.

Note 2: Senior Vice President Shih Jung Hsu left his position on 5 January 2020; Senior Vice President Victor Hsu left his position on 31 July 2020 and Senior Vice President Christopher Chern left his position on 2 August 2020.

Note 3: Executive Vice President Henry Chang arrived his position on 1 September 2020; Senior Vice President Yao Min Chou arrived her position on 1 September 2020; Senior Vice President Yi Te Lin arrived his position on 14 September 2020; Executive Vice President Gary Lee arrived his position on 5 October 2020 and Executive Vice President Jacky Lee arrived his position on 5 October 2020.

③ Profit Sharing- Employee Bonus Distributed to Managers and Distribution Situation

Unit: NTS thousands

| Item                  | Title                           | Name            | Employee Bonus<br>- in Stock | Employee Bonus<br>- in Cash | Total  | Ratio of Total Amount to Net<br>Income (%) |
|-----------------------|---------------------------------|-----------------|------------------------------|-----------------------------|--------|--|
| Manager               | President                       | Stephanie Hwang | -                            | 26,000                      | 26,000 | 0.17%                                      |
|                       | Chief Executive Vice President  | Tony Hsu        |                              |                             |        |  |
|                       | Senior Executive Vice president | Sung Ching Tsai |                              |                             |        |  |
|                       | Executive Vice president        | Johnny Chang    |                              |                             |        |  |
|                       | Executive Vice president        | Lauren Hsieh    |                              |                             |        |  |
|                       | Executive Vice president        | Angel Lu        |                              |                             |        |  |
|                       | Executive Vice president        | Eric Su         |                              |                             |        |  |
|                       | Executive Vice president        | Anne Su         |                              |                             |        |  |
|                       | Executive Vice president        | Jay Ueng        |                              |                             |        |  |
|                       | Executive Vice president        | Jeff Leu        |                              |                             |        |  |
|                       | Executive Vice president        | Henry Chang     |                              |                             |        |  |
|                       | Executive Vice president        | Gary Lee        |                              |                             |        |  |
|                       | Executive Vice president        | Jacky Lee       |                              |                             |        |  |
|                       | Senior Vice president           | Ben Huang       |                              |                             |        |  |
|                       | Senior Vice President           | Judith Lin      |                              |                             |        |  |
|                       | Senior Vice president           | Yih Ruey Kang   |                              |                             |        |  |
|                       | Senior Vice president           | Helen Chen      |                              |                             |        |  |
|                       | Senior Vice president           | Share Hsieh     |                              |                             |        |  |
|                       | Senior Vice President           | Percy Su        |                              |                             |        |  |
|                       | Senior Vice president           | Crystal Chen    |                              |                             |        |  |
|                       | Senior Vice President           | Janron Sung     |                              |                             |        |  |
|                       | Senior Vice president           | Ming Lung Lin   |                              |                             |        |  |
|                       | Senior Vice president           | Yueh Fang Hsu   |                              |                             |        |  |
| Senior Vice president | Terry Wang                      |                 |                              |                             |        |  |
| Senior Vice President | Jina Tsai                       |                 |                              |                             |        |  |
| Senior Vice President | Robbin Hsu                      |                 |                              |                             |        |  |
| Senior Vice President | Chen Tung Chen                  |                 |                              |                             |        |  |
| Senior Vice President | Yao Min Chou                    |                 |                              |                             |        |  |
| Senior Vice President | Yi Te Lin                       |                 |                              |                             |        |  |

Note : Employee bonus is \$161,000 thousand, actual distributed amount is to be confirmed after being distributed by this Company according to the resolution of general shareholders' meeting on report therewith.

④The chairperson, president, or any managerial officer in charge of finance or accounting matters have not in the most recent year held a position at the accounting firm of its attesting CPA or at an affiliated enterprise of such accounting firm.

⑤Remuneration to the Chairmen of the board and presidents rehired as consultants after retiring from the insurance enterprise or its affiliate enterprises and related information: None.

### (3) Labor Relations

#### ① Status of Major Labor-Management Agreements and Their Implementations

##### A. Employee Welfare:

In response to the changing trends and environment, and in line with the concept of human-based management, China Life has established complete employee welfare programs, the Employee Welfare Committee and a labor-management communication channel to promote a reasonable working environment. China Life appreciates every employee's effort, so we offer the welfare programs that cater to employees' needs, offer a wide range of care and thus allow them to fully focus on their jobs.

##### B. Employees' education and training:

In order to continuously educate professionals for the varied challenges in the future, China Life embraces employees as our most valuable assets. Therefore, in addition to the workshops and trainings hold by the Human Resource Department and Sales Training Department, we also collaborate with the domestic and overseas professional education organizations to offer our employees both local and overseas training programs and create the channels of learning proper and just-in-time knowledge. For the purpose of motivation for self-study, China Life has created professional qualification examination incentive program aimed at promoting lifelong learning and improve the working quality of the employees. We offer complete education and training programs, including:

- a. General Training: In addition to physical training programs such as expatriate training program, internal on-the-job training, external training, orientation for new staff, management training for each level of managers, and compliance training, a digital learning platform continued providing a flexible and timely learning channel. The Company also promote the concept of micro-learning, brewing an organizational atmosphere for continuous learning and pursuit of progress.
- b. Overseas professional training: We collaborate with global training organizations, such as Life Office Management Association (LOMA), Associate of Society of Actuaries, The Institute of Actuaries of Japan, Reinsurance Group of America (RGA), Munich Reinsurance Company, Swiss Re Group, The Foundation for the Advancement of Life and Insurance Around the world (FALIA), OLIS, and LIMRA, to offer employees opportunities of overseas trainings, seminars, business trips and studies.

- c. Professional qualification examination incentives and subsidies: We provide professional qualification examination incentives and subsidies for the Actuarial Exams, Certified Internal Auditor, Chartered Financial Analyst, Certified Financial Risk Manager, Fellow Life Management Institute Program, Chartered Life Underwriter, Fellow, Life and Health Claims Designation, R.O.C Claims Adjuster Examination, R.O.C Insurance Underwriter Examination, Certified Anti-Money Laundering Specialists, Anti-Money Laundering and Countering Terrorism Financing Specialists, Certified Financial Planner and International Certified Information Systems Auditor.

#### C. Retirement programs:

Based on the Company's pension plan, considering both employees' arrived date and personal choice, separates into defined benefit plans ( old labor pension plan) and defined contribution plan (new labor pension plan). For employees arrived after 1 July 2005, always apply defined contribution plan; for employees arrived before 1 July 2005, were able to choose between defined benefit plans and defined contribution plan. Before June 30 2020, employees who originally applied defined benefit plans, were able to choose to transform into defined contribution plan before 30 June 2010; employees who chose or forced to apply defined contribution plan, have no rights to change to defined benefit plans.

- a. Defined benefit plans

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. Under the Labor Standards Act, the Company contributes an amount equivalent to certain percentage of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund and the pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year.

When employees meet the retirement conditions specified in the retirement plan, they should fill out a retirement application form and submit an application to the company, which will be deal by the company in accordance with internal authorization plan. After approval, an application for pension payment is submitted to the Bank of Taiwan in the name of the Labor Retirement Reserve Supervision Committee, and the payment check will be forwarded to the retired employee after received.

b. Defined contribution plan

The part in our pension plan that is made based on the "Labor Pension Act" is attributed to the Defined Contribution Plan. For employees who are applicable to the Labor Pension Act, the Company shall, on a monthly basis, contribute six percent of their monthly wage, prescribed in the Table of Monthly Contribution Wage Classification for Labor Pension, to individual accounts of labor pension at the Bureau of Labor Insurance. After reaching the age of 60, employees can apply for monthly pension or lump-sum pension to the Labor Insurance Bureau in accordance with the " Labor Pension Act ".

Should the employees' monthly salary be higher than the ceiling amount provided in the Table of Monthly Contribution Wage Classification for Labor Pension, 6% may be withheld by the Company from the excess part as pension reserve on a monthly basis. An employee may receive the pension under this item only when he is eligible according to the pension plan.

D. Other significant agreements: None.

② Loss sustained as a result of labor disputes in the most recent fiscal year: The Company has none loss sustained as a result of labor disputes in the most recent fiscal year.

③ Results of labor inspection:

In 2020, the labor inspection of the Company's Tainan branch found violations of Occupational Safety and Health Facilities Regulations article 324-3, subparagraph 01, 05, and 07 and Occupational Safety and Health Act article 6, subparagraph 2. The employer should take violent preventive measures to prevented workers from illegal physical or psychological infringement due to the actions of others while performing their duties, and make an execution record and keep it for three years. The improvement instructions are as follows:

- a. In terms of identifying and assessing hazards, home office / field employees of Tainan Branch filled out the "Potential Workplace Violence Assessment Survey" based on the "Prevention Plan for Illegal Infringement in Performing Duties" announced by the Company. After follow-up assessment by their supervisors, the hazards were considered low-risk.
- b. In terms of hazard prevention and communication skills training, the staffs of the Tainan branch have carried out education and training on illegal infringements in the workplace (for at least one hour).
- c. In terms of the evaluation and improvement of implementation effectiveness. To improve the prevention plan, besides conducting the "Potential Workplace Violence Risk Assessment Survey", the " Statement on Prohibition of Workplace Violence " has been widely announced.



- (4) Changes in president (general manager), chief audit and appointed actuary in the most recent 2 years:

| Item \ Year       | 2020                                     | 2019                                     |
|-------------------|--|--|
| President         | 2020.01.01-2020.12.31<br>Stephanie Hwang | 2019.01.01-2019.12.31<br>Stephanie Hwang |
| Chief Auditor     | 2020.01.01-2020.12.31<br>Judith Lin      | 2019.01.01-2019.12.31<br>Judith Lin      |
| Appointed Actuary | 2020.01.01-2020.12.31<br>Rochelle Hsieh  | 2019.01.01-2019.12.31<br>Rochelle Hsieh  |

- (5) Changes in the method for allocation of all kinds of reserves: None.
- (6) The insurance enterprise had the situation in the most recent year where its shareholders' meeting has adopted the resolution to carry out capital increase or decrease or its board of directors (council) has adopted the resolution to issue new shares but the application (or filing) was not approved (or approved for record) by the FSC, or where its application for capital change registration was not approved by the Ministry of Economic Affairs: None.
- (7) Cases of claim payment and claim recovery from reinsurer involving amount exceeding NT\$20 million in the most recent 3 years and financial impact analysis therefor: (expressed in thousands of New Taiwan Dollars)

For the year of 2018:

| Insured person | Type of Insurance | Result of Claim |             | Insurance claim payments | Claims recovered from reinsures | Analysis of financial impacts   |
|----------------|-------------------|-----------------|-------------|--------------------------|---------------------------------|---|
|                |                   | Paid Date       | Paid Amount |                          |                                 |   |
| A              | Universal         | 2018.02.23      | \$41,993    | \$41,993                 | \$-                             | The amount of major cases of claim constitutes merely an insignificant part of the amount of claim for the entire fiscal year. Therefore, there is no material impact on over financial position. |
| B              | Life              | 2018.03.22      | 289,046     | 289,046                  | 41,490                          |   |
| C              | Universal         | 2018.04.30      | 20,091      | 20,091                   | -                               |   |
| D              | Variable          | 2018.04.24      | 30,000      | 30,000                   | -                               |   |
| E              | Variable          | 2018.05.25      | 68,069      | 68,069                   | -                               |   |
| F              | Life              | 2018.05.17      | 22,775      | 22,775                   | -                               |   |
| G              | Universal         | 2018.08.24      | 28,478      | 28,478                   | -                               |   |
| H              | Universal         | 2018.10.17      | 20,692      | 20,692                   | -                               |   |
| I              | Life              | 2018.10.24      | 30,107      | 30,107                   | -                               |   |
| J              | Universal         | 2018.11.02      | 24,186      | 24,186                   | -                               |   |
| K              | Endowment         | 2018.11.15      | 20,827      | 20,827                   | -                               |   |
| L              | Life              | 2018.11.15      | 59,913      | 59,913                   | 47,623                          |   |

For the year of 2019:

| Insured person | Type of Insurance  | Result of Claim |             | Insurance claim payments | Claims recovered from reinsures | Analysis of financial impacts   |
|----------------|--------------------|-----------------|-------------|--------------------------|---------------------------------|---|
|                |                    | Paid Date       | Paid Amount |                          |                                 |   |
| M              | Life               | 2019.01.16      | \$26,275    | \$26,275                 | \$6,865                         | The amount of major cases of claim constitutes merely an insignificant part of the amount of claim for the entire fiscal year. Therefore, there is no material impact on over financial position. |
| N              | Annuity            | 2019.02.22      | 42,007      | 42,007                   | -                               |   |
| O              | Universal          | 2019.02.25      | 51,944      | 51,944                   | -                               |   |
| P              | Endowment          | 2019.02.01      | 35,751      | 35,751                   | -                               |   |
| Q              | Universal          | 2019.04.10      | 33,681      | 33,681                   | -                               |   |
| R              | Interest Sensitive | 2019.04.12      | 62,579      | 62,579                   | 15,574                          |   |
| S              | Universal          | 2019.05.02      | 35,666      | 35,666                   | -                               |   |
| T              | Universal          | 2019.07.30      | 21,051      | 21,051                   | -                               |   |
| U              | Universal          | 2019.07.05      | 30,396      | 30,396                   | -                               |   |
| V              | Interest Sensitive | 2019.08.16      | 22,985      | 22,985                   | -                               |   |
|                |                    | 2019.08.21      | 7,136       | 7,136                    | -                               |   |
|                |                    | 2019.08.23      | 3,517       | 3,517                    | -                               |   |
| W              | Universal          | 2019.09.26      | 36,551      | 36,551                   | -                               |   |
| X              | Endowment          | 2019.10.09      | 21,400      | 21,400                   | -                               |   |
| Y              | Variable           | 2019.11.22      | 33,600      | 33,600                   | -                               |   |
| Z              | Universal          | 2019.12.23      | 53,887      | 53,887                   | -                               |   |
| AA             | Annuity            | 2019.12.27      | 29,991      | 29,991                   | -                               |   |

For the year of 2020:

| Insured person | Type of Insurance  | Result of Claim |             | Insurance claim payments | Claims recovered from reinsures | Analysis of financial impacts   |
|----------------|--------------------|-----------------|-------------|--------------------------|---------------------------------|---|
|                |                    | Paid Date       | Paid Amount |                          |                                 |   |
| AB             | Universal          | 2020.01.20      | \$66,989    | \$66,989                 | \$-                             | The amount of major cases of claim constitutes merely an insignificant part of the amount of claim for the entire fiscal year. Therefore, there is no material impact on over financial position. |
| AC             | Universal          | 2020.01.20      | 73,419      | 73,419                   | -                               |   |
| AD             | Life               | 2020.02.27      | 33,995      | 33,995                   | -                               |   |
| AE             | Universal          | 2020.02.20      | 20,428      | 20,428                   | -                               |   |
| AF             | Life               | 2020.03.27      | 25,614      | 25,614                   | -                               |   |
| AG             | Universal          | 2020.04.20      | 35,714      | 35,714                   | -                               |   |
| AH             | Universal          | 2020.04.29      | 23,157      | 23,157                   | -                               |   |
| AI             | Interest Sensitive | 2020.05.25      | 3,410       | 3,410                    | -                               |   |
|                |                    | 2020.05.29      | 62,297      | 62,297                   | -                               |   |
| AJ             | Life               | 2020.08.07      | 27,338      | 27,338                   | -                               |   |
| AK             | Life               | 2020.09.10      | 20,464      | 20,464                   | -                               |   |
| AL             | Endowment          | 2020.12.16      | 57,210      | 57,210                   | -                               |   |
| AM             | Interest Sensitive | 2020.12.14      | 9,128       | 9,128                    | -                               |   |
|                |                    | 2020.12.16      | 12,690      | 12,690                   | -                               |   |

- (8) The name and credit rating of any reinsurer whose reinsurance expenses for the preceding year accounted for 1% or more of total premium income of the Company: None.

(9) Credit rating information:

The Company entrusted the credit rating company below to execute the financial strength and issuer credit rating. The result is as follows:

| name of the credit rating agency | date of rating | result of rating | Credit outlook |
|----------------------------------|----------------|------------------|----------------|
| Taiwan Rating                    | 2020.07.23     | tw AA            | Negative       |

2. The market price of securities issued, dividend payout and distribution of ownership:

(1) Price, net worth, earnings, and dividends per share

Unit: NT\$ ; thousand shares

| Items                |                                     | Year                             | 2019      | 2020      |
|----------------------|-------------------------------------|----------------------------------|-----------|-----------|
|                      |                                     |                                  |           |           |
| Price per Share      | Highest Price                       | Before Adjustment                | 29.65     | 26.20     |
|                      |                                     | After Adjustment                 | 29.65     | 24.15     |
|                      | Lowest Price                        | Before Adjustment                | 22.75     | 14.35     |
|                      |                                     | After Adjustment                 | 22.75     | 12.97     |
| Average Price        |                                     |                                  | 25.69     | 20.72     |
| Net Worth per Share  | Before Distribution                 |                                  | 31.96     | 37.97     |
|                      | After Distribution (Note)           |                                  | 29.59     | -         |
| Earnings per Share   | Weighted Average Shares             |                                  | 4,515,644 | 4,731,397 |
|                      | Earnings Per Share                  | Before Adjustment                | 3.20      | 3.29      |
|                      |                                     | After Adjustment                 | 3.02      | -         |
| Dividends per Share  | Cash Dividends                      |                                  | 0.6       | -         |
|                      | Stock Dividends                     | Dividends from Retained Earnings | 0.6       | -         |
|                      |                                     | Dividends from Capital Surplus   | -         | -         |
|                      | Accumulated Undistributed Dividends |                                  | -         | -         |
| Return on Investment | Price / Earnings Ratio              |                                  | 8.03      | 6.43      |
|                      | Price / Dividend Ratio              |                                  | 42.85     | -         |
|                      | Cash Dividend Yield                 |                                  | 2.33      | -         |

Note : The number of the issuing shares in the year end as the base with the distribution decision resolved at the general shareholders' meeting held in the following year.

## (2) Shareholding Distribution Status

① Ordinary stocks: (NT\$10 per share)

31 December 2020

| Class of Shareholding<br>(Unit: Share) | Number of<br>Shareholders | Percentage of<br>number of<br>shareholders | Shareholding<br>(Shares) | Percentage of<br>shareholding |
|--|---------------------------|--|--------------------------|-------------------------------|
| 1 - 999                                | 62,787                    | 36.53%                                     | 9,938,985                | 0.21%                         |
| 1,000 - 5,000                          | 66,849                    | 38.90%                                     | 138,911,139              | 2.94%                         |
| 5,001 - 10,000                         | 17,095                    | 9.95%                                      | 119,563,731              | 2.53%                         |
| 10,001 - 15,000                        | 8,579                     | 4.99%                                      | 102,090,641              | 2.16%                         |
| 15,001 - 20,000                        | 3,745                     | 2.18%                                      | 65,256,566               | 1.38%                         |
| 20,001 - 30,000                        | 4,554                     | 2.65%                                      | 108,941,334              | 2.30%                         |
| 30,001 - 40,000                        | 2,146                     | 1.25%                                      | 73,659,450               | 1.56%                         |
| 40,001 - 50,000                        | 1,242                     | 0.72%                                      | 55,575,506               | 1.17%                         |
| 50,001 - 100,000                       | 2,486                     | 1.45%                                      | 169,574,722              | 3.58%                         |
| 100,001 - 200,000                      | 1284                      | 0.75%                                      | 173,198,296              | 3.66%                         |
| 200,001 - 400,000                      | 519                       | 0.30%                                      | 141,993,008              | 3.00%                         |
| 400,001 - 600,000                      | 169                       | 0.10%                                      | 82,773,325               | 1.75%                         |
| 600,001 - 800,000                      | 78                        | 0.05%                                      | 53,691,669               | 1.14%                         |
| 800,001 - 1,000,000                    | 62                        | 0.04%                                      | 55,262,523               | 1.17%                         |
| 1,000,001 以上                           | 267                       | 0.16%                                      | 3,381,266,347            | 71.46%                        |
| Adjustment (Note)                      |                           |  | -300,000                 | -0.01%                        |
| Total                                  | 171,862                   | 100.00%                                    | 4,731,397,242            | 100.00%                       |

Note : Adjustment comes from the difference between the total number of shares of each class and the total number of issued shares of the Company due to the occurrence of insufficient sales balance in the shareholder's account on the business day before the date of the table source.

② Preferred Stock: The Company does not issue preferred stock.

(3) Transfer and pledge of shares owned by directors, supervisors, managers, and major shareholders

① Chart of transfer and pledge of shares owned by directors, supervisors, managers, and major shareholders:

| Title<br>(Note 1) | Name   | 2020                              |  | As of 31 January 2021             |  |
|-------------------|--|-----------------------------------|--|-----------------------------------|--|
|                   |  | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) |
| Chairman          | Tai li Investment Co., Ltd.<br>Representative: Stephanie<br>Hwang (Appointment on 1<br>January 2021) | 34,794                            | 0  | 0                                 | 0  |
| Director          | Tai li Investment Co., Ltd.<br>Representative:<br>Tony Hsu   |                                   |  |                                   |  |

| Title<br>(Note 1)                    | Name  | 2020                              |  | As of 31 January 2021             |  |
|--------------------------------------|---|-----------------------------------|--|-----------------------------------|--|
|                                      |   | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) |
| Chairman                             | China Development<br>Financial Holding<br>Corporation<br>Representative: Yu Ling<br>Kuo (Dismissal on 1<br>January 2021)                  | 70,071,265                        | 0  | 0                                 | 0  |
| Director                             | China Development<br>Financial Holding<br>Corporation<br>Representative: Stefano<br>Paolo Bertamini<br>(Appointment on 1 January<br>2021) |                                   |  |                                   |  |
| Director                             | China Development<br>Financial Holding<br>Corporation<br>Representative: Hui-Chi<br>Shih  |                                   |  |                                   |  |
| Director                             | China Development<br>Financial Holding<br>Corporation<br>Representative: Shan-Jung<br>Yu  |                                   |  |                                   |  |
| Major<br>shareholder                 | China Development<br>Financial<br>Holding Corporation   |                                   |  |                                   |  |
| Independent<br>Director              | Johnson F.H. Huang  | 0                                 | 0  | 0                                 | 0  |
| Independent<br>Director              | Cheng-Hsien Tsai<br>(Appointment on 27 May<br>2020)   | 0                                 | 0  | 0                                 | 0  |
| Independent<br>Director              | Da-Bai Shen (Appointment<br>on 27 May 2020)   | 0                                 | 0  | 0                                 | 0  |
| Independent<br>Director              | Ming-Jung Lai<br>(Appointment on 27 May<br>2020)  | 0                                 | 0  | 0                                 | 0  |
| President                            | Stephanie Hwang   | 44,940                            | 0  | 0                                 | 0  |
| Chief<br>Executive Vice<br>President | Tony Hsu  | 182,054                           | 0  | 0                                 | 0  |

| Title<br>(Note 1)                                | Name            | 2020                              |  | As of 31 January 2021             |  |
|--|-----------------|-----------------------------------|--|-----------------------------------|--|
|  |                 | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) |
| Senior<br>Executive Vice<br>President            | Sung Ching Tsai | 1,438                             | 0  | 0                                 | 0  |
| Executive Vice<br>President                      | Johnny Chang    | 32,234                            | 0  | 0                                 | 0  |
| Executive Vice<br>President                      | Anne Su         | 122,437                           | 0  | 0                                 | 0  |
| Executive Vice<br>President                      | Angel Lu        | 49,835                            | 0  | 0                                 | 0  |
| Executive Vice<br>President                      | Eric Su         | 52,192                            | 0  | 0                                 | 0  |
| Executive Vice<br>President                      | Lauren Hsieh    | 18,965                            | 0  | 0                                 | 0  |
| Executive Vice<br>President                      | Jay Ueng        | 11,442                            | 0  | 0                                 | 0  |
| Executive Vice<br>President                      | Jeff Leu        | 22,716                            | 0  | 0                                 | 0  |
| Senior Vice<br>President<br>(Chief Auditor)      | Judith Lin      | 38,829                            | 0  | 0                                 | 0  |
| Senior Vice<br>President                         | Ben Huang       | 16,563                            | 0  | 0                                 | 0  |
| Senior Vice<br>President                         | Yih Ruey Kang   | 36,206                            | 0  | 0                                 | 0  |
| Senior Vice<br>President<br>(Head of<br>Finance) | Share Hsieh     | 48,383                            | 0  | 0                                 | 0  |
| Senior Vice<br>President                         | Helen Chen      | 20,886                            | 0  | 0                                 | 0  |
| Senior Vice<br>President                         | Percy Su        | 20,409                            | 0  | 0                                 | 0  |
| Senior Vice<br>President                         | Crystal Chen    | 9,431                             | 0  | 0                                 | 0  |
| Senior Vice<br>President                         | Janron Sung     | 9,212                             | 0  | 0                                 | 0  |
| Senior Vice<br>President                         | Ming Lung Lin   | 30,275                            | 0  | 0                                 | 0  |

| Title<br>(Note 1)                                    | Name   | 2020                              |  | As of 31 January 2021             |  |
|--|--|-----------------------------------|--|-----------------------------------|--|
|  |  | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) | Holding<br>Increase<br>(Decrease) | Pledged<br>Holding<br>Increase<br>(Decrease) |
| Senior Vice<br>President                             | Yueh Fang Hsu  | 7,221                             | 0  | 0                                 | 0  |
| Senior Vice<br>President                             | Terry Wang   | 13,995                            | 0  | 0                                 | 0  |
| Senior Vice<br>President<br>( Head of<br>Accounting) | Jina Tsai  | 7,922                             | 0  | 0                                 | 0  |
| Senior Vice<br>President                             | Robbin Hsu   | 9,464                             | 0  | 0                                 | 0  |
| Senior Vice<br>President                             | Chen Tong Chen                                       | 0                                 | 0  | 0                                 | 0  |
| Executive Vice<br>President                          | Henry Chang (Appointment<br>on 1 September 2020)     | 0                                 | 0  | 0                                 | 0  |
| Senior Vice<br>President                             | Yao Min Chou<br>(Appointment on 1<br>September 2020) | 12,754                            | 0  | 0                                 | 0  |
| Chief<br>Compliance<br>Officer                       | Yi Te Lin (Appointment on<br>14 September 2020)      | 0                                 | 0  | 0                                 | 0  |
| Executive Vice<br>President                          | Gary Lee (Appointment on<br>5 October 2020)          | 0                                 | 0  | 0                                 | 0  |
| Executive Vice<br>President                          | Jacky Lee (Appointment on<br>5 October 2020)         | 0                                 | 0  | 0                                 | 0  |
| Independent<br>Director                              | Wei-Ta Pan (Dismissal on<br>12 May 2020)             | 0                                 | 0  | 0                                 | 0  |
| Independent<br>Director                              | Wen-Yen Hsu (Dismissal<br>on 26 May 2020)            | 0                                 | 0  | 0                                 | 0  |
| Senior Vice<br>President                             | Shih Jung Hsu (Dismissal<br>on 5 January 2020)       | 0                                 | 0  | 0                                 | 0  |
| Senior Vice<br>President                             | Victor Hsu (Dismissal on 31<br>July 2020)            | 0                                 | 0  | 0                                 | 0  |
| Senior Vice<br>President                             | Christopher Chern<br>(Dismissal on 2 August<br>2020) | 0                                 | 0  | 0                                 | 0  |

Note 1: Those who noted as major shareholders are shareholders with a stake of more than 10 percent of the total shares of the Company.

② Information on transfer of equity interests:

| Name<br>(Note 1) | Reasons for<br>transfer of<br>equity<br>interests<br>(Note 2) | Date of<br>Transaction | Transaction<br>Counterparty | Counterparty's<br>relationship<br>between the<br>company or<br>the company's<br>director,<br>supervisor,<br>and<br>shareholder<br>holding more<br>than 10% of<br>shares | Number<br>of shares | Transaction<br>price |
|------------------|---|------------------------|-----------------------------|---|---------------------|----------------------|
| None.            |   |                        |                             |   |                     |                      |

Note 1: Should fill in the names of director, supervisor, managers, or shareholder holding more than 10% of shares.

Note 2: Should fill in acquisition or disposal.

③ Information on pledge of equity interests

| Name<br>(Note 1) | Reasons for<br>pledge and<br>redemption<br>of equity<br>interests<br>(Note 2) | Date of<br>Transaction | Transaction<br>Counterparty | Counterparty's<br>relationship<br>between the<br>company or<br>the company's<br>director,<br>supervisor,<br>and<br>shareholder<br>holding more<br>than 10% of<br>shares | Number<br>of shares | Transaction<br>price |
|------------------|---|------------------------|-----------------------------|---|---------------------|----------------------|
| None.            |   |                        |                             |   |                     |                      |

Note 1: Should fill in the names of director, supervisor, managers, or shareholder holding more than 10% of shares.

Note 2: Should fill in pledge or redemption.

(4) Related information on shelf registration: None.



### 3. Major Financial Information

#### (1) Condensed Balance Sheet and Income Statement

##### ① Balance Sheet

Unit: NT\$ thousands

| Item \ Year   | Financial Summary for The Last Five Years (Note 1) |               |               |               |               |               |
|---|--|---------------|---------------|---------------|---------------|---------------|
|   | 2016   | 2017          | 2018          | 2019          | 2020          |               |
| Cash and cash equivalents   | \$34,318,710                                       | \$44,717,613  | \$42,947,426  | \$85,927,723  | \$101,376,515 |               |
| Receivables   | 12,886,631   | 12,998,829    | 17,549,054    | 26,826,102    | 19,920,386    |               |
| Other Financial assets and Loans  | 1,181,650,901                                      | 1,311,081,839 | 1,545,562,048 | 1,763,883,765 | 1,975,290,483 |               |
| Reinsurance assets  | 285,097  | 302,104       | 534,353       | 533,134       | 740,256       |               |
| Property, Plant and Equipment   | 8,088,226  | 9,387,145     | 10,722,338    | 14,113,541    | 12,414,988    |               |
| Intangible assets   | 158,582  | 186,275       | 230,128       | 190,409       | 234,530       |               |
| Other assets  | 86,323,311   | 87,060,379    | 93,809,989    | 108,763,246   | 109,734,690   |               |
| Total assets  | 1,323,711,458                                      | 1,465,734,184 | 1,711,355,336 | 2,000,237,920 | 2,219,711,848 |               |
| Payables  | 8,531,169  | 8,547,929     | 10,727,086    | 19,417,296    | 13,264,436    |               |
| Other Financial liabilities   | 8,361,215  | 535,854       | 2,469,127     | 1,426,070     | 17,931,359    |               |
| Insurance liabilities and Reserve for insurance contracts with the nature of financial products | 1,150,705,564                                      | 1,286,901,781 | 1,555,697,527 | 1,740,627,254 | 1,900,703,437 |               |
| Provisions  | 97,753   | 120,084       | 134,940       | 209,328       | 212,754       |               |
| Other liabilities   | 74,943,660   | 74,290,789    | 69,232,272    | 95,888,411    | 107,942,657   |               |
| Total liabilities   | Before distribution                                | 1,242,639,361 | 1,370,396,437 | 1,638,260,952 | 1,857,568,359 | 2,040,054,643 |
|   | After distribution                                 | 1,245,418,369 | 1,373,425,556 | 1,638,260,952 | 1,860,246,508 | (Note 2)      |
| Share Capital   | 34,737,600   | 37,863,984    | 40,135,823    | 44,635,823    | 47,313,972    |               |
| Capital surplus   | 2,289,273  | 2,289,273     | 2,289,273     | 7,214,523     | 7,214,523     |               |
| Retained earnings   | Before distribution                                | 40,925,080    | 44,077,239    | 48,243,509    | 61,240,158    | 70,988,356    |
|   | After distribution                                 | 35,019,688    | 38,776,281    | 48,243,509    | 55,883,860    | (Note 2)      |
| Other equity  | 3,120,144  | 11,107,251    | (17,574,221)  | 29,579,057    | 54,140,354    |               |
| Total equity  | Before distribution                                | 81,072,097    | 95,337,747    | 73,094,384    | 142,669,561   | 179,657,205   |
|   | After distribution                                 | 78,293,089    | 92,308,628    | 73,094,384    | 139,991,412   | (Note 2)      |

Note 1: The above-listed financial information was compiled according to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs and has been audited and certified by Certified Public Accountants.

Note 2: Until the submission date of this Report, the Company has not yet convened the shareholders' meeting.

② Income Statement

Unit: NT\$ thousands

| Item \ Year                          | Financial Summary for The Last Five Years (Note 1) |               |               |               |               |
|--------------------------------------|--|---------------|---------------|---------------|---------------|
|                                      | 2016   | 2017          | 2018          | 2019          | 2020          |
| Operating revenue                    | \$237,222,260                                      | \$255,328,334 | \$338,495,113 | \$339,115,451 | \$323,248,432 |
| Operating costs                      | (222,488,981)                                      | (242,182,893) | (325,583,910) | (318,713,973) | (301,457,969) |
| Operating expenses                   | (4,056,919)  | (4,405,260)   | (4,954,851)   | (5,810,662)   | (6,085,643)   |
| Non-operating income and expenses    | 56,268   | (897)         | 1,646,887     | 10,910        | (67,957)      |
| Net income before tax                | 10,732,628   | 8,739,284     | 9,603,239     | 14,601,726    | 15,636,863    |
| Net income                           | 9,468,357  | 9,083,972     | 10,177,987    | 13,597,878    | 15,547,836    |
| Other comprehensive income after tax | (8,976,040)  | 7,960,686     | (35,428,214)  | 46,561,453    | 24,113,661    |
| Earnings per share (NT\$)(Note2)     | 2.23   | 2.14          | 2.40          | 3.02          | 3.29          |

Note 1: The above-listed financial information was compiled according to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IFRSs and has been audited and certified by Certified Public Accountants.

Note 2 The Company's earnings per share were calculated based on the retrospective adjustment after the historical capital increases.

(2) Major Financial Ratios Analysis

| Item                  |   | Year      | Financial Analysis for the Last Five Years |         |         |         |         |
|-----------------------|---|-----------|--|---------|---------|---------|---------|
|                       |   | 2016      | 2017                                       | 2018    | 2019    | 2020    |         |
| Financial structure   | Debt Ratio  |           | 93.88%                                     | 93.50%  | 95.73%  | 92.87%  | 91.91%  |
|                       | All insurance liabilities to assets ratio   |           | 86.93%                                     | 87.80%  | 90.90%  | 87.02%  | 85.63%  |
|                       | Change ratio of all insurance liabilities   |           | 11.35%                                     | 11.84%  | 20.89%  | 11.89%  | 9.20%   |
|                       | Ratio of net increase amount of all insurance liabilities to premiums                       |           | 64.13%                                     | 69.43%  | 95.15%  | 70.62%  | 65.52%  |
|                       | The net worth ratio   |           | 6.44%                                      | 6.79%   | 4.43%   | 7.42%   | 8.41%   |
| Solvency              | Ratio of investment in related enterprises to equity  |           | 0.00%                                      | 8.34%   | 18.10%  | 12.61%  | 8.15%   |
|                       | First year premium ratio  |           | 109.00%                                    | 88.52%  | 187.40% | 82.54%  | 70.36%  |
|                       | Renewal premium ratio   |           | 127.21%                                    | 125.57% | 120.03% | 102.85% | 109.27% |
| Operating performance | New business expense ratio  |           | 10.07%                                     | 7.95%   | 6.35%   | 8.00%   | 7.98%   |
|                       | Change ratio of premium   |           | 20.96%                                     | 7.23%   | 44.01%  | -7.30%  | -6.70%  |
|                       | Change ratio of equity  |           | -1.83%                                     | 17.60%  | -23.33% | 95.19%  | 25.93%  |
|                       | Change ratio of net incomes   |           | 3.23%                                      | -4.06%  | 12.04%  | 33.60%  | 14.34%  |
|                       | Fund allocation ratio   |           | 100.41%                                    | 99.25%  | 98.81%  | 98.98%  | 99.83%  |
|                       | Persistency ratio   | 13 months |  | 98.30%  | 98.49%  | 98.14%  | 98.70%  |
| 25 months             |   |           | 97.08%                                     | 97.37%  | 97.17%  | 97.05%  | 97.77%  |
| Profitability         | Return on total assets  |           | 0.75%                                      | 0.65%   | 0.64%   | 0.73%   | 0.74%   |
|                       | Return on stockholders' equity  |           | 11.57%                                     | 10.30%  | 12.09%  | 12.60%  | 9.65%   |
|                       | Ratio of net income from the funds allocation   |           | 4.08%                                      | 3.68%   | 3.48%   | 3.85%   | 3.55%   |
|                       | Ratio of Return on Investment   |           | 3.78%                                      | 3.45%   | 3.30%   | 3.64%   | 3.34%   |
|                       | Operating income to operating revenues ratio  |           | 4.50%                                      | 3.42%   | 2.35%   | 4.30%   | 4.86%   |
|                       | Pre-tax income to revenue   |           | 4.52%                                      | 3.42%   | 2.82%   | 4.31%   | 4.84%   |
|                       | Profit ratio  |           | 3.99%                                      | 3.56%   | 3.01%   | 4.01%   | 4.81%   |
|                       | Earnings per share (NT\$) (Note1)   |           | 2.23                                       | 2.14    | 2.40    | 3.02    | 3.29    |
|                       | Ratio of investment real property and loans extended by mortgage on real property to assets |           | 2.02%                                      | 1.78%   | 1.53%   | 1.29%   | 1.77%   |

Note 1: The Company's earnings per share were calculated based on the retrospective adjustment after the historical capital increases.

For those items whose rate of change increase or decrease by more than 20% in two years, the analysis are as below:

1. The decreasing change ratio of all insurance liabilities were mainly due to the decrease of new business premiums of life insurance.
2. The fall of ratio of investment in related enterprises to equity was caused by the overall financial market price rise that increased the unrealized valuation gain on financial assets at fair value through other comprehensive income and overlay.
3. The fall of change ratio of equity is because the current year increase of unrealized valuation gain on financial assets at fair value through other comprehensive income and overlay is lower than last year.
4. The fall of change ratio of net income stems from the increase of net income of this year fall compared to that of last year.
5. The fall of ratio or return on shareholder's equity was mainly caused by the higher average net shareholder's equity compared to 2019.
6. The rise of ratio of investment real property and loans extended by mortgage on property to assets was mainly caused by "Construction of Taipei Academy" was transferred into buildings and construction from buildings and construction in progress, and part of the building and right-of-use asset transferred to investment proeprty due to the nature of use.

Note 2: The equations for calculation are shown below:

1. Financial structure

- (1) Debt Ratio = Total liabilities/Total assets
- (2) All insurance liabilities to assets ratio = all insurance liabilities/total assets
- (3) Change ratio of all insurance liabilities = (closing balance of all insurance liabilities – opening balance of all insurance liabilities) /opening balance of all insurance liabilities
- (4) Ratio of net increase of all insurance liabilities to premiums = net increase of all insurance liabilities/ Premiums
- (5) The net worth ratio = Total equity/Total assets excluding the separate accounts product assets

2. Solvency

- (1) Ratio of investment in related enterprises to equity = investment in related enterprises/equity
- (2) First year premium ratio= current First year premiums/first year premiums in the prior period

- (3) Renewal premium ratio = current renewal premiums/renewal premiums in the prior period
3. Operating performance
- (1) New business expense ratio= new business expenses/new business premiums
  - (2) Change ratio of premiums= (premiums accumulated for current period – premiums accumulated for prior period) /premiums accumulated for prior period
  - (3) Change ratio of equity= (equity for current period-equity for prior period) /the absolute value of equity for prior period
  - (4) Change ratio of net income = (net income for current period- net income for prior period)/absolute value of net income for prior period
  - (5) Funds allocation ratio= total amount of funds allocation / (insurance liabilities + total equity)
  - (6) Persistency ratio (13-month, 25-month) =  $P_{ry} = \frac{BF_x + y}{NB'_x} \times 100\%$
4. Profitability
- (1) Ratio or return on total assets= [net income + interest expense\*(1-tax rate)]/average total assets
  - (2) Ratio or return on shareholder's equity= net income/average net shareholder's equity
  - (3) Ratio of net income from the funds allocation= (current net investment income + disposal of equity instruments at fair value through other comprehensive income) / [(opening utilizable funds + closing utilizable funds – current net investment income – disposal of equity instruments at fair value through other comprehensive income)/2]
  - (4) Ratio of return on Investment=  $2 \times$  (net investment income + disposal of equity instruments at fair value through other comprehensive income) / (opening total assets + closing total assets – net investment income – disposal of equity instruments at fair value through other comprehensive income)
  - (5) Operating income to operating revenue ratio= operating income/ operating revenue
  - (6) Ratio of before-tax net income to total revenue = before-tax net income/ (operating revenue + non-operating revenue)
  - (7) Profit ratio= net income/operating revenue
  - (8) Earnings per share= net income/weighted average stock shares issued
  - (9) Ratio of investment real property and loans extended by mortgage on property to assets = real property investment and loans extended by mortgage on real property/average total assets

- (3) Other significant information sufficient to enhance understanding of its financial position, financial performance and cash flows or trends of change: None.

4. Review and analysis for financial position and financial performance

(1) Comparative analysis for financial position:

Unit: NT\$ thousands

| Item \ Year   | 2020          | 2019          | Difference   |       |
|---|---------------|---------------|--------------|-------|
|   |               |               | Amount       | %     |
| Cash and cash equivalents   | \$101,376,515 | \$85,927,723  | \$15,448,792 | 18%   |
| Receivables   | 19,920,386    | 26,826,102    | (6,905,716)  | -26%  |
| Other Financial assets and Loans  | 1,975,290,483 | 1,763,883,765 | 211,406,718  | 12%   |
| Reinsurance assets  | 740,256       | 533,134       | 207,122      | 39%   |
| Property, Plant and Equipment   | 12,414,988    | 14,113,541    | (1,698,553)  | -12%  |
| Intangible assets   | 234,530       | 190,409       | 44,121       | 23%   |
| Other assets  | 109,734,690   | 108,763,246   | 971,444      | 1%    |
| Total assets  | 2,219,711,848 | 2,000,237,920 | 219,473,928  | 11%   |
| Payables  | 13,264,436    | 19,417,296    | (6,152,860)  | -32%  |
| Other Financial liabilities   | 17,931,359    | 1,426,070     | 16,505,289   | 1157% |
| Insurance liabilities and Reserve for insurance contracts with the nature of financial products | 1,900,703,437 | 1,740,627,254 | 160,076,183  | 9%    |
| Provisions  | 212,754       | 209,328       | 3,426        | 2%    |
| Other liabilities   | 107,942,657   | 95,888,411    | 12,054,246   | 13%   |
| Total liabilities   | 2,040,054,643 | 1,857,568,359 | 182,486,284  | 10%   |
| Share Capital   | 47,313,972    | 44,635,823    | 2,678,149    | 6%    |
| Capital surplus   | 7,214,523     | 7,214,523     | -            | 0%    |
| Retained earnings   | 70,988,356    | 61,240,158    | 9,748,198    | 16%   |
| Other equity  | 54,140,354    | 29,579,057    | 24,561,297   | 83%   |
| Total equity  | 179,657,205   | 142,669,561   | 36,987,644   | 26%   |

For those items whose rate of change increase or decrease by more than 20% and the amount of change vary by more than 10 millions in two years, the analysis are as below:

- ① The decrease in receivables is mainly due to lower balance in the sale of securities receivables at year end.
- ② The increase in reinsurance assets is mainly due to higher balance in the claims recoverable from reinsurers at year end.
- ③ The increasing amount of intangible assets was because of the set up and upgrade in multiple system software this year.
- ④ The decrease in payables is the result of the lower balance of investment payables at year end.
- ⑤ The increase in other financial liabilities was the result of derivative financial liabilities due to currency hedging increased and the issuance of corporate bonds.
- ⑥ The increase in other equity and total equity stems from the rise of the expand in the unrealized valuation gain on the financial assets at fair value through other comprehensive income and the financial assets apply overlay approach.

(2) Analysis for financial performance:

Unit: NT\$ thousands

| Item \ Year   | 2020          | 2019          | Amount in increase (decrease) | Percentage of change (%) |
|---|---------------|---------------|-------------------------------|--------------------------|
| Operating revenue                                   | \$323,248,432 | \$339,115,451 | \$(15,867,019)                | -5%                      |
| Operating costs                                     | 301,457,969   | 318,713,973   | (17,256,004)                  | -5%                      |
| Operating expenses                                  | 6,085,643     | 5,810,662     | 274,981                       | 5%                       |
| Operating income                                    | 15,704,820    | 14,590,816    | 1,114,004                     | 8%                       |
| Non-operating income and expenses                   | (67,957)      | 10,910        | (78,867)                      | -723%                    |
| Income from continuing operations before income tax | 15,636,863    | 14,601,726    | 1,035,137                     | 7%                       |
| Income tax  | (89,027)      | (1,003,848)   | 914,821                       | -91%                     |
| Net income from continuing operations               | 15,547,836    | 13,597,878    | 1,949,958                     | 14%                      |

For those items whose rate of change increase or decrease by more than 10% in two years, the analysis are as below:

- ① The decrease in non-operating income and expenses results from the increase of impairment losses from non-financial assets.
- ② The decrease in income tax is owing to the increase of gain on deferred tax compared to last year.
- ③ The increase in net income is owing to the increase of net investment income and the decrease of income tax.

5. Information Regarding the Company's Audit Fee:

(1) CPA fees:

| Accounting Firm | Name of CPA    |                    | Period Covered by CPA's Audit                    | Remarks |
|-----------------|----------------|--------------------|--|---------|
| Ernst & Young   | WEN-FUN<br>FUH | CHENG-TAO<br>CHANG | From<br>1 January 2020<br>to<br>31 December 2020 |         |

Unit: NT\$ thousands

| Class of amount |  | Item | Audit Fee | Non-audit fee | Total  |
|-----------------|--|------|-----------|---------------|--------|
| 1               | Lower than NT\$2,000 thousands                               |      |           |               |        |
| 2               | NT\$2,000 thousands(or NT\$2,000) to<br>NT\$4,000 thousands  |      |           |               |        |
| 3               | NT\$4,000 thousands(or NT\$4,000) to<br>NT\$6,000 thousands  |      |           |               |        |
| 4               | NT\$6,000 thousands(or NT\$6,000) to<br>NT\$8,000 thousands  |      | 7,500     |               | 7,500  |
| 5               | NT\$8,000 thousands(or NT\$8,000) to<br>NT\$10,000 thousands |      |           |               |        |
| 6               | NT\$10,000 thousands or more                                 |      |           | 16,025        | 16,025 |

① Non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid:

Unit: NT\$ thousand

| Accounting Firm | Name of CPA        | Audit Fee | Non-audit fees |                       |                 |        |           | Audit period | Note   |
|-----------------|--------------------|-----------|----------------|-----------------------|-----------------|--------|-----------|--------------|--|
|                 |                    |           | System Design  | Business registration | Human Resources | Others | Sub-total |              |  |
| Ernst & Young   | WEN-FUN<br>FUH     | 7,500     |                | 245                   |                 | 15,780 | 16,025    | 2020         | Other projects include IFRS17 consulting service and other certification and consulting services |
|                 | CHENG-TAO<br>CHANG |           |                |                       |                 |        |           |              |  |



- ② When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.
  - ③ When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.
- (2) Replacement of CPA: There was no CPA change in two years and its subsequent period.