

**China Life Insurance Co., Ltd.**  
**Financial Statements**  
**For the Six-month Periods Ended**  
**30 June 2022 and 2021**  
**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.

**Address: 3F,4F,5F,6F,7F., No.135, Songshan District, Dunhua N. Rd.,  
Taipei City, Taiwan (R.O.C.)**  
**Telephone: 886-2-2719-6678**

## Index to financial statements

	Page
I. Cover	1
II. Index	2
III. Independent auditors' report	3-7
IV. Balance sheets as at 30 June 2022, 31 December 2021, and 30 June 2021	8-9
V. Statements of comprehensive income for the three-month periods and six-month periods ended 30 June 2022 and 2021	10
VI. Statements of changes in equity for the six-month periods ended 30 June 2022 and 2021	11
VII. Statements of cash flows for the six-month periods ended 30 June 2022 and 2021	12
VIII. Notes to financial statements	
(i) Organizations and business scope	13
(ii) Date and procedures of authorization of financial statements for issue	14
(iii) Newly issued or revised standards and interpretations	14-16
(iv) Summary of significant accounting policies	16-42
(v) Significant accounting judgments, estimates and assumptions	42-45
(vi) Description of significant accounting items	45-99
(vii) Information of insurance contracts	99-104
(viii) Financial instruments	105-114
(ix) Financial risk management	114-130
(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	131-133
(xi) Capital management	134
(xii) Related party transaction	134-144
(xiii) Pledged assets	144
(xiv) Commitment and Contingencies	144
(xv) Significant disaster damages	144
(xvi) Significant subsequent events	145
(xvii) Other matters	145-148
(xviii) Additional disclosure	
a. Information on significant transactions	148,153-154
b. Information on investees	148-150,155-157
c. Information regarding investment in Mainland China	151-152,158
d. Information of major shareholders	152
(xix) Operating segment information	152

## 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 30 June 2022, 31 December 2021 and 30 June 2021, and the related statements of comprehensive income for the three-month and six-month periods ended 30 June 2022 and 2021, changes in equity and cash flows for the six-month periods ended 30 June 2022 and 2021, 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 30 June 2022, 31 December 2021 and 30 June 2021, its financial performance for the three-month and six-month periods ended 30 June 2022 and 2021, and cash flows for the six-month periods ended 30 June 2022 and 2021, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 "Interim Financial Reporting" as endorsed and become effective by Financial Supervisory Commission.

#### **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 financial statements for the six-month period ended 30 June 2022. 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 30 June 2022. 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. 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 IAS 34 “Interim Financial Reporting” as endorsed and became effective by Financial Supervisory Commission 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 financial statements for the six-month period ended 30 June 2022 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/ CHANG, CHENG-TAO

/s/ HUANG, CHIEN-CHE

Ernst & Young, Taiwan

18 August 2022

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 30 June 2022, 31 December 2021 and 30 June 2021

(Expressed in Thousands of New Taiwan Dollars)

Assets	Notes	2022/6/30		2021/12/31		2021/6/30	
		Amount	%	Amount	%	Amount	%
Cash and cash equivalents	VI.1	\$102,818,963	5	\$153,787,291	7	\$141,073,299	6
Receivables	VI.2	20,088,458	1	17,038,235	1	19,408,668	1
Current tax assets		194,597	0	-	-	-	-
Financial assets at fair value through profit or loss	VI.3	355,961,388	15	435,588,827	19	407,597,211	18
Financial assets at fair value through other comprehensive income	VI.4	186,682,808	8	280,355,344	12	342,296,128	15
Financial assets at amortized cost	VI.5	1,395,833,288	60	1,201,310,968	52	1,132,754,969	50
Investments accounted for using equity method	VI.7	1,358,270	0	1,017,001	0	138,517	0
Investment property	VI.8	59,740,617	3	43,216,992	2	37,086,342	2
Loans	VI.6	33,805,830	1	33,931,189	1	33,927,019	2
Reinsurance assets	VI.9	910,778	0	891,059	0	1,032,766	0
Property and equipment	VI.10	11,422,178	1	12,036,982	1	12,459,706	1
Right-of-use assets	VI.11	4,676,838	0	4,699,054	0	5,967,833	0
Intangible assets		308,848	0	304,998	0	245,936	0
Deferred tax assets	VI.29	18,594,685	1	13,074,033	1	13,556,009	1
Other assets	VI.12	19,332,286	1	7,749,971	0	9,444,783	0
Separate account product assets	VI.31	98,732,063	4	101,041,555	4	93,148,263	4
Total assets		\$2,310,461,895	100	\$2,306,043,499	100	\$2,250,137,449	100

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



## China Life Insurance Co., Ltd.

## Balance sheets - (continued)

As at 30 June 2022, 31 December 2021 and 30 June 2021

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and equity	Notes	2022/6/30		2021/12/31		2021/6/30	
		Amount	%	Amount	%	Amount	%
Payables	VI.13	\$12,433,647	1	\$13,169,025	1	\$17,134,239	1
Current tax liabilities		30,290	0	1,924,345	0	2,665,471	0
Financial liabilities at fair value through profit or loss	VI.15	20,980,971	1	981,018	0	3,061,291	0
Bonds payable	VI.14	10,000,000	1	10,000,000	1	10,000,000	1
Lease liabilities	VI.11	1,810,611	0	1,768,675	0	1,710,849	0
Insurance liabilities	VI.16	2,062,604,843	89	1,988,686,889	87	1,942,042,581	86
Foreign exchange valuation reserve	VI.17	9,424,571	0	3,351,124	0	2,181,291	0
Provisions	VI.18	193,261	0	199,799	0	193,004	0
Deferred tax liabilities	VI.29	3,403,099	0	4,153,657	0	5,200,068	0
Other liabilities		1,702,591	0	3,757,700	0	2,183,138	0
Separate account product liabilities	VI.31	98,732,063	4	101,041,555	4	93,148,263	4
<b>Total liabilities</b>		<b>2,221,315,947</b>	<b>96</b>	<b>2,129,033,787</b>	<b>93</b>	<b>2,079,520,195</b>	<b>92</b>
Share capital	VI.20						
Common stock		49,206,531	2	49,206,531	2	47,313,972	2
Stock dividend to be distributed		-	-	-	-	1,892,559	0
Capital surplus	VI.21	7,281,162	0	7,224,556	0	7,214,523	0
Retained earnings	VI.22						
Legal capital reserve		24,841,402	1	19,283,918	1	19,283,918	1
Special capital reserve		63,502,647	3	46,701,195	2	46,378,505	2
Unappropriated retained earnings		18,423,876	1	29,005,543	1	17,264,869	1
Other equity	VI.23	(74,109,670)	(3)	25,587,969	1	31,268,908	2
<b>Total equity</b>		<b>89,145,948</b>	<b>4</b>	<b>177,009,712</b>	<b>7</b>	<b>170,617,254</b>	<b>8</b>
<b>Total liabilities and equity</b>		<b>\$2,310,461,895</b>	<b>100</b>	<b>\$2,306,043,499</b>	<b>100</b>	<b>\$2,250,137,449</b>	<b>100</b>

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 comprehensive income

For the three-month periods and six-month periods ended 30 June 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Item	Notes	1 April-30 June 2022		1 April-30 June 2021		1 January-30 June 2022		1 January-30 June 2021	
		Amount	%	Amount	%	Amount	%	Amount	%
Operating revenue									
Direct premium income		\$40,515,942	68	\$50,552,301	67	\$80,541,574	64	\$101,964,533	66
Premium income		40,515,942	68	50,552,301	67	80,541,574	64	101,964,533	66
Deduct: Reinsurance expenses		(412,433)	(1)	(375,521)	(1)	(825,590)	(1)	(751,742)	(0)
Net changes in unearned premium reserve	VL16	(795,318)	(1)	(698,125)	(1)	(465,351)	(0)	(361,134)	(0)
Retained earned premium	VL26	39,308,191	66	49,478,655	65	79,250,633	63	100,851,657	66
Reinsurance commission received		91,039	0	62,513	0	169,494	0	124,956	0
Fee income		372,394	1	297,048	0	724,215	1	569,403	0
Net investment incomes (losses)									
Interest income	VL24	14,474,957	24	13,383,180	18	28,060,745	22	27,351,087	18
Gains (losses) on financial assets and liabilities at fair value through profit or loss		(60,635,277)	(101)	22,146,499	30	(99,397,587)	(79)	24,846,631	16
Net gains from derecognition of financial assets at amortized cost	VL5	518,209	1	(21,497)	(0)	856,003	1	(16,628)	(0)
Realized gains on financial assets at fair value through other comprehensive income		1,085,749	2	7,434,489	10	4,826,914	4	13,080,239	9
Share of profit of associates and joint ventures accounted for using equity method	VL7	(651)	(0)	(785)	(0)	(1,960)	(0)	(997)	(0)
Foreign exchange losses		27,304,002	46	(21,932,024)	(29)	60,289,553	48	(21,954,050)	(14)
Net changes in foreign exchange valuation reserve	VL17	(2,688,937)	(5)	1,712,484	2	(6,073,447)	(5)	1,841,716	1
Gains on investment property		306,432	0	421,867	1	484,134	0	571,043	0
Expected credit impairment losses and reversal on investments	VL25	(28,467)	(0)	(75,989)	(0)	(1,527,389)	(1)	(79,769)	(0)
Other impairment loss and reversal on investments		(12,759)	(0)	(10,393)	(0)	(25,274)	(0)	(16,519)	(0)
Gains (losses) on reclassification using overlay approach	VL3	42,738,669	71	(1,775,271)	(2)	60,719,719	48	(838,322)	(1)
Separate account product revenue	VL31	(2,906,637)	(5)	3,868,726	5	(1,978,531)	(2)	7,383,412	5
Subtotal		59,926,914	100	74,989,502	100	126,377,222	100	153,713,859	100
Operating costs									
Insurance claim payments		(32,924,053)	(55)	(32,754,141)	(44)	(60,165,373)	(48)	(65,112,465)	(42)
Deduct: Claims recovered from reinsurers		227,320	0	214,150	0	404,303	0	412,233	0
Retained claim payments	VL27	(32,696,733)	(55)	(32,539,991)	(44)	(59,761,070)	(48)	(64,700,232)	(42)
Net changes in insurance liabilities	VL16	(18,799,904)	(31)	(26,871,887)	(36)	(41,348,470)	(33)	(54,404,387)	(35)
Underwriting expenses		(1,142)	(0)	(2,066)	(0)	(1,764)	(0)	(4,551)	(0)
Commission expenses		(3,048,102)	(5)	(2,752,884)	(4)	(6,337,831)	(5)	(5,151,346)	(4)
Finance costs		(74,703)	(0)	(75,162)	(0)	(148,300)	(0)	(150,680)	(0)
Other operating costs		(76,980)	(0)	(75,829)	(0)	(153,029)	(0)	(152,947)	(0)
Separate account product expenses	VL31	2,906,637	5	(3,868,726)	(5)	1,978,531	2	(7,383,412)	(5)
Subtotal		(51,790,927)	(86)	(66,186,545)	(89)	(105,771,933)	(84)	(131,947,555)	(86)
Operating expenses	VL28								
General expenses		(852,229)	(2)	(946,563)	(1)	(1,693,444)	(1)	(1,789,412)	(1)
Administrative expenses		(783,102)	(1)	(913,237)	(1)	(1,987,624)	(2)	(2,109,049)	(1)
Employee training expenses		(11,380)	(0)	(5,537)	(0)	(16,171)	(0)	(10,086)	(0)
Non-investments expected credit impairment losses and reversal	VL25	13	0	18	0	6	0	2,295	0
Subtotal		(1,646,698)	(3)	(1,865,319)	(2)	(3,697,233)	(3)	(3,906,252)	(2)
Operating income		6,489,289	11	6,937,638	9	16,908,056	13	17,860,052	12
Non-operating income and expenses		(58,710)	(0)	3,964	0	(53,987)	(0)	8,141	0
Income from continuing operations before income tax		6,430,579	11	6,941,602	9	16,854,069	13	17,868,193	12
Income tax expenses	VL29	(1,736,138)	(3)	(248,446)	(0)	(3,323,245)	(2)	(1,333,270)	(1)
Net income from continuing operations		4,694,441	8	6,693,156	9	13,530,824	11	16,534,923	11
Net income		4,694,441	8	6,693,156	9	13,530,824	11	16,534,923	11
Other comprehensive income, net of tax	VL23								
Items that will not be reclassified subsequently to profit or loss									
Property revaluation surplus		568,609	1	-	-	568,609	1	-	-
Valuation gains (losses) on equity instruments at fair value through other comprehensive income		(3,833,065)	(6)	1,551,815	2	(4,621,240)	(4)	1,957,858	1
Income taxes relating to items that are not reclassified		(125,140)	(0)	405,270	1	178,733	0	902,638	1
Items that are or may be reclassified subsequently to profit or loss									
Gains (losses) on debt instruments at fair value through other comprehensive income		(17,206,222)	(29)	3,527,143	5	(41,733,293)	(33)	(32,602,130)	(21)
Share of other comprehensive income of associates and joint ventures accounted for using equity method, components of the other comprehensive income that will be reclassified to profit or loss		5,006	0	-	-	5,006	0	-	-
Other comprehensive profits (losses) reclassified using overlay approach	VL3	(42,738,669)	(71)	1,775,271	2	(60,719,719)	(48)	838,322	1
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		4,467,424	7	(573,850)	(1)	9,372,187	7	5,307,626	3
Other comprehensive income (loss), net of tax		(58,862,057)	(98)	6,685,649	9	(96,949,717)	(77)	(23,595,686)	(15)
Total comprehensive income (loss)		\$(54,167,616)	(90)	\$13,378,805	18	\$(83,418,893)	(66)	\$(7,060,763)	(4)
Earnings per share (In New Taiwan Dollars)	VL30								
Basic earnings per share		\$0.95		\$1.36		\$2.75		\$3.36	

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 six-month periods ended 30 June 2022 and 2021

(Expressed in Thousands of New Taiwan Dollars)

Summary	Notes	Capital stock			Retained earnings			Other equity				Total
		Common stock	Stock dividend to be distributed	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	income for hedging	Property Revaluation surplus	Other comprehensive income reclassified using overlay approach	
Balance on 1 January 2021		\$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
Appropriation and distribution of earnings for the year 2020												
Legal capital reserve		-	-	-	3,020,899	-	(3,020,899)	-	-	-	-	-
Special capital reserve		-	-	-	-	8,004,001	(8,004,001)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(1,892,559)	-	-	-	-	(1,892,559)
Stock dividends		-	1,892,559	-	-	-	(1,892,559)	-	-	-	-	-
Net income for the three-month period ended 30 June 2021		-	-	-	-	-	16,534,923	-	-	-	-	16,534,923
Other comprehensive income (loss) for the three-month period ended 30 June 2021	VI.23	-	-	-	-	-	-	(24,748,948)	-	-	1,153,262	(23,595,686)
Total comprehensive income (loss) for the three-month period ended 30 June 2021		-	-	-	-	-	16,534,923	(24,748,948)	-	-	1,153,262	(7,060,763)
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	-	(724,240)	724,240	-	-	-	-
Net changes in special reserve		-	-	-	-	-	(86,629)	-	-	-	-	(86,629)
Balance on 30 June 2021		\$47,313,972	\$1,892,559	\$7,214,523	\$19,283,918	\$46,378,505	\$17,264,869	\$27,537,678	\$-	\$752,543	\$2,978,687	\$170,617,254
Balance on 1 January 2022		\$49,206,531	\$-	\$7,224,556	\$19,283,918	\$46,701,195	\$29,005,543	\$19,808,017	\$-	\$1,256,467	\$4,523,485	\$177,009,712
Appropriation and distribution of earnings for the year 2021												
Legal capital reserve		-	-	-	5,557,484	-	(5,557,484)	-	-	-	-	-
Special capital reserve		-	-	-	-	16,801,452	(16,801,452)	-	-	-	-	-
Cash dividends		-	-	-	-	-	(4,500,000)	-	-	-	-	(4,500,000)
Net income for the three-month period ended 30 June 2021		-	-	-	-	-	13,530,824	-	-	-	-	13,530,824
Other comprehensive income (loss) for the three-month period ended 30 June 2022	VI.23	-	-	-	-	-	-	(38,852,467)	5,006	533,420	(58,635,676)	(96,949,717)
Total comprehensive income (loss) for the three-month period ended 30 June 2022		-	-	-	-	-	13,530,824	(38,852,467)	5,006	533,420	(58,635,676)	(87,918,893)
Changes in investments in associates and joint ventures accounted for using equity method		-	-	1	-	-	-	-	-	-	-	1
Share-Based Payment transaction		-	-	56,605	-	-	-	-	-	-	-	56,605
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	-	2,747,922	(2,747,922)	-	-	-	-
Net changes in special reserve		-	-	-	-	-	(1,477)	-	-	-	-	(1,477)
Balance on 30 June 2022		\$49,206,531	\$-	\$7,281,162	\$24,841,402	\$63,502,647	\$18,423,876	\$(21,792,372)	\$5,006	\$1,789,887	\$(54,112,191)	\$89,145,948

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

**China Life Insurance Co., Ltd.**  
**Statements of cash flows**  
**For the six-month periods ended 30 June 2022 and 2021**  
**(Expressed in Thousands of New Taiwan Dollars)**

	1 January-30 June 2022	1 January-30 June 2021
Cash flows from operating activities		
Net income before tax	\$16,854,069	\$17,868,193
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	226,524	234,615
Amortization expense	98,868	74,125
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	104,546,915	(21,767,053)
Net losses (gains) on financial assets at fair value through other comprehensive income	(4,632,985)	(12,908,731)
Net losses (gains) on financial assets at amortized cost	(848,412)	26,170
Interest expenses	167,056	150,680
Interest income	(28,060,745)	(27,351,087)
Dividend income	(5,262,261)	(3,201,306)
Net changes in insurance liabilities	73,876,458	45,263,888
Net changes in foreign exchange valuation reserve	6,073,447	(1,841,716)
Net changes in provisions	(1,698)	(857)
Expected credit impairment losses (reversal gains) on investments	1,527,389	79,769
Expected credit impairment losses (reversal gains) on non-investments	(6)	(2,295)
Share-based payments	56,605	-
Share of profit (loss) of associates and joint ventures counted for using equity method	1,960	997
(Gains) losses on reclassification using overlay approach	(60,719,719)	838,322
(Gains) losses on disposal or scrapping of property and equipment	577	48
(Gains) losses on disposal of intangible assets	286	-
(Gains) losses on disposal of investment property	(11,024)	-
Property and equipment transfers into expense	3,720	-
Impairment losses (reversal gains) on non-financial assets	63,054	-
Unrealized foreign exchange losses (gains)	(81,676,810)	27,934,793
(Gains) losses on valuation of investment property	52,657	(224,134)
(Gains) losses on lease modification	(9)	-
Other items	(6,235)	(6,057)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	(3,628,997)	(16,793,682)
Decrease (increase) in notes receivable	22,753	55,858
Decrease (increase) in other receivables	(838,330)	20,659
Decrease (increase) in prepaid expenses and other prepayments	(134,790)	296,620
Decrease (increase) in refundable deposits	(11,455,135)	(2,025,445)
Decrease (increase) in reinsurance assets	2,691	(297,242)
Decrease (increase) in other assets	6,997	8,420
Increase (decrease) in notes payable	(4,910)	7,391
Increase (decrease) in life insurance proceeds payable	(55,025)	15,435
Increase (decrease) in other payables	(330,646)	1,642,255
Increase (decrease) in due to reinsurers and ceding companies	(44,867)	506,648
Increase (decrease) in commissions payable	(419,086)	(334,210)
Increase (decrease) in accounts collected in advance	(326,122)	(184,578)
Increase (decrease) in guarantee deposits received	(1,421,795)	(6,361,274)
Increase (decrease) in other liabilities	(307,192)	(180,310)
Increase (decrease) in provision for employee benefits	(4,841)	(18,892)
Cash generated from operations activities	3,390,386	1,526,017
Interest received	27,231,998	29,585,926
Dividends received	3,247,352	2,686,872
Interest paid	(4,732)	(5,004)
Income taxes refunded (paid)	(2,118,259)	(2,099,236)
Net cash provided by (used in) operating activities	31,746,745	31,694,575
Cash flows from investing activities		
Acquisition of financial assets at fair value through other comprehensive income	(17,247,446)	(13,431,359)
Disposal of financial assets at fair value through other comprehensive income	75,832,158	129,030,175
Return of capital from financial assets at fair value through other comprehensive income	28,067	165,570
Acquisition of financial assets at amortized cost	(159,355,197)	(164,795,125)
Disposal of financial assets at amortized cost	35,333,672	42,696,743
Maturity principal from financial assets at amortized cost	3,143,297	15,119,184
Acquisition of investments accounted for using equity method	(338,222)	(69,650)
Acquisition of property and equipment	(477,218)	(212,009)
Acquisition of intangible assets	(85,533)	(61,516)
Decrease (increase) in loans	125,360	(369,970)
Acquisition of investment property	(15,169,214)	(23,290)
Acquisition of right-of-use assets	(40)	(40)
Disposal of investment property	60,930	-
Net cash provided by (used in) investing activities	(78,149,386)	8,048,713
Cash flows from financing activities		
Cash dividend paid	(4,500,000)	-
Principle repayment of lease liabilities	(65,687)	(46,504)
Net cash provided by (used in) financing activities	(4,565,687)	(46,504)
Increase (decrease) in cash and cash equivalents	(50,968,328)	39,696,784
Cash and cash equivalents at the beginning of the period	153,787,291	101,376,515
Cash and cash equivalents at the end of the period	\$102,818,963	\$141,073,299

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 six-month periods ended 30 June 2022 and 2021**  
**(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 3F,4F,5F,6F,7F., No.135, 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.

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.

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”. 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. After the offer, 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 1 October 2021, the Company’s shareholder’s meeting approved to enter into a share swap contract with CDF, and carry out the share swap transaction. One common share of the company will be exchanged into 0.80 common share and 0.73 preferred share of CDF and NT\$11.5 in cash. The record date of share swap was 30 December 2021, the Company was also delisted from the Taiwan Stock Exchange (TWSE) and became a wholly owned subsidiary of CDF at the same day.

**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 18 August 2022.

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 recognized by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2022. The adoption of these new standards and amendments had no material impact on the Company.

2. Standards or interpretations issued, revised or amended, by International Accounting Standards Board ("IASB") which are endorsed by FSC, and 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	Disclosure Initiative - Accounting Policies – Amendments to IAS 1	1 January 2023
2	Definition of Accounting Estimates – Amendments to IAS 8	1 January 2023
3	Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023

*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)**

The above are newly issued, revised and amended standards or interpretations that have been issued by the International Accounting Standards Board and recognized by the FSC and are applicable for the fiscal years beginning on January 1, 2023. Except for the above listed standards, which are currently being assessed by the Company, and the impact of the above standards or interpretations on the Company cannot be reasonably estimated temporarily, the newly issued or revised standards or interpretations have no significant impact on the Company.

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 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

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.

*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.

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

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).

On initial application of standard is first applied, entities that have applied IFRS 9 may reassign and reclassify financial assets that meet the requirements of this standard. The entities does not have to restate comparative information to reflect the changes in the reclassification of these assets. The difference between the previous carrying amount of the financial asset and its carrying amount on the initial application date shall be recognized in the opening balance of retained earnings or other equity on the initial application date. If the entities restates comparative information, the restated information must reflect the requirements of IFRS 9 for these affected financial assets. In addition, for the financial assets that have been excluded during the comparison period on the date of initial application of this standard, the entity may choose to apply the overlay approach based on individual financial assets, as if these financial assets had been reclassified in accordance with the re-assignment requirement of this standard during the comparison period.

IFRS 17 was issued in May 2017 and it was amended in 2020 and 2021. The amendments include deferral of the date of initial application of IFRS 17 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 some requirements to reduce the costs of applying IFRS 17 and revise some requirements to make the results easier to explain. (IFRS 17 will replace the interim Standard – IFRS 4 Insurance Contracts immediately after the effective date.)

#### IV. Summary of significant accounting policies

##### 1. Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises (“the Regulations”) and IAS 34 “Interim Financial Reporting” as endorsed and became effective by the FSC.



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

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.

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.

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

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 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.

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

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, loans and other receivables etc., on balance sheet as at the reporting date:

- 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.

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

**Notes to financial statements (Continued)**

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

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.
- 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.

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

**Notes to financial statements (Continued)**

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

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.

(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.

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

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:

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.

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

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).

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.

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

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.



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

(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) Interest Rate Benchmark Reform

For financial assets measured at amortized cost or financial liability measured at amortized cost, when the basis for determining cash flow changes due to interest rate benchmark reform indicators, the Company updates the effective interest rate of financial assets or financial liabilities to reflect the gradual changes.

(8) 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.

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

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*”.

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.

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

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:

- (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.

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

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.

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	4~60 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.

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

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.

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.

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

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 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.

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

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.

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.

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

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.

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.



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

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).

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.

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

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.

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.

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

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:

- (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.

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior financial year, adjusted and disclosed for significant market fluctuations, significant curtailments, settlements, or other significant one-off events after the end of the prior financial year.

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.

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

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 Financial-Supervisory-Securities-Corporate-10704504821 and 11004925801 issued by the FSC. 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.

(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 in accordance with Order No. Financial-Supervisory-Insurance-Corporate-800484251, 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.

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

**Notes to financial statements (Continued)**

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

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 Financial-Supervisory-Securities-Corporate-10302501161 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:

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.

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

**Notes to financial statements (Continued)**

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

- 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 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.

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

(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.

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 2021, 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 “net profit after tax plus Items other than net profit after tax that are included in the undistributed earnings of the year” as special reserve.

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

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.

Reinsurance expenses and reinsurance commission income 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.



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

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.

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.

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

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.

The income tax expense for the mid-term period is accrued and disclosed at the tax rate applicable to the expected total income for the current year, means that using estimated annual tax rate with the pre-tax benefit for the mid-term period. The estimate of the annual tax rate only includes current income tax expense, the deferred income tax is measured in accordance with IAS 12 “Income Tax” and in consistent with the annual financial report. When tax rate changes, the impact on deferred income tax is recognized in profit or loss, other comprehensive income, or directly in equity.

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.

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

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.

(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:

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

(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 Probability of default (PD), 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.

(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.

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

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.

VI. Description of significant accounting items

1. Cash and cash equivalents

	2022.6.30	2021.12.31	2021.6.30
Cash on hand	\$174	\$951	\$853
Revolving funds	1,045	1,045	1,055
Cash in banks	70,415,291	72,634,761	93,804,890
Time deposits	18,436,400	70,146,637	42,666,567
Cash equivalents – bond with resale agreement	13,966,053	11,003,897	4,599,934
Total	<u>\$102,818,963</u>	<u>\$153,787,291</u>	<u>\$141,073,299</u>

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

2. Receivables

	2022.6.30	2021.12.31	2021.6.30
Notes receivable	\$67,897	\$90,650	\$78,506
Other receivables			
Interest receivable	14,813,597	13,788,402	13,187,402
Securities settlement receivable	741,379	389,277	2,669,738
Financial institutions collection receivable	826,945	1,662,596	1,340,683
Separate account receivable	849,359	33,660	569,854
Dividends receivable	2,375,739	400,222	789,716
Others	703,942	674,985	774,198
Overdue receivable	4,539	4,554	4,573
Less: Allowance for bad debts —			
Other receivables	(294,939)	(6,111)	(6,002)
Subtotal	20,020,561	16,947,585	19,330,162
Total	\$20,088,458	\$17,038,235	\$19,408,668

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

	2022.6.30	2021.12.31	2021.6.30
Mandatorily measured at fair value through profit or loss:			
Derivatives not designated as hedging instruments	\$3,406,193	\$4,275,043	\$5,490,961
Domestic financial debentures	14,900,660	15,351,086	15,841,945
Domestic structured products	-	-	999,330
Domestic listed stocks	112,570,497	147,860,538	140,874,004
Domestic preferred stocks	1,297,361	1,271,819	-
Domestic unlisted stock	806,752	702,178	399,876
Domestic beneficiary certificates	71,106,720	110,420,757	100,078,818
Domestic real estate investment trust	2,033,322	2,210,068	2,151,156
Overseas corporate bonds	5,097,921	11,482,356	12,821,452
Overseas listed stocks	34,637,170	37,666,746	34,097,738
Overseas preferred stocks	5,995,597	5,886,682	5,903,182
Overseas financial debentures	21,709,188	24,312,962	23,310,203
Overseas beneficiary certificates	79,133,251	71,771,514	62,865,539
Overseas real estate investment trust	3,266,756	2,377,078	2,763,007
Total	\$355,961,388	\$435,588,827	\$407,597,211

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

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

**Notes to financial statements (Continued)**

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

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:

	2022.6.30	2021.12.31	2021.6.30
Financial assets at fair value through profit or loss:			
Domestic financial debentures	\$14,900,660	\$15,351,086	\$15,841,945
Domestic structured products	-	-	999,330
Domestic listed stocks	112,570,497	147,860,538	140,874,004
Domestic preferred stocks	1,297,361	1,271,819	-
Domestic unlisted stocks	806,752	702,178	399,876
Domestic beneficiary certificates	71,106,720	110,420,757	100,078,818
Domestic real estate investment trust	2,033,322	2,210,068	2,151,156
Overseas corporate bonds	5,097,921	11,482,356	12,821,452
Overseas listed stocks	34,637,170	37,666,746	34,097,738
Overseas preferred stocks	5,995,597	5,886,682	5,903,182
Overseas financial debentures	21,709,188	24,312,962	23,310,203
Overseas beneficiary certificates	79,133,251	71,771,514	62,865,539
Overseas real estate investment trust	3,266,756	2,377,078	2,763,007
<b>Total</b>	<b>\$352,555,195</b>	<b>\$431,313,784</b>	<b>\$402,106,250</b>

Reclassification of the financial assets designated to apply overlay approach from profit or loss to other comprehensive income for the three-month periods and the six-month periods ended 30 June 2022 and 2021 are as follows:

	For the three-month periods ended 30 June	
	2022	2021
Gains (losses) due to applying IFRS 9 to profit or loss	\$(35,769,543)	\$7,893,335
Less: (Gains) losses if applying IAS 39 to profit or loss	(6,969,126)	(6,118,064)
Gains (losses) from adoption of overlay approach	<b>\$(42,738,669)</b>	<b>\$1,775,271</b>

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

	For the six-month periods ended 30 June	
	2022	2021
Gains (losses) due to applying IFRS 9 to profit or loss	\$(45,414,061)	\$15,954,233
Less: (Gains) losses if applying IAS 39 to profit or loss	(15,305,658)	(15,115,911)
Gains (losses) from adoption of overlay approach	\$(60,719,719)	\$838,322

Due to the adoption of overlay approach, losses from financial assets at fair value through profit or loss are decreased from \$60,635,277 thousand to \$17,896,608 thousand and profit are decreased from \$22,146,499 thousand to \$20,371,228 thousand for the three-month periods ended 30 June 2022 and 2021 respectively. Losses from financial assets at fair value through profit or loss decreased from \$99,397,587 thousand to of \$38,677,868 thousand and profits are reduced from \$24,846,631 thousand to \$24,008,309 thousand for the six-month periods ended 30 June 2022 and 2021 respectively.

4. Financial assets at fair value through other comprehensive income

	2022.6.30	2021.12.31	2021.6.30
Debt instrument investments at fair value through other comprehensive income:			
Domestic government bonds	\$29,413,948	\$55,616,783	\$59,683,075
Overseas government bonds	33,262,898	40,882,057	41,562,073
Overseas corporate bonds	34,952,251	64,943,503	104,236,025
Overseas financial debentures	43,936,559	64,918,702	81,568,511
Subtotal	141,565,656	226,361,045	287,049,684
Equity instrument investments at fair value through other comprehensive income:			
Domestic listed stocks	17,239,681	22,204,887	21,668,411
Domestic unlisted stocks	2,157,060	4,878,297	6,382,960
Domestic preferred stocks	12,207,839	12,328,934	12,378,344
Overseas unlisted stocks	13,512,572	14,582,181	14,816,729
Subtotal	45,117,152	53,994,299	55,246,444
Total	\$186,682,808	\$280,355,344	\$342,296,128

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.



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

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the three-month periods and the six-month periods ended 30 June 2022 and 2021 are as follows:

	For the three-month periods ended 30 June	
	2022	2021
Related to investments held at the end of the reporting period	\$104,563	\$91,016
Dividends recognized during the period	104,563	91,016

	For the six-month periods ended 30 June	
	2022	2021
Related to investments held at the end of the reporting period	\$190,302	\$169,386
Dividends recognized during the period	190,302	169,386

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 three-month periods and the six-month periods ended 30 June 2022 and 2021 are as follow:

	For the three-month periods ended 30 June	
	2022	2021
The fair value of the investments at the date of derecognition	\$1,234,407	\$1,813,562
The cumulative unrealized valuation gain (loss) on disposal reclassified from other equity to retained earnings	1,026,470	(20,843)

	For the six-month periods ended 30 June	
	2022	2021
The fair value of the investments at the date of derecognition	\$4,252,380	\$4,365,966
The cumulative unrealized valuation gain (loss) on disposal reclassified from other equity to retained earnings	2,747,922	(724,240)

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

5. Financial assets measured at amortized cost

	2022.6.30	2021.12.31	2021.6.30
Domestic government bonds	\$66,318,061	\$65,579,914	\$65,591,869
Domestic corporate bonds	47,827,256	48,996,421	54,045,480
Domestic financial debentures	22,150,000	21,150,000	20,650,000
Domestic structured products	6,500,000	5,500,000	5,500,000
Overseas real estate mortgage bonds	6,415,609	6,321,505	8,191,913
Overseas government bonds	135,101,897	93,206,906	68,516,600
Overseas corporate bonds	452,418,912	379,245,898	361,045,383
Overseas financial debentures	667,329,904	588,860,508	556,444,080
Less: Refundable deposits	(7,401,593)	(7,402,206)	(7,092,167)
Less: Loss allowance	(826,758)	(147,978)	(138,189)
Total	<u>\$1,395,833,288</u>	<u>\$1,201,310,968</u>	<u>\$1,132,754,969</u>

For the three-month periods and the six-month periods ended 30 June 2022 and 2021, the carrying amounts and gain (loss) from disposal of the financial assets measured at amortized cost which was derecognized due to increasing credit risk or sales insignificant in value (either individually or in aggregate):

	For the three-month periods ended 30 June			
	2022		2021	
	Carrying amount of derecognition	Current gain(loss) recognized	Carrying amount of derecognition	Current gain(loss) recognized
Overseas government bonds	\$-	\$-	\$-	\$-
Overseas corporate bonds	5,568,662	513,307	85,368	(26,170)
Overseas financial debentures	89,194	721	-	-
	<u>\$5,657,856</u>	<u>\$514,028</u>	<u>\$85,368</u>	<u>\$(26,170)</u>

	For the six-month periods ended 30 June			
	2022		2021	
	Carrying amount of derecognition	Current gain(loss) recognized	Carrying amount of derecognition	Current gain(loss) recognized
Overseas government bonds	\$134,751	\$9,931	\$-	\$-
Overseas corporate bonds	10,118,941	837,760	85,368	(26,170)
Overseas bank bonds	89,194	721	-	-
	<u>\$10,342,886</u>	<u>\$848,412</u>	<u>\$85,368</u>	<u>\$(26,170)</u>

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

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

	2022.6.30	2021.12.31	2021.6.30
Policy loans	\$27,826,806	\$27,839,905	\$27,644,094
Automatic premium loans	5,653,883	5,702,046	5,806,299
Secured loans – net	325,141	389,238	476,626
Secured loans	331,270	395,367	485,774
Less: Allowance for bad debts – secured loans	(6,129)	(6,129)	(9,148)
Total	<u>\$33,805,830</u>	<u>\$33,931,189</u>	<u>\$33,927,019</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:	2022.6.30	2021.12.31	2021.6.30
Investments accounted for using the equity method	<u>\$1,358,270</u>	<u>\$1,017,001</u>	<u>\$138,517</u>

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

The aggregate financial information of the Company's investments in associates was as follows:

	For the three-month periods ended 30 June	
	2022	2021
Profit or loss from continuing operations	\$(651)	\$(785)
Other comprehensive income (net of tax)	5,006	-
Total comprehensive income	<u>\$4,355</u>	<u>\$(785)</u>

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

	For the six-month periods ended 30 June	
	2022	2021
Profit or loss from continuing operations	\$(1,960)	\$(997)
Other comprehensive income (net of tax)	5,006	-
Total comprehensive income	\$3,046	\$(997)

The associates had no contingent liabilities or capital commitments As at 30 June 2022, 31 December 2021 and 30 June 2021. Also, the investments in associates were not pledged.

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 six-month period ended 30 June 2022					
			Right-of-use asset –			Total
	Land	Buildings	Right-of-use asset -Land	Superficies of Royalties	Payment for buildings	
Beginning balance	\$17,926,281	\$11,946,134	\$1,451,294	\$9,423,048	\$-	\$40,746,757
Purchase	10,494,303	4,654,200	-	-	-	15,148,503
Additions from subsequent expenditure	-	20,711	-	-	-	20,711
Additions from lease contract	-	-	29,929	-	-	29,929
Gains (losses) generated from adjustment fair value	(2,998,773)	2,976,966	(47,633)	16,783	-	(52,657)
Disposals	(23,802)	(26,104)	-	-	-	(49,906)
Transfer to property and equipment	(63,112)	(5,280)	-	-	-	(68,392)
Transfer from property and equipment	1,366,437	129,000	-	-	-	1,495,437
Ending balance	\$26,701,334	\$19,695,627	\$1,433,590	\$9,439,831	\$-	\$57,270,382

	For the six-month period ended 30 June 2021					
			Right-of-use asset –			Total
	Land	Buildings	Right-of-use asset -Land	Superficies of Royalties	Payment for buildings	
Beginning balance	\$16,009,402	\$9,034,873	\$1,275,780	\$7,998,918	\$-	\$34,318,973
Additions from subsequent expenditure	-	23,291	-	-	-	23,291
Gains (losses) generated from adjustment fair value	75,525	(21,978)	4,526	166,061	-	224,134
Ending balance	\$16,084,927	\$9,036,186	\$1,280,306	\$8,164,979	\$-	\$34,566,398

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

**Notes to financial statements (Continued)**

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

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:

	For the six-month period ended 30 June 2022			
	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	\$1,183,940	\$-	\$-	\$1,183,940
Ending balance	\$1,183,940	\$-	\$-	\$1,183,940

	For the six-month period ended 30 June 2021			
	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	\$1,134,231	\$-	\$-	\$1,134,231
Ending balance	\$1,134,231	\$-	\$-	\$1,134,231

Net carrying amount:

	Land	Buildings	Right-of-use asset –		Prepayment for buildings	Total
			Right-of-use asset -Land	Superficies of Royaltie		
2022.6.30	\$29,171,569	\$19,695,627	\$1,433,590	\$9,439,831	\$-	\$59,740,617
2021.12.31	\$20,396,516	\$11,946,134	\$1,451,294	\$9,423,048	\$-	\$43,216,992
2021.6.30	\$18,604,871	\$9,036,186	\$1,280,306	\$8,164,979	\$-	\$37,086,342

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

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

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 30 June 2022, 31 December 2021 and 30 June 2021.

30 June 2022 and 31 December 2021:

- (1) Repro International Appraisers Firm: Wu Hong Hsu, Tsai Yu Hsiang, Hsu Hsiang Yi
- (2) Gao Yuan Appraisers Joint Firm: Chen Pi Yuan
- (3) China Appraisers Joint Firm : Hsieh Dian Ching
- (4) Bond Appraisers Joint Firm : Mao Ping Chi

30 June 2021:

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

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, 2021, 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, 2021, 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)**  
**(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)**

The inputs mainly used are as follows:

	2022.6.30	2021.12.31	2021.6.30
	Mainly	Mainly	Mainly
Income capitalization rate	1.55%~4.57%	1.55%~4.59%	1.55%~4.34%
Discount rate (Note)	2.625%~3.595%	2.25%~3.43%	2.3%~2.75%
Overall capital interest rate(Note)	1.59%~8.77%	1.57%~6.65%	1.57%~3.47%

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 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 \$374,940 thousand and \$208,431 thousand for the three-month periods ended 30 June 2022 and 2021. Related direct operating expenses were \$59,216 thousand and \$24,628 thousand. The direct operating expenses of investment properties generating no rents were \$2,851 thousand and \$4,019 thousand. Rents from investment properties were \$624,956 thousand and \$415,364 thousand for the six-month periods ended 30 June 2022 and 2021. Related direct operating expenses were \$99,244 thousand and \$62,318 thousand. The direct operating expenses of investment properties generating no rents were \$4,188 thousand and \$9,816 thousand.

As at 30 June 2022, 31 December 2021 and 30 June 2021, no investment properties were pledged as collateral.

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

9. Reinsurance assets

	2022.6.30	2021.12.31	2021.6.30
Claims recoverable from reinsurers	\$770,317	\$782,484	\$943,374
Due from reinsurers and ceding companies	30,128	20,653	11,535
Reinsurance reserve assets			
Ceded unearned premium reserve	66,909	67,418	60,705
Ceded reserve for claims	43,424	20,504	17,152
Subtotal	110,333	87,922	77,857
Total	\$910,778	\$891,059	\$1,032,766

The above reinsurance assets are not impaired.

10. Property and equipment

For the six-month period ended 30 June 2022

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayment for equipment and construction in progress	Total
Cost:								
Beginning balance	\$6,986,403	\$5,370,419	\$574,087	\$6,700	\$552,659	\$29,994	\$718,371	\$14,238,633
Additions	-	12,886	63,510	721	26,602	1,458	372,041	477,218
Disposals	-	-	(14,663)	(767)	(1,901)	(563)	-	(17,894)
Transfers from investment property	63,112	6,914	-	-	-	-	-	70,026
Transfer to investment property	(913,901)	(139,240)	-	-	-	-	-	(1,053,141)
Transfers	-	11,222	49,339	1,260	39,430	-	(122,546)	(21,295)
Ending balance	\$6,135,614	\$5,262,201	\$672,273	\$7,914	\$616,790	\$30,889	\$967,866	\$13,693,547
Accumulated Depreciation:								
Beginning balance	\$-	\$700,962	\$238,626	\$2,404	\$460,347	\$23,999	\$-	\$1,426,338
Depreciation	-	70,791	51,356	686	25,563	367	-	148,763
Disposals	-	-	(14,656)	(767)	(1,893)	-	-	(17,316)
Transfer from investment property	-	1,634	-	-	-	-	-	1,634
Transfer to investment property	-	(63,259)	-	-	-	-	-	(63,259)
Transfers	-	-	(104)	-	-	-	-	(104)
Ending balance	\$-	\$710,128	\$275,222	\$2,323	\$484,017	\$24,366	\$-	\$1,496,056
Accumulated impairment:								
Beginning balance	\$740,512	\$34,801	\$-	\$-	\$-	\$-	\$-	\$775,313
Change(reveral) for the current period	62,025	1,029	-	-	-	-	-	63,054
Transfer to investment property	(62,025)	(1,029)	-	-	-	-	-	(63,054)
Ending balance	\$740,512	\$34,801	\$-	\$-	\$-	\$-	\$-	\$775,313



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

For the six-month period ended 30 June 2021

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leasehold improvements	Prepayment for equipment and construction in progress	Total
Cost:								
Beginning balance	\$7,077,678	\$6,135,541	\$477,220	\$9,336	\$551,864	\$23,226	\$148,206	\$14,423,071
Additions	-	990	26,247	378	2,543	-	181,851	212,009
Disposals	-	-	(37,751)	(2,037)	(1,487)	-	-	(41,275)
Transfers	-	1,328	9,630	-	-	-	(34,974)	(24,016)
Ending balance	\$7,077,678	\$6,137,859	\$475,346	\$7,677	\$552,920	\$23,226	\$295,083	\$14,569,789
Accumulated Depreciation:								
Beginning balance	\$-	\$616,859	\$203,148	\$5,688	\$416,524	\$22,781	\$-	\$1,265,000
Depreciation	-	76,869	40,455	712	25,012	179	-	143,227
Disposals	-	-	(37,706)	(2,036)	(1,485)	-	-	(41,227)
Ending balance	\$-	\$693,728	\$205,897	\$4,364	\$440,051	\$22,960	\$-	\$1,367,000
Accumulated impairment:								
Beginning balance	\$740,519	\$2,564	\$-	\$-	\$-	\$-	\$-	\$743,083
Ending balance	\$740,519	\$2,564	\$-	\$-	\$-	\$-	\$-	\$743,083
Net carrying amount								
2022.6.30	\$5,395,102	\$4,517,272	\$397,051	\$5,591	\$132,773	\$6,523	\$967,866	\$11,422,178
2021.12.31	\$6,245,891	\$4,634,656	\$335,461	\$4,296	\$92,312	\$5,995	\$718,371	\$12,036,982
2021.6.30	\$6,337,159	\$5,441,567	\$269,449	\$3,313	\$112,869	\$266	\$295,083	\$12,459,706

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 fifteen 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)**

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

	2022.6.30	2021.12.31	2021.6.30
Land	\$1,573,186	\$1,532,820	\$1,536,281
Buildings	104,481	106,511	24,185
Computer equipment	84,585	96,320	108,513
Transportation equipment	8,009	10,626	10,103
Other office equipment	40,350	22,398	31,767
<b>Total</b>	<b>\$1,810,611</b>	<b>\$1,768,675</b>	<b>\$1,710,849</b>

The interest expense on lease liabilities recognized during the three-month period ended 30 June 2022 and 2021 is \$14,198 and \$13,815 thousand. The interest expense on lease liabilities recognized during the six-month period ended 30 June 2022 and 2021 is \$28,434 and \$27,690 thousand. Please refer to Note IX.2 Liquidity Risk Management for the maturity analysis for lease liabilities as at 30 June 2022, 31 December 2021 and 30 June 2021.

C. Income and costs relating to leasing activities

	For the three-month periods ended 30 June	
	2022	2021
The expenses relating to short-term leases	\$501	\$3,129
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	27	-
	For the six-month periods ended 30 June	
	2022	2021
The expenses relating to short-term leases	\$1,171	\$3,434
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	53	40

For the related rent reductions that occurred as a direct result of the COVID, the Company recognized an increase in non-operating income of \$996 thousand and an increase \$2,120 thousand in investment property income, and an increase in non-operating income of \$1,995 thousand and an increase \$4,239 thousand in investment property income for the three-month period ended June 30 2022 and six-month period ended June 30,2022 respectively. For the three-month period ended June 30,2021 and six-month period ended June 30,2021, the Company recognized an increase in non-operating income of \$1,239 thousand and an increase of \$1,789 thousand in investment property income, and an increase in non-operating income of \$2,478 thousand and an increase \$3,579 thousand in investment property income, to reflect the related practical expedients which arising from the changes in lease payments have been applied.

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

D. Cash outflow relating to leasing activities

During the six-month period ended 30 June 2022 and 2021, the Company's total cash outflows for leases amounting to \$66,991 thousand and \$65,896 thousand.

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.

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

	For the three-month periods ended 30 June	
	2022	2021
	Lease income for operating leases	
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$374,085	\$207,280
Income relating to variable lease payments that do not depend on an index or a rate	855	1,151
Total	\$374,940	\$208,431

	For the six-month periods ended 30 June	
	2022	2021
	Lease income for operating leases	
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	\$622,350	\$412,334
Income relating to variable lease payments that do not depend on an index or a rate	2,606	3,030
Total	\$624,956	\$415,364

The remaining period of commercial property lease contracts the Company signed are within one year to twenty 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 30 June 2022, 31 December 2021 and 30 June 2021 are as follow:

	2022.6.30	2021.12.31	2021.6.30
Less than one year	\$1,225,212	\$848,846	\$665,042
More than one year but less than two years	1,282,779	945,093	667,177
More than two years but less than three years	1,090,181	899,465	614,124
More than three years but less than four years	867,818	807,866	561,449
More than four years but less than five years	722,883	695,093	529,831
More than five years	6,639,532	6,918,869	3,922,807
Total	\$11,828,405	\$11,115,232	\$6,960,430

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

12. Other assets

	2022.6.30	2021.12.31	2021.6.30
Prepayments	\$362,437	\$227,647	\$160,310
Refundable deposits	18,926,873	7,472,351	9,239,300
Other assets — others	42,976	49,973	45,173
<b>Total</b>	<b>\$19,332,286</b>	<b>\$7,749,971</b>	<b>\$9,444,783</b>

13. Payables

	2022.6.30	2021.12.31	2021.6.30
Notes payable	\$1,409	\$6,320	\$7,455
Life insurance proceeds payable	153,970	226,603	117,173
Commissions payable	1,449,910	1,868,996	1,233,531
Due to reinsurers and ceding companies	860,657	905,524	1,315,342
Other payables			
Salary payable	1,613,564	2,071,789	1,485,857
Tax payable	95,515	92,716	91,591
Dividends payable	-	-	1,892,559
Collection payable	51,574	49,614	48,749
Payable on investments	344,801	1,035,935	3,382,209
Accrued expense and payable on insurance policies	7,595,387	6,786,552	7,326,438
Others	266,860	124,976	233,335
Subtotal	9,967,701	10,161,582	14,460,738
<b>Total</b>	<b>\$12,433,647</b>	<b>\$13,169,025</b>	<b>\$17,134,239</b>

14. Bonds Payable

	2022.6.30	2021.12.31	2021.6.30
China Life Insurance Co., Ltd. 1 <sup>st</sup> Perpetual cumulative Subordinated Corporate Bonds issued in 2020	\$10,000,000	\$10,000,000	\$10,000,000

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

**Notes to financial statements (Continued)**

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

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 recognized interest expenses in the amount of \$67,315 thousand and \$67,315 thousand for the three-month period ended June 30, 2022 and 2021, and recognize interest expenses of \$133,890 thousand and \$133,890 thousand for the six-month period ended June 30, 2022 and 2021, and accounted for as financial costs.

15. Financial liabilities at fair value through profit or loss

	2022.6.30	2021.12.31	2021.6.30
Held for trading:			
Derivatives not designated as hedging instruments			
Swaps and forward foreign exchange contracts	\$20,980,971	\$981,018	\$3,061,291
Total	\$20,980,971	\$981,018	\$3,061,291

**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 30 June 2022, 31 December 2021 and 30 June 2021, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows.

	2022.6.30	2021.12.31	2021.6.30
Reserve for life insurance liabilities	\$2,024,317,247	\$1,952,465,847	\$1,905,705,206
Unearned premium reserve	5,164,275	4,699,485	4,869,201
Reserve for claims	4,273,736	2,605,570	2,649,901
Special reserve	8,088,708	7,747,818	6,485,585
Premium deficiency reserve	2,189,933	2,435,334	3,429,276
Other reserve	18,570,944	18,732,835	18,903,412
Ending balance	<u>\$2,062,604,843</u>	<u>\$1,988,686,889</u>	<u>\$1,942,042,581</u>

(1) Reserve for life insurance liabilities:

	2022.6.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	\$1,662,941,619	\$53,733,245	\$1,716,674,864
Health insurance	161,045,399	-	161,045,399
Annuity insurance	640,494	143,810,230	144,450,724
Investment-linked insurance	1,982,195	-	1,982,195
Total (Note)	<u>\$1,826,609,707</u>	<u>\$197,543,475</u>	<u>\$2,024,153,182</u>

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$2,024,317,247 thousand as of 30 June 2022..

	2021.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	\$1,593,122,492	\$54,305,280	\$1,647,427,772
Health insurance	155,648,698	-	155,648,698
Annuity insurance	664,492	146,776,781	147,441,273
Investment-linked insurance	1,801,647	-	1,801,647
Total (Note)	<u>\$1,751,237,329</u>	<u>\$201,082,061</u>	<u>\$1,952,319,390</u>



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

**Notes to financial statements (Continued)**

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

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,952,465,847 thousand as of 31 December 2021.

	2021.6.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	\$1,545,307,911	\$56,058,896	\$1,601,366,807
Health insurance	149,588,529	-	149,588,529
Annuity insurance	669,647	152,163,242	152,832,889
Investment-linked insurance	1,781,086	-	1,781,086
Total (Note)	<u>\$1,697,347,173</u>	<u>\$208,222,138</u>	<u>\$1,905,569,311</u>

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,905,705,206 thousand as of 30 June 2021.

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

Movement in reserve for life insurance liabilities is summarized below:

	For the six-month period ended 30 June 2022		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$1,751,237,329	\$201,082,061	\$1,952,319,390
Reserve	88,101,916	2,542,872	90,644,788
Recover	(42,920,448)	(7,873,656)	(50,794,104)
Losses (gains) on foreign exchange	30,190,910	1,792,198	31,983,108
Ending balance (Note)	<u>\$1,826,609,707</u>	<u>\$197,543,475</u>	<u>\$2,024,153,182</u>

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$2,024,317,247 thousand as of 30 June 2022.

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

	For the six-month period ended 30 June 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$1,646,143,158	\$213,575,814	\$1,859,718,972
Reserve	109,055,407	2,952,348	112,007,755
Recover	(48,989,003)	(7,717,886)	(56,706,889)
Losses (gains) on foreign exchange	(8,862,389)	(588,138)	(9,450,527)
Ending balance (Note)	\$1,697,347,173	\$208,222,138	\$1,905,569,311

Note: Total of reserve for life insurance liabilities after including “Reserve for life insurance liabilities – payables for the insured” amounted to \$1,905,705,206 thousand as of 30 June 2021.

(2) Unearned premium reserve:

	2022.6.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	\$878	\$-	\$878
Individual injury insurance	1,612,655	-	1,612,655
Individual health insurance	2,419,547	-	2,419,547
Group insurance	1,059,391	-	1,059,391
Investment-linked insurance	71,794	-	71,794
Annuity insurance	-	10	10
Total	5,164,265	10	5,164,275
Less ceded unearned premium reserve:			
Individual life insurance	18,614	-	18,614
Individual injury insurance	2,121	-	2,121
Individual health insurance	35,965	-	35,965
Group insurance	5,014	-	5,014
Investment-linked insurance	5,195	-	5,195
Total	66,909	-	66,909
Net amount	\$5,097,356	\$10	\$5,097,366

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

**Notes to financial statements (Continued)**

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

	2021.12.31		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance	\$937	\$-	\$937
Individual injury insurance	1,550,612	-	1,550,612
Individual health insurance	2,452,741	-	2,452,741
Group insurance	627,188	-	627,188
Investment-linked insurance	67,996	-	67,996
Annuity insurance	-	11	11
<b>Total</b>	<b>4,699,474</b>	<b>11</b>	<b>4,699,485</b>
Less ceded unearned premium reserve:			
Individual life insurance	17,620	-	17,620
Individual injury insurance	961	-	961
Individual health insurance	40,911	-	40,911
Group insurance	2,892	-	2,892
Investment-linked insurance	5,034	-	5,034
<b>Total</b>	<b>67,418</b>	<b>-</b>	<b>67,418</b>
<b>Net amount</b>	<b>\$4,632,056</b>	<b>\$11</b>	<b>\$4,632,067</b>
	2021.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance	\$1,015	\$-	\$1,015
Individual injury insurance	1,492,693	-	1,492,693
Individual health insurance	2,258,124	-	2,258,124
Group insurance	1,050,972	-	1,050,972
Investment-linked insurance	66,378	-	66,378
Annuity insurance	-	19	19
<b>Total</b>	<b>4,869,182</b>	<b>19</b>	<b>4,869,201</b>
Less ceded unearned premium reserve:			
Individual life insurance	17,362	-	17,362
Individual injury insurance	891	-	891
Individual health insurance	34,526	-	34,526
Group insurance	2,886	-	2,886
Investment-linked insurance	5,040	-	5,040
<b>Total</b>	<b>60,705</b>	<b>-</b>	<b>60,705</b>
<b>Net amount</b>	<b>\$4,808,477</b>	<b>\$19</b>	<b>\$4,808,496</b>

**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 six-month period ended 30 June 2022		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$4,699,474	\$11	\$4,699,485
Reserve	2,814,520	10	2,814,530
Recover	(2,349,737)	(11)	(2,349,748)
Losses (gains) on foreign exchange	8	-	8
Ending balance	5,164,265	10	5,164,275
Less ceded unearned premium reserve:			
Beginning balance	67,418	-	67,418
Increase	33,140	-	33,140
Decrease	(33,709)	-	(33,709)
Losses (gains) on foreign exchange	60	-	60
Ending balance	66,909	-	66,909
Net amount	\$5,097,356	\$10	\$5,097,366
	For the six-month period ended 30 June 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$4,509,106	\$27	\$4,509,133
Reserve	2,614,630	19	2,614,649
Recover	(2,254,553)	(27)	(2,254,580)
Losses (gains) on foreign exchange	(1)	-	(1)
Ending balance	4,869,182	19	4,869,201
Less ceded unearned premium reserve:			
Beginning balance	61,774	-	61,774
Increase	32,055	-	32,055
Decrease	(33,120)	-	(33,120)
Losses (gains) on foreign exchange	(4)	-	(4)
Ending balance	60,705	-	60,705
Net amount	\$4,808,477	\$19	\$4,808,496

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

(3) Reserve for claims:

	2022.6.30		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
— Reported but not paid claim	\$373,252	\$21,873	\$395,125
— Unreported claim	1,955	-	1,955
Individual injury insurance			
— Reported but not paid claim	71,877	-	71,877
— Unreported claim	631,575	-	631,575
Individual health insurance			
— Reported but not paid claim	260,185	-	260,185
— Unreported claim	1,283,744	-	1,283,744
Group insurance			
— Reported but not paid claim	145,643	-	145,643
— Unreported claim	1,335,299	-	1,335,299
Investment-linked insurance			
— Reported but not paid claim	75,028	-	75,028
— Unreported claim	-	-	-
Annuity insurance			
— Reported but not paid claim	3,801	69,483	73,284
— Unreported claim	-	21	21
<b>Total</b>	<b>4,182,359</b>	<b>91,377</b>	<b>4,273,736</b>
Less ceded reserve for claims:			
Individual life insurance	9,150	-	9,150
Individual injury insurance	1,128	-	1,128
Individual health insurance	18,414	-	18,414
Group insurance	12,252	-	12,252
Investment-linked insurance	2,480	-	2,480
<b>Total</b>	<b>43,424</b>	<b>-</b>	<b>43,424</b>
<b>Net amount</b>	<b>\$4,138,935</b>	<b>\$91,377</b>	<b>\$4,230,312</b>

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

	2021.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
– Reported but not paid claim	\$167,345	\$31,109	\$198,454
– Unreported claim	553	-	553
Individual injury insurance			
– Reported but not paid claim	43,547	-	43,547
– Unreported claim	546,033	-	546,033
Individual health insurance			
– Reported but not paid claim	130,114	-	130,114
– Unreported claim	985,368	-	985,368
Group insurance			
– Reported but not paid claim	81,546	-	81,546
– Unreported claim	466,506	-	466,506
Investment-linked insurance			
– Reported but not paid claim	101,716	-	101,716
– Unreported claim	-	-	-
Annuity insurance			
– Reported but not paid claim	3,801	47,901	51,702
– Unreported claim	-	31	31
<b>Total</b>	<b>2,526,529</b>	<b>79,041</b>	<b>2,605,570</b>
Less ceded reserve for claims:			
Individual life insurance	3,781	-	3,781
Individual injury insurance	-	-	-
Individual health insurance	15,223	-	15,223
Group insurance	1,500	-	1,500
<b>Total</b>	<b>20,504</b>	<b>-</b>	<b>20,504</b>
<b>Net amount</b>	<b>\$2,506,025</b>	<b>\$79,041</b>	<b>\$2,585,066</b>

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

	2021.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance			
– Reported but not paid claim	\$169,039	\$22,865	\$191,904
– Unreported claim	2,159	-	2,159
Individual injury insurance			
– Reported but not paid claim	22,132	-	22,132
– Unreported claim	650,965	-	650,965
Individual health insurance			
– Reported but not paid claim	86,752	-	86,752
– Unreported claim	1,092,725	-	1,092,725
Group insurance			
– Reported but not paid claim	59,624	-	59,624
– Unreported claim	494,021	-	494,021
Investment-linked insurance			
– Reported but not paid claim	20,494	-	20,494
– Unreported claim	-	-	-
Annuity insurance			
– Reported but not paid claim	-	29,087	29,087
– Unreported claim	-	38	38
<b>Total</b>	<b>2,597,911</b>	<b>51,990</b>	<b>2,649,901</b>
Less ceded reserve for claims:			
Individual life insurance	3,811	-	3,811
Individual injury insurance	-	-	-
Individual health insurance	9,841	-	9,841
Group insurance	3,500	-	3,500
<b>Total</b>	<b>17,152</b>	<b>-</b>	<b>17,152</b>
<b>Net amount</b>	<b>\$2,580,759</b>	<b>\$51,990</b>	<b>\$2,632,749</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 six-month period ended 30 June 2022		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$2,526,529	\$79,041	\$2,605,570
Reserve	4,180,768	91,055	4,271,823
Recover	(2,526,529)	(79,041)	(2,605,570)
Losses (gains) on foreign exchange	1,591	322	1,913
Ending balance	4,182,359	91,377	4,273,736
Less ceded unearned premium reserve:			
Beginning balance	20,504	-	20,504
Increase	43,424	-	43,424
Decrease	(20,504)	-	(20,504)
Losses (gains) on foreign exchange	-	-	-
Ending balance	43,424	-	43,424
Net amount	\$4,138,935	\$91,377	\$4,230,312
	For the six-month period ended 30 June 2021		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	\$2,418,262	\$45,381	\$2,463,643
Reserve	2,598,170	52,005	2,650,175
Recover	(2,418,262)	(45,381)	(2,463,643)
Losses (gains) on foreign exchange	(259)	(15)	(274)
Ending balance	2,597,911	51,990	2,649,901
Less ceded unearned premium reserve:			
Beginning balance	20,815	-	20,815
Increase	17,155	-	17,155
Decrease	(20,815)	-	(20,815)
Losses (gains) on foreign exchange	(3)	-	(3)
Ending balance	17,152	-	17,152
Net amount	\$2,580,759	\$51,990	\$2,632,749



**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:

	2022.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Participating policies dividend reserve	\$8,088,708	\$-	\$8,088,708
Dividend risk reserve	-	-	-
<b>Total</b>	<b>\$8,088,708</b>	<b>\$-</b>	<b>\$8,088,708</b>

  

	2021.12.31		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Participating policies dividend reserve	\$7,747,818	\$-	\$7,747,818
Dividend risk reserve	-	-	-
<b>Total</b>	<b>\$7,747,818</b>	<b>\$-</b>	<b>\$7,747,818</b>

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

	2021.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Participating policies dividend reserve	\$6,485,585	\$-	\$6,485,585
Dividend risk reserve	-	-	-
<b>Total</b>	<b>\$6,485,585</b>	<b>\$-</b>	<b>\$6,485,585</b>

Movement in special reserve is summarized below:

	For the six-month periods ended 30 June	
	2022	2021
	Insurance contract	Insurance contract
Beginning balance	\$7,747,818	\$6,633,515
Reserve for participating policies dividend reserve	2,410,033	1,573,440
Recover for participating policies dividend reserve	(2,070,620)	(1,829,657)
Disposal gains (losses) of participating policies on equity instruments at fair value through other comprehensive income	1,477	108,287
<b>Ending balance</b>	<b>\$8,088,708</b>	<b>\$6,485,585</b>

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

	2022.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance	\$2,107	\$-	\$2,107
Individual injury insurance	913,200	-	913,200
Individual health insurance	2,831,791	-	2,831,791
Group insurance	3,493,939	-	3,493,939
Annuity insurance	-	390	390
<b>Total</b>	<b>\$7,241,037</b>	<b>\$390</b>	<b>\$7,241,427</b>

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

	2021.12.31		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance	\$2,107	\$-	\$2,107
Individual injury insurance	913,200	-	913,200
Individual health insurance	2,831,791	-	2,831,791
Group insurance	3,493,939	-	3,493,939
Annuity insurance	-	390	390
<b>Total</b>	<b>\$7,241,037</b>	<b>\$390</b>	<b>\$7,241,427</b>

	2021.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	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
<b>Total</b>	<b>\$6,920,636</b>	<b>\$476</b>	<b>\$6,921,112</b>

(6) Premium deficiency reserve:

	2022.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance	\$2,084,999	\$-	\$2,084,999
Individual health insurance	104,934	-	104,934
<b>Total</b>	<b>\$2,189,933</b>	<b>\$-</b>	<b>\$2,189,933</b>

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

	2021.12.31		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance	\$2,326,325	\$-	\$2,326,325
Individual health insurance	109,009	-	109,009
<b>Total</b>	<b>\$2,435,334</b>	<b>\$-</b>	<b>\$2,435,334</b>

	2022.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Individual life insurance	\$3,316,437	\$-	\$3,316,437
Individual health insurance	112,839	-	112,839
<b>Total</b>	<b>\$3,429,276</b>	<b>\$-</b>	<b>\$3,429,276</b>

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

Movement in premium deficiency reserve is summarized below:

	For the six-month period ended 30 June 2022		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Beginning balance	\$2,435,334	\$-	\$2,435,334
Reserve	241,278	-	241,278
Recover	(564,346)	-	(564,346)
Losses (gains) on foreign exchange	77,667	-	77,667
<b>Ending balance</b>	<b>\$2,189,933</b>	<b>\$-</b>	<b>\$2,189,933</b>

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

	For the six-month period ended 30 June 2021		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Beginning balance	\$4,139,991	\$-	\$4,139,991
Reserve	316,707	-	316,707
Recover	(976,584)	-	(976,584)
Losses (gains) on foreign exchange	(50,838)	-	(50,838)
Ending balance	\$3,429,276	\$-	\$3,429,276

(7) Other reserve:

	2022.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Other	\$18,570,944	\$-	\$18,570,944

	2021.12.31		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Other	\$18,732,835	\$-	\$18,732,835

	2021.6.30		
	Financial instruments with discretionary participation		
	Insurance contract	feature	Total
Other	\$18,903,412	\$-	\$18,903,412

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

Movement in other reserve is summarized below:

	For the six-month period ended 30 June 2022		
	Financial instruments with discretionary participation		Total
	Insurance contract	feature	
Beginning balance	\$18,732,835	\$-	\$18,732,835
Recover	(161,891)	-	(161,891)
Ending balance	\$18,570,944	\$-	\$18,570,944

	For the six-month period ended 30 June 2021		
	Financial instruments with discretionary participation		Total
	Insurance contract	feature	
Beginning balance	\$19,073,989	\$-	\$19,073,989
Recover	(170,577)	-	(170,577)
Ending balance	\$18,903,412	\$-	\$18,903,412

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

(8) Liability adequacy reserve:

	Insurance contract and financial instruments with discretionary participation feature		
	2022.6.30	2021.12.31	2021.6.30
Reserve for life insurance liabilities	\$2,024,153,182	\$1,952,319,390	\$1,905,569,311
Unearned premium reserve	5,164,275	4,699,485	4,869,201
Premium deficiency reserve	2,189,933	2,435,334	3,429,276
Special reserve	8,088,708	7,747,818	6,485,585
Other reserve	18,570,944	18,732,835	18,903,412
Book value of insurance liabilities	\$2,058,167,042	\$1,985,934,862	\$1,939,256,785
Estimated present value of cash flows	\$1,551,180,138	\$1,573,602,103	\$1,538,642,259
Balance of liability adequacy reserve	\$-	\$-	\$-

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

Liability adequacy testing methodology is as follows:

	2022.6.30	2021.12.31 and 2021.6.30
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
	Adopt the best estimated scenario	Adopt the best estimated scenario
	investment return on the most recent	investment return on the most recent
Assumptions	actuarial report (the actuarial report of 2021),and discount rate evaluated with consideration current information	actuarial report (the actuarial report of 2020), 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.

(2) Adjustment in foreign exchange valuation reserve:

	For the six-month periods ended 30 June	
	2022	2021
Beginning balance	\$3,351,124	\$4,023,007
Reserve		
Compulsory reserve	962,508	1,012,142
Extra reserve	7,183,966	415,058
Subtotal	8,146,474	1,427,200
Recover	(2,073,027)	(3,268,916)
Ending balance	\$9,424,571	\$2,181,291

(3) Effects due to foreign exchange valuation reserve:

Item	For the six-month period ended 30 June 2022		
	Inapplicable amount	Applicable amount	Effects
Net income	\$18,389,582	\$13,530,824	\$(4,858,758)
Earnings per share (dollar)	3.74	2.75	(0.99)
Foreign exchange valuation reserve	-	9,424,571	9,424,571
Equity	95,342,543	89,145,948	(6,196,595)

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

Item	For the six-month period ended 30 June 2021		
	Inapplicable amount	Applicable amount	Effects
Net income	\$15,061,550	\$16,534,923	\$1,473,373
Earnings per share (dollar)	3.06	3.36	0.30
Foreign exchange valuation reserve	-	2,181,291	2,181,291
Equity	171,019,224	170,617,254	(401,970)

18. Provisions

	2022.6.30	2021.12.31	2021.6.30
Provisions for employee benefits	\$193,217	\$198,058	\$188,037
Litigation liabilities	44	1,741	4,967
Total	\$193,261	\$199,799	\$193,004

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 30 June 2022, the Company has 73 unresolved legal suits.

19. Post-employment benefits

Defined contribution plan

Expenses under the defined contribution plans for the three-month periods ended 30 June 2022 and 2021 were \$65,345 thousand and \$62,365 thousand, and for the six-month periods ended 30 June 2022 and 2021 were \$135,230 thousand and \$127,713 thousand, respectively.

Defined benefit plans

Expenses under the defined benefit plans for the three-month periods ended 30 June 2022 and 2021 were \$2,215 thousand and \$401 thousand respectively, and for the six-month periods ended 30 June 2022 and 2021 were \$4,431 thousand and \$802 thousand, respectively.

20. Common stock

- (1) As of 30 June 2022, 31 December 2021 and 30 June 2021, the Company's authorized and issued capital were \$49,206,531 thousand, \$49,206,531 thousand and \$47,313,972 thousand, divided into 4,920,653,131, 4,920,653,131 and 4,731,397,242 common shares at \$10 par value.



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

**Notes to financial statements (Continued)**

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

- (2) On 12 August 2021, the Company decided to appropriate \$1,892,559 thousand from 2020 distributable earnings to increase capital in shareholders' meeting, issuing 189,255,889 common shares at \$10 par value. On 29 September 2021, the capital increase was to be document by the authorities, and the board of directors was resolved to use 31 October 2021 as the subscription base date.

21. Capital surplus

	2022.6.30	2021.12.31	2021.6.30
Additional paid-in capital	\$7,179,692	\$7,179,692	\$7,179,692
Share-based payment	66,602	9,997	-
Treasury stock transactions	34,867	34,867	34,831
Changes investments in associates and joint ventures accounted for using equity method	1	-	-
Total	<u>\$7,281,162</u>	<u>\$7,224,556</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.

The capital surplus - share-based payment were given by the parent company to the employees of the company.

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.

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

(2) Special capital reserve

	111.6.30	110.12.31	110.6.30
Special reserve from recovered fluctuation risk reserve	\$5,849,038	\$5,311,458	\$5,311,458
Catastrophe risk reserve and fluctuation risk reserve	7,241,427	7,241,427	6,921,112
Special reserve for the foreign exchange valuation reserve	17,459,891	13,412,781	13,412,781
Special reserve for investment properties at fair value model	9,012,150	8,805,570	8,805,570
Special reserve for gains or losses on derecognition of unexpired debt instrument	15,640,473	7,971,493	7,971,493
Other	8,299,668	3,958,466	3,956,091
<b>Total</b>	<b>\$63,502,647</b>	<b>\$46,701,195</b>	<b>\$46,378,505</b>

A. Special reserve from recovered contingency risk reserve

Pursuant to “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” established by the R.O.C. Financial Supervisory Commission, the recovered fluctuation risk reserve 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.

B. Catastrophe risk reserve and fluctuation risk reserve

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.

C. Special reserve for the foreign exchange valuation reserve

The Company adopts foreign exchange reserve mechanism and hence be required by law to provide special capital reserve. Please refer to Note IV.19.

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

D. Special reserve for investment properties at fair value model

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. In accordance with the Order No. Financial-Supervisory-Securities-Corporate-11004917647, 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 distributed. 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.

E. Special reserve for gains or losses on derecognition of unexpired debt

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.

F. Other

The Company set aside a special capital reserve, in accordance with the "Personal Insurance Industry's Matters Needing Attention in Handling Interest Rate Change Insurance Products".

In accordance with the Financial-Supervisory-Securities-Corporate-1100498861 dated 26 March 2021, the Company set aside special capital reserve for after-tax net profit of the current year that is part of the disability assistance insurance from the 2020 fiscal year. If the net profit after tax in the current year is not enough to be set aside, it shall be supplemented in subsequent years. If there is a loss in the disability assistance insurance in subsequent years, it may be reversed from the special capital reserve.

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

**Notes to financial statements (Continued)**

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

In accordance with the Financial-Supervisory-Securities-Corporate-11004939031 dated 29 October 2020, from 2021 fiscal year, the Company shall, at end of each business year, set aside equal amount of special capital reserve for net income that is part of the accidental death and disability payment of personal travel insurance, according to the “Standard Rates of Accidental Death and Disability Payment of Personal Travel Insurance”.

The Company set aside a special capital reserve in accordance with the Financial-Supervisory-Securities-Corporate-1090414517.

- (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.

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.

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

**Notes to financial statements (Continued)**

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

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

(5) Earnings appropriation for the year of 2021 and 2020 is as follows:

	<u>Appropriation of earnings</u>		<u>Dividends per share(NT\$)</u>	
	2021	2020	2021	2020
Set aside Legal capital reserve	\$5,557,484	\$3,020,899	\$-	\$-
Set aside (reverse) Special capital reserve	17,124,143	8,298,479	-	-
Common stock-cash dividend	4,500,000	1,892,559	0.91	0.40
Common stock-stock dividend	-	1,892,559	-	0.40

Earnings appropriation for the year of 2021 and 2020 was resolved by the Board of directors' meeting(the Board of Directors entitled to execute stockholders' meeting functions )on 19 May and shareholders' meeting on 12 Aug, respectively.

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

**23. Components of other comprehensive income**

	<u>For the three-month period ended 30 June 2022</u>			
	<u>Arising during the period</u>	<u>Reclassification adjustments during the period</u>	<u>Income tax benefit (expense)</u>	<u>Other comprehensive income, net of tax</u>
Not to be reclassified to profit or loss in subsequent periods:				
Property revaluation surplus	\$568,609	\$-	\$(35,189)	\$533,420
Valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	(3,833,065)	-	(89,951)	(3,923,016)
To be reclassified to profit or loss in subsequent periods:				
Gains (losses) on debt instrument investments at fair value through other comprehensive income	(16,227,812)	(978,410)	2,973,079	(14,233,143)
Other comprehensive profits(losses) reclassified using overlay approach	(39,700,552)	(3,038,117)	1,494,345	(41,244,324)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	5,006	-	-	5,006
<b>Total</b>	<u>\$ (59,187,814)</u>	<u>\$ (4,016,527)</u>	<u>\$ 4,342,284</u>	<u>\$ (58,862,057)</u>

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

	For the three-month period ended 30 June 2021			
	Arising during the period	Reclassification	Income tax benefit (expense)	Other
		adjustments		comprehensive
		during the period		income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Valuation gains(losses) on equity instrument investments at fair value through other comprehensive income	\$1,551,815	\$-	\$405,270	\$1,957,085
To be reclassified to profit or loss in subsequent periods:				
Gains (losses) on debt instrument investments at fair value through other comprehensive income	10,870,311	(7,343,168)	(889,695)	2,637,448
Other comprehensive profits (losses) reclassified using of overlay approach	5,457,434	(3,682,163)	315,845	2,091,116
<b>Total</b>	<b>\$17,879,560</b>	<b>\$(11,025,331)</b>	<b>\$(168,580)</b>	<b>\$6,685,649</b>

	For the six-month period ended 30 June 2022			
	Arising during the period	Reclassification	Income tax benefit (expense)	Other
		adjustments		comprehensive
		during the period		income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Property revaluation surplus	\$568,609	\$-	\$(35,189)	\$533,420
Valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	(4,621,240)	-	213,922	(4,407,318)
To be reclassified to profit or loss in subsequent periods:				
Gains (losses) on debt instrument investments at fair value through other comprehensive income	(37,100,307)	(4,632,986)	7,288,144	(34,445,149)
Other comprehensive profits (losses) reclassified using overlay approach	(51,373,655)	(9,346,064)	2,084,043	(58,635,676)
Share of other comprehensive income of associates and joint ventures accounted for using equity method	5,006	-	-	5,006
<b>Total</b>	<b>\$(92,521,587)</b>	<b>\$(13,979,050)</b>	<b>\$9,550,920</b>	<b>\$(96,949,717)</b>

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

	For the six-month period ended 30 June 2021			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	\$1,957,858	\$-	\$902,638	\$2,860,496
To be reclassified to profit or loss in subsequent periods:				
Gains (losses) on debt instrument investments at fair value through other comprehensive income	(19,693,399)	(12,908,731)	4,992,686	(27,609,444)
Other comprehensive profits (losses) reclassified using of overlay approach	11,877,007	(11,038,685)	314,940	1,153,262
<b>Total</b>	<b>\$(5,858,534)</b>	<b>\$(23,947,416)</b>	<b>\$6,210,264</b>	<b>\$(23,595,686)</b>

**24. Interest income**

	For the three-month periods ended 30 June	
	2022	2021
Interest income		
Financial assets at fair value through other comprehensive income	\$1,464,633	\$2,561,117
Financial assets at amortized cost	12,455,694	10,295,253
Loans	430,337	442,828
Other	124,293	83,982
<b>Total</b>	<b>\$14,474,957</b>	<b>\$13,383,180</b>

	For the six-month periods ended 30 June	
	2022	2021
Interest income		
Financial assets at fair value through other comprehensive income	\$3,025,308	\$5,797,206
Financial assets at amortized cost	24,003,592	20,562,900
Loans	856,487	880,631
Other	175,358	110,350
<b>Total</b>	<b>\$28,060,745</b>	<b>\$27,351,087</b>

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

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

	For the three-month periods ended 30 June	
	2022	2021
Operating revenue — expected credit impairment losses and reversal on investment		
Financial assets at fair value through other comprehensive income	\$(129,057)	\$1,522
Financial assets at amortized cost	(103,274)	73,831
Other receivables	260,798	636
Subtotal	<u>\$28,467</u>	<u>\$75,989</u>
Operating expenses — expected credit impairment losses and reversal on non-investment		
Other receivables	(13)	(18)
Total	<u>\$28,454</u>	<u>\$75,971</u>
	For the six-month periods ended 30 June	
	2022	2021
Operating revenue — expected credit impairment losses and reversal on investment		
Financial assets at fair value through other comprehensive income	\$581,319	\$(2,121)
Financial assets at amortized cost	660,406	81,272
Other receivables	285,664	618
Subtotal	<u>\$1,527,389</u>	<u>\$79,769</u>
Operating expenses — expected credit impairment losses and reversal on non-investment		
Other receivables	(6)	(2,295)
Total	<u>\$1,527,383</u>	<u>\$77,474</u>

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



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

26. Retained earned premium

	For the three-month period ended 30 June 2022		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$40,020,633	\$495,309	\$40,515,942
Reinsurance premium income	-	-	-
Premium income	40,020,633	495,309	40,515,942
Less:			
Reinsurance expenses	412,433	-	412,433
Net changes in unearned premium reserve	795,319	(1)	795,318
Subtotal	1,207,752	(1)	1,207,751
Retained earned premium	\$38,812,881	\$495,310	\$39,308,191

  

	For the three-month period ended 30 June 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$50,055,265	\$497,036	\$50,552,301
Reinsurance premium income	-	-	-
Premium income	50,055,265	497,036	50,552,301
Less:			
Reinsurance expenses	375,521	-	375,521
Net changes in unearned premium reserve	698,132	(7)	698,125
Subtotal	1,073,653	(7)	1,073,646
Retained earned premium	\$48,981,612	\$497,043	\$49,478,655

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

	For the six-month period ended 30 June 2022		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$79,514,824	\$1,026,750	\$80,541,574
Reinsurance premium income	-	-	-
Premium income	79,514,824	1,026,750	80,541,574
Less:			
Reinsurance expenses	825,590	-	825,590
Net changes in unearned premium reserve	465,352	(1)	465,351
Subtotal	1,290,942	(1)	1,290,941
Retained earned premium	\$78,223,882	\$1,026,751	\$79,250,633

	For the six-month period ended 30 June 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	\$100,528,207	\$1,436,326	\$101,964,533
Reinsurance premium income	-	-	-
Premium income	100,528,207	1,436,326	101,964,533
Less:			
Reinsurance expenses	751,742	-	751,742
Net changes in unearned premium reserve	361,142	(8)	361,134
Subtotal	1,112,884	(8)	1,112,876
Retained earned premium	\$99,415,323	\$1,436,334	\$100,851,657

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

27. Retained claim payments

	For the three-month period ended 30 June 2022		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	\$29,154,388	\$3,769,665	\$32,924,053
Reinsurance claim payments	-	-	-
Insurance claim payments	29,154,388	3,769,665	32,924,053
Less:			
Claims recovered from reinsures	227,320	-	227,320
Retained claim payments	\$28,927,068	\$3,769,665	\$32,696,733

	For the three-month period ended 30 June 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	\$29,219,442	\$3,534,699	\$32,754,141
Reinsurance claim payments	-	-	-
Insurance claim payments	29,219,442	3,534,699	32,754,141
Less:			
Claims recovered from reinsures	214,150	-	214,150
Retained claim payments	\$29,005,292	\$3,534,699	\$32,539,991

	For the six-month period ended 30 June 2022		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	\$52,350,384	\$7,814,976	\$60,165,360
Reinsurance claim payments	13	-	13
Insurance claim payments	52,350,397	7,814,976	60,165,373
Less:			
Claims recovered from reinsures	404,303	-	404,303
Retained claim payments	\$51,946,094	\$7,814,976	\$59,761,070

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

	For the six-month period ended 30 June 2021		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	\$57,443,954	\$7,668,198	\$65,112,152
Reinsurance claim payments	313	-	313
Insurance claim payments	57,444,267	7,668,198	65,112,465
Less:			
Claims recovered from reinsures	412,233	-	412,233
Retained claim payments	\$57,032,034	\$7,668,198	\$64,700,232

28. Employee benefits, depreciation and amortization

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

	For the three-month periods ended 30 June					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	\$911,090	\$1,011,540	\$1,922,630	\$819,466	\$1,134,286	\$1,953,752
Payroll expense	911,090	681,295	1,592,385	819,466	852,511	1,671,977
Labor and health insurance	-	119,506	119,506	-	113,796	113,796
Pension	-	67,072	67,072	-	62,766	62,766
Remuneration to directors	-	81,158	81,158	-	52,485	52,485
Other employee benefits expense	-	61,509	61,509	-	52,728	52,728
Depreciation	-	115,447	115,447	-	116,259	116,259
Amortization	-	50,315	50,315	-	38,180	38,180

	For the six-month periods ended 30 June					
	2022			2021		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	\$1,740,768	\$2,481,378	\$4,222,146	\$1,604,659	\$2,618,025	\$4,222,684
Payroll expense	1,740,768	1,741,265	3,482,033	1,604,659	1,987,063	3,591,722
Labor and health insurance	-	278,671	278,671	-	262,077	262,077
Pension	-	139,172	139,172	-	128,516	128,516
Remuneration to directors	-	206,391	206,391	-	134,801	134,801
Other employee benefits expense	-	115,879	115,879	-	105,568	105,568
Depreciation	-	225,306	225,306	-	233,341	233,341
Amortization	-	98,868	98,868	-	74,125	74,125

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

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

Note2: The average number of employees for the six-month periods ended 30 June 2022 and 2021 were 6,556 and 6,324, respectively. The average number of directors who do not serve concurrently as employees was 7 in both periods.

- (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 six-month period ended 30 June 2022, the Company estimated the amounts of the employees' compensation to be \$171,995 thousand, and remuneration to directors to be \$168,402 thousand, recognized as operating expense ; based on profit for the six-month period ended 30 June 2021, the Company estimated the amounts of the employees' compensation to be \$181,777 thousand and remuneration to directors to be \$127,771 thousand, recognized as operating expense. The differences between the estimated amounts and the actual distributed amounts resolved by Board of Directors meeting will be recognized as profit or loss of the next year.

On 24 March 2022, the Board of Directors meeting resolved to distribute \$319,000 thousand of employees' compensation and \$233,000 thousand of remuneration to directors for the year ended 2021. The \$5,000 thousand differences exist between the estimated amount on the 2021 financial statement and the actual amount were recognized as expense of 2022.

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

29. Income taxes

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

Income tax expense recognized in profit or loss

	For the three-month periods ended 30 June	
	2022	2021
Current income tax expense (benefit):		
Current income tax payable	\$154,855	\$1,508,993
Adjustments in respect of current income tax of prior periods	(183,973)	(224,658)
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	6,092,086	(1,075,286)
Deferred tax expense (benefit) relating to origination and reversal of tax loss and tax credit	(4,288,278)	-
Others	(38,552)	39,397
Total income tax expense (benefit)	<u>\$1,736,138</u>	<u>\$248,446</u>
	For the six-month periods ended 30 June	
	2022	2021
Current income tax expense (benefit):		
Current income tax payable	\$227,507	\$3,137,934
Adjustments in respect of current income tax of prior periods	(183,973)	(316,341)
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	8,560,028	(1,550,229)
Deferred tax expense (benefit) relating to origination and reversal of tax loss and tax credit	(5,266,385)	-
Others	(13,932)	61,906
Total income tax expense (benefit)	<u>\$3,323,245</u>	<u>\$1,333,270</u>

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

Income tax expense recognized in other comprehensive income

	For the three-month periods ended 30 June	
	2022	2021
Deferred tax expense (benefit):		
Valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	\$89,951	\$(405,270)
Gains (losses) of debt instrument investments at fair value through other comprehensive income	(2,973,079)	889,695
Other comprehensive profits (losses) reclassified using overlay approach	(1,494,345)	(315,845)
Property revaluation surplus	35,189	-
Income tax expense (benefit) relating to components of other comprehensive income	\$(4,342,284)	\$168,580

	For the six-month periods ended 30 June	
	2022	2021
Deferred tax expense (benefit):		
Unrealized valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	\$(213,922)	\$(902,638)
Unrealized valuation gains (losses) of debt instrument investments at fair value through other comprehensive income	(7,288,144)	(4,992,686)
Other comprehensive profits (losses) reclassified using overlay approach	(2,084,043)	(314,940)
Property revaluation surplus	35,189	-
Income tax expense (benefit) relating to components of other comprehensive income	\$(9,550,920)	\$(6,210,264)

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

Income tax charged directly to equity

	For the three-month periods ended 30 June	
	2022	2021
Current income tax expense (benefit):		
Derecognition of equity instrument investments at fair value through other comprehensive income	\$-	\$(2,842)
Income tax on participating policies that directly recognized in equity expenses	-	(18,628)
Deferred tax expense (benefit):		
Valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	-	2,842
Deferred tax expense (benefit) relating to origination and reversal of tax loss	590	-
Income tax charged directly to equity	<u>\$590</u>	<u>\$(18,628)</u>

	For the six-month periods ended 30 June	
	2022	2021
Current income tax expense (benefit):		
Derecognition of equity instrument investments at fair value through other comprehensive income	\$-	\$(98,760)
Income tax on participating policies that directly recognized in equity expenses	-	(21,657)
Deferred tax expense (benefit):		
Valuation gains (losses) of equity instrument investments at fair value through other comprehensive income	-	98,760
Deferred tax expense (benefit) relating to origination and reversal of tax loss	-	-
Income tax charged directly to equity	<u>\$-</u>	<u>\$(21,657)</u>

(2) The assessment of income tax returns

As of 30 June 2022, the income tax returns of the Company have been assessed and approved up to the year of 2019.



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

30. Earnings per share

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

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.

	For the three-month periods ended 30 June	
	2022	2021
<u>Basic earnings per share</u>		
Profit attributable to ordinary equity holders of the Company	\$4,694,441	\$6,693,156
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	4,920,653	4,920,653
Basic earnings per share (in dollars)	\$0.95	\$1.36
	For the six-month periods ended 30 June	
	2022	2021
<u>Basic earnings per share</u>		
Profit attributable to ordinary equity holders of the Company	\$13,530,824	\$16,534,923
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	4,920,653	4,920,653
Basic earnings per share (in dollars)	\$2.75	\$3.36

There were no transactions that significantly changed the number of common shares outstanding or potential common shares at the end of the period between the financial statement day and the day of approval.

31. Separate account insurance products

(1) Separate account products – assets and liabilities

Items	Assets		
	2022.6.30	2021.12.31	2021.6.30
Cash in bank	\$558,998	\$2,446,188	\$610,439
Financial assets at fair value through profit or loss	98,130,805	98,563,221	92,494,443
Other receivables	42,260	32,146	43,381
Total	\$98,732,063	\$101,041,555	\$93,148,263

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

**Notes to financial statements (Continued)**

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

Items	Liabilities		
	2022.6.30	2021.12.31	2021.6.30
Reserve for separate account	\$98,717,478	\$101,025,859	\$93,137,234
Other payables	14,585	15,696	11,029
<b>Total</b>	<b>\$98,732,063</b>	<b>\$101,041,555</b>	<b>\$93,148,263</b>

(2) Separate account products — revenues and expenses:

Items	Revenues	
	For the three-month periods ended 30 June	
	2022	2021
Premium income	\$1,950,840	\$1,628,797
Gains (losses) from financial assets and liabilities at fair value through profit or loss	(5,456,754)	2,528,753
Interest income	99	65
Other revenues	41,558	43,861
Foreign exchange gains (losses)	557,620	(332,750)
<b>Total</b>	<b>\$(2,906,637)</b>	<b>\$3,868,726</b>

Items	Expenses	
	For the three-month periods ended 30 June	
	2022	2021
Insurance claim payments	\$846,363	\$1,271,385
Net change in separate account reserve	(4,311,666)	2,067,614
Custodian fee	558,666	529,727
<b>Total</b>	<b>\$(2,906,637)</b>	<b>\$3,868,726</b>

Items	Revenues	
	For the six-month periods ended 30 June	
	2022	2021
Premium income	\$3,926,818	\$3,037,500
Gains (losses) from financial assets and liabilities at fair value through profit or loss	(7,067,609)	4,420,146
Interest income	194	111
Other revenues	83,625	86,496
Foreign exchange gains (losses)	1,078,441	(160,841)
<b>Total</b>	<b>\$(1,978,531)</b>	<b>\$7,383,412</b>

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

Items	Expenses	
	For the six-month periods ended 30 June	
	2022	2021
Insurance claim payments	\$1,892,275	\$2,738,226
Net change in separate account reserve	(4,858,643)	3,585,683
Custodian fee	987,837	1,059,503
Total	<u><u>\$(1,978,531)</u></u>	<u><u>\$7,383,412</u></u>

- (3) The rebate earned for engaging in investment-linked insurance business from counterparties for the three-month periods and the six-month periods ended 30 June 2022 and 2021 were \$70,378 thousand, \$74,964 thousand, \$145,597 thousand and \$148,632 thousand, respectively.

**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.

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

(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. The Company follows the principle of centralized management and specialization, and assigns responsible department to manage various risks. In addition, the Company develops management guidelines or management mechanism for various types of risk and regularly issues risk reports to monitor the various risks.

(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

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

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.

As at 30 June 2022, 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.

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

(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	14	15	
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	\$2,804,061	\$2,804,509	-
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	2,941,970	2,942,303	-	-
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	3,146,132	3,146,157	-	-	-
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	3,356,774	3,356,975	-	-	-	-
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	3,058,682	3,059,020	-	-	-	-	-
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	3,057,193	3,057,596	-	-	-	-	-	-
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,317,090	4,321,020	4,323,776	4,325,331	-	-	-	-	-	-	-
2015	3,530,488	4,420,482	4,498,438	4,510,113	4,516,573	4,518,832	4,521,127	4,521,770	-	-	-	-	-	-	-	-
2016	3,721,820	4,648,280	4,743,133	4,757,525	4,763,372	4,765,519	4,767,424	-	-	-	-	-	-	-	-	-
2017	4,320,234	5,400,952	5,537,543	5,552,592	5,557,933	5,560,388	-	-	-	-	-	-	-	-	-	-
2018	4,775,948	5,950,536	6,060,673	6,078,878	6,082,986	-	-	-	-	-	-	-	-	-	-	-
2019	5,257,484	6,776,954	6,904,733	6,921,300	-	-	-	-	-	-	-	-	-	-	-	-
2020	5,208,589	6,557,028	6,664,624	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	5,729,794	7,002,092	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	2,652,935	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,487,145

Note: This table does not include long term life insurance

Add : Long term insurance claims 653,841  
Claim reserve for discount on no claim 132,750  
Reserve for claims balance \$4,273,736

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	14	15	
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	\$2,740,598	\$2,741,046	-
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	2,875,365	2,875,698	-	-
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	3,074,914	3,074,939	-	-	-
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	3,280,818	3,281,019	-	-	-	-
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	2,989,484	2,989,822	-	-	-	-	-
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	2,988,029	2,988,432	-	-	-	-	-	-
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,219,348	4,223,278	4,226,033	4,227,589	-	-	-	-	-	-	-
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,414,314	4,416,573	4,418,868	4,419,511	-	-	-	-	-	-	-	-
2016	3,657,093	4,560,257	4,647,033	4,649,868	4,655,715	4,657,862	4,659,767	-	-	-	-	-	-	-	-	-
2017	4,244,930	5,298,470	5,424,716	5,439,766	5,445,107	5,447,562	-	-	-	-	-	-	-	-	-	-
2018	4,692,869	5,837,265	5,946,601	5,964,806	5,968,914	-	-	-	-	-	-	-	-	-	-	-
2019	5,165,606	6,658,675	6,786,454	6,803,021	-	-	-	-	-	-	-	-	-	-	-	-
2020	5,136,641	6,454,169	6,560,564	-	-	-	-	-	-	-	-	-	-	-	-	-
2021	5,640,880	6,878,774	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2022	2,628,094	-	-	-	-	-	-	-	-	-	-	-	-	-	-	\$3,472,668

Note: This table does not include long term life insurance

Add : Long term insurance claims 624,894  
Claim reserve for discount on no claim 132,750  
Reserve for claims balance \$4,230,312

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

**Notes to financial statements (Continued)**

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

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.

(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.

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

(5) Liquidity risk:

As at 30 June 2022, 31 December 2021 and 30 June 2021, the maturity analysis of liquidity risk for insurance contract liabilities are as follows:

30 June 2022	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	\$21,319,209	\$122,023,249	\$136,293,613	\$625,471,601	\$3,986,424,202
Reserve for insurance contracts with					
feature of financial instruments	-	-	-	-	-
31 December 2021	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	\$38,514,881	\$132,626,854	\$144,267,981	\$604,249,058	\$3,805,721,194
Reserve for insurance contracts with					
feature of financial instruments	-	-	-	-	-
30 June 2021	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	\$20,306,337	\$134,195,186	\$151,407,234	\$590,799,542	\$3,745,005,419
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.

(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.



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

**VIII. Financial instruments**

**1. Categories of financial instruments**

**Financial assets**

	2022.6.30	2021.12.31	2021.6.30
Financial assets at fair value through profit or loss:			
Mandatorily measured at fair value through profit and loss	\$355,961,388	\$435,588,827	\$407,597,211
Financial assets at fair value through other comprehensive income	186,682,808	280,355,344	342,296,128
Financial assets at amortized cost:			
Cash and cash equivalents (exclude cash on hand and revolving funds)	102,817,744	153,785,295	141,071,391
Financial assets at amortized cost	1,395,833,288	1,201,310,968	1,132,754,969
Receivables	20,088,458	17,038,235	19,408,668
Loans	33,805,830	33,931,189	33,927,019
Refundable deposits	18,926,873	7,472,351	9,239,300
Subtotal	1,571,472,193	1,413,538,038	1,336,401,347
Total	\$2,114,116,389	\$2,129,482,209	\$2,086,294,686

**Financial liabilities**

	2022.6.30	2021.12.31	2021.6.30
Financial liabilities at fair value through profit or loss:			
Held for trading	\$20,980,971	\$981,018	\$3,061,291
Financial liabilities measured at amortized cost:			
Payables	12,433,647	13,169,025	17,134,239
Bonds Payables	10,000,000	10,000,000	10,000,000
Lease liabilities	1,810,611	1,768,675	1,710,849
Guarantee deposits received	380,789	1,802,584	438,553
Subtotal	24,625,047	26,740,284	29,283,641
Total	\$45,606,018	\$27,721,302	\$32,344,932

**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.

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

**Notes to financial statements (Continued)**

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

- 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 swap and 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.

(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		
	2022.6.30	2021.12.31	2021.6.30
Financial assets			
Financial assets measured at amortized cost	\$1,395,833,288	\$1,201,310,968	\$1,132,754,969
Refundable deposits - Bonds	7,401,593	7,402,206	7,092,167

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

**Notes to financial statements (Continued)**

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

	Fair value		
	2022.6.30	2021.12.31	2021.6.30
Financial assets			
Financial assets measured at amortized cost	\$1,170,801,323	\$1,251,475,220	\$1,198,576,270
Refundable deposits - Bonds	7,631,261	8,722,040	8,761,901

**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.

**(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:

	2022.6.30			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$155,307,377	\$154,500,626	\$72,897	\$733,854
Bonds	41,707,769	10,282,665	31,425,104	-
Swaps and forward foreign exchange contracts	3,406,193	-	3,406,193	-
Others	155,540,049	125,386,748	-	30,153,301
Financial assets at fair value through other comprehensive income				
Stocks	45,117,152	29,447,520	-	15,669,632
Bonds	141,565,656	78,345,021	63,220,635	-
Investment property	57,270,382	-	-	57,270,382
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	20,980,971	-	20,980,971	-

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

	2021.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$193,387,963	\$192,685,785	\$-	\$702,178
Bonds	51,146,404	13,125,949	38,020,455	-
Swaps and forward foreign exchange contracts	4,275,043	-	4,275,043	-
Others	186,779,417	167,750,597	-	19,028,820
Financial assets at fair value through other comprehensive income				
Stocks	53,994,299	34,533,821	343,068	19,117,410
Bonds	226,361,045	133,876,839	92,484,206	-
Investment property	40,746,757	-	-	40,746,757
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	981,018	-	981,018	-
2021.6.30				
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	\$181,274,800	\$180,874,924	\$-	\$399,876
Bonds	52,972,930	18,754,983	34,217,947	-
Swaps and forward foreign exchange contracts	5,490,961	-	5,490,961	-
Others	167,858,520	155,760,879	-	12,097,641
Financial assets at fair value through other comprehensive income				
Stocks	55,246,444	34,046,755	298,530	20,901,159
Bonds	287,049,684	182,803,393	104,246,291	-
Investment property	34,566,398	-	-	34,566,398
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	3,061,291	-	3,061,291	-

**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 six-month period ended 30 June 2022, the Company's debt instruments measured at fair value through other comprehensive income, amounted to \$943,990 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 \$4,036,610 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

During the six-month period ended 30 June 2021, the Company's debt instruments measured at fair value through other comprehensive income, amounted to \$10,220,732 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 \$5,455,182 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 six-month period ended 30 June 2022:

	Beginning balance	Total gains and losses recognized		Acquisition or issue	Disposal, or forced conversion	Transfer in (out) of Level 3 (Note 3)	Ending balance
		Recognized in profit or loss (Note 1)	Recognized in OCI (Note 2)				
<b>Assets</b>							
Financial assets at fair value through profit or loss							
Stock	\$702,178	\$-	\$(9,626)	\$41,302	\$-	\$-	\$733,854
Others	19,028,820	9,954	2,253,081	9,322,019	(460,573)	-	30,153,301
Financial assets at fair value through other comprehensive income							
Stock	19,117,410	475	(3,263,455)	-	(28,608)	(156,190)	15,669,632
Investment property	40,746,757	(41,633)	-	15,199,143	(60,930)	1,427,045	57,270,382

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

For the six-month period ended 30 June 2021:

	Total gains and losses recognized				Transfer		Ending balance
	Beginning balance	Recognized		Acquisition or issue	Disposal or settlement	in (out) of Level 3 (Note 3)	
		in profit or loss (Note 1)	in OCI (Note 2)				
Assets							
Financial assets at fair value through profit or loss							
Stock	\$283,365	\$-	\$25,028	\$93,586	\$(2,103)	\$-	\$399,876
Others	8,379,207	(61,566)	663,985	3,770,344	(654,329)	-	12,097,641
Financial assets at fair value through other comprehensive income							
Stock	21,978,265	-	(945,936)	34,400	(165,570)	-	20,901,159
Investment property	34,318,973	224,134	-	23,291	-	-	34,566,398

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 three-month periods and the six-month periods ended 30 June 2022 and 2021 is as follows:

	For the six-month periods ended 30 June	
	2022	2021
Total gains and losses		
Recognized in profit or loss	\$(52,657)	\$209,653
Recognized in other comprehensive income	(1,020,000)	(256,923)

**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:

2022.6.30				
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	6.24%	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	

2021.12.31				
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	6.71%	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	

2021.6.30				
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	6.20%	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)**

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

**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 evaluates 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.**

	2022.6.30			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	\$481,136,898	\$689,664,425	\$-	\$1,170,801,323
Investment property	-	-	2,535,809	2,535,809
Refundable deposits				
Bonds	-	7,631,261	-	7,631,261
	2021.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	\$466,605,518	\$784,869,702	\$-	\$1,251,475,220
Investment property	-	-	2,535,809	2,535,809
Refundable deposits				
Bonds	-	8,722,040	-	8,722,040
	2021.6.30			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	\$431,749,800	\$766,826,470	\$-	\$1,198,576,270
Investment property	-	-	2,590,902	2,590,902
Refundable deposits				
Bonds	-	8,761,901	-	8,761,901



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

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:

2022.6.30						
Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)			
	financial assets (a)	(c)= (a)- (b)	Financial instruments	Cash collateral received	Net amount (e)= (c)- (d)	
Derivative financial instrument	\$3,406,193	\$-	\$3,406,193	\$2,271,411	\$18,727	\$1,116,055

2022.6.30						
Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)			
	financial liabilities (a)	(c)= (a)- (b)	Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)	
Derivative financial instrument	\$20,980,971	\$-	\$20,980,971	\$2,271,411	\$11,494,152	\$7,215,408

2021.12.31						
Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)			
	financial assets (a)	(c)= (a)- (b)	Financial instruments	Cash collateral received	Net amount (e)= (c)- (d)	
Derivative financial instrument	\$4,275,043	\$-	\$4,275,043	\$912,518	\$1,568,639	\$1,793,886

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

2021.12.31						
Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		
				Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)
Derivative financial instrument	\$981,018	\$-	\$981,018	\$912,518	\$36,828	\$31,672

2021.6.30						
Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of recognized financial assets (a)	Gross amount of offset financial liabilities recognized on balance sheet (b)	Net financial assets recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		Net amount (Note 1) (e)= (c)- (d)
				Financial instruments	Cash collateral received	
Derivative financial instrument	\$5,490,961	\$-	\$5,490,961	\$830,635	\$229,091	\$4,431,235

2021.6.30						
Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement						
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Relevant amount that has not been offset on balance sheet (d)		
				Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)
Derivative financial instrument	\$3,061,291	\$-	\$3,061,291	\$830,635	\$2,026,149	\$204,507

## 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).

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

**Notes to financial statements (Continued)**

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

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.

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. The primary consideration to determine whether the credit risk increases significantly includes objective evidence such as external credit rating, changes in class interval or other market information, etc. The consideration of credit impairment includes the occurrence of default, overdue payment of interest or principal more than 90 days, major financial difficulties or bankruptcy or financial reorganization of the issuer or the combination of matters that may turn financial assets into credit impairment, ect. If it is determined that the credit risk of a financial asset at reporting date is low, it can be assumed that the credit risk has not increased significantly. The Company measures the allowance based on the 12-month expected credit loss amount; for financial assets with a significant increase in credit risk or impairment already happened, the allowance for loss is measured by the amount of expected credit losses during the duration.

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

**Notes to financial statements (Continued)**

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

Besides, the measurement of expected credit losses is to the future 12-month or the lifetime Probability of default (PD), Loss given default (LGD), Exposure at default (EAD), and the effect of the time value of money of the issuer or the counterparty 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 or of market conditions 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.

(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: 30 June 2022

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$73,372,604	\$10,904,594	\$18,540,546	\$-	\$-	\$102,817,744
Financial assets at fair value						
through profit or loss	22,462,759	7,805,225	9,151,195	2,288,590	-	41,707,769
Financial assets at fair value						
through other comprehensive						
income	29,413,948	58,704,716	28,839,989	24,607,003	-	141,565,656
Financial assets measured at						
amortized cost	147,447,784	361,486,943	310,428,949	571,517,313	4,952,299	1,395,833,288
Refundable deposits – Bonds	7,401,593	-	-	-	-	7,401,593
<b>Total</b>	<b>\$280,098,688</b>	<b>\$438,901,478</b>	<b>\$366,960,679</b>	<b>\$598,412,906</b>	<b>\$4,952,299</b>	<b>\$1,689,326,050</b>
Proportion	16.58%	25.98%	21.72%	35.42%	0.30%	100.00%

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

Date: 31 December 2021

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$129,250,490	\$10,620,757	\$13,914,048	\$-	\$-	\$153,785,295
Financial assets at fair value						
through profit or loss	24,218,292	7,592,246	16,850,342	2,485,524	-	51,146,404
Financial assets at fair value						
through other comprehensive						
income	55,616,783	86,249,417	50,287,213	34,207,632	-	226,361,045
Financial assets measured at						
amortized cost	144,791,992	327,458,052	283,806,918	440,734,653	4,519,353	1,201,310,968
Refundable deposits – Bonds	7,402,206	-	-	-	-	7,402,206
<b>Total</b>	<b>\$361,279,763</b>	<b>\$431,920,472</b>	<b>\$364,858,521</b>	<b>\$477,427,809</b>	<b>\$4,519,353</b>	<b>\$1,640,005,918</b>
Proportion	22.03%	26.34%	22.25%	29.11%	0.27%	100.00%

Date: 30 June 2021

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$103,931,557	\$25,631,385	\$11,508,449	\$-	\$-	\$141,071,391
Financial assets at fair value						
through profit or loss	25,739,851	6,351,835	15,516,297	5,364,947	-	52,972,930
Financial assets at fair value						
through other comprehensive						
income	59,683,075	107,032,728	53,923,156	66,410,725	-	287,049,684
Financial assets measured at						
amortized cost	151,407,570	316,184,338	258,549,584	402,158,260	4,455,217	1,132,754,969
Refundable deposits – Bonds	7,092,167	-	-	-	-	7,092,167
<b>Total</b>	<b>\$347,854,220</b>	<b>\$455,200,286</b>	<b>\$339,497,486</b>	<b>\$473,933,932</b>	<b>\$4,455,217</b>	<b>\$1,620,941,141</b>
Proportion	21.46%	28.08%	20.94%	29.24%	0.28%	100.00%

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

Date: 30 June 2022

Location	Central area:			Total
	Northern areas: Taipei and eastern counties	Taichung to Changhua and Nantou	Southern area: Counties below Tainan	
Secured loans	\$165,219	\$77,922	\$82,000	\$325,141
Overdue receivables	-	-	-	-
<b>Total</b>	<b>\$165,219</b>	<b>\$77,922</b>	<b>\$82,000</b>	<b>\$325,141</b>
Proportion	50.81%	23.97%	25.22%	100.00%

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

Date: 31 December 2021

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	\$193,503	\$86,402	\$109,333	\$389,238
Overdue receivables	-	-	-	-
Total	\$193,503	\$86,402	\$109,333	\$389,238
Proportion	49.71%	22.20%	28.09%	100.00%

Date: 30 June 2021

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	\$235,464	\$119,009	\$122,153	\$476,626
Overdue receivables	-	-	-	-
Total	\$235,464	\$119,009	\$122,153	\$476,626
Proportion	49.40%	24.97%	25.63%	100.00%

(3) Changes in the loss allowance

The reconciliations in loss allowance of financial assets measured at fair value through other comprehensive income are as follows :

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2022	\$17,277	\$-	\$-	\$17,277
Changes due to financial instruments recognized as at beginning:	-	-	-	-
Transfer to 12-month ECLs	-	-	-	-
Transfer to lifetime ECLs	-	-	-	-
Transfer to credit-impaired financial assets	(706)	-	706	-
Derecognition of financial assets at current period	(3,707)	-	(2)	(3,709)
Originated or purchased new financial assets	241	-	6	247
Changes in models/risk parameters	3,883	-	569,222	573,105
Effects of exchange rate changes and others	928	-	41,905	42,833
Balance as of June 30, 2022	\$17,916	\$-	\$611,837	\$629,753
Balance as of January 1, 2021	\$24,319	\$-	\$-	\$24,319
Changes due to financial instruments recognized as at beginning:	-	-	-	-
Transfer to 12-month ECLs	-	-	-	-
Transfer to lifetime ECLs	-	-	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Derecognition of financial assets at current period	(7,536)	-	-	(7,536)
Originated or purchased new financial assets	470	-	-	470
Changes in models/risk parameters	5,470	-	-	5,470
Effects of exchange rate changes and others	(525)	-	-	(525)
Balance as of June 30, 2021	\$22,198	\$-	\$-	\$22,198

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

The reconciliations in loss allowance of financial assets measured at amortized cost are as follows:

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2022	\$101,776	\$46,202	\$-	\$147,978
Changes due to financial instruments recognized as at beginning:				
Transfer to 12-month ECLs	46,202	(46,202)	-	-
Transfer to lifetime ECLs	-	-	-	-
Transfer to credit-impaired financial assets	(786)	-	786	-
Derecognition of financial assets at current period	(5,390)	-	(1)	(5,391)
Originated or purchased new financial assets	19,038	-	10	19,048
Changes in models/risk parameters	(12,516)	-	623,487	610,971
Effects of exchange rate changes and others	8,250	-	45,902	54,152
Balance as of June 30, 2022	<u>\$156,574</u>	<u>\$-</u>	<u>\$670,184</u>	<u>\$826,758</u>
Balance as of January 1, 2021	\$56,917	\$-	\$-	\$56,917
Changes due to financial instruments recognized as at beginning:				
Transfer to 12-month ECLs	-	-	-	-
Transfer to lifetime ECLs	(157)	157	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Derecognition of financial assets at current period	(2,826)	(4)	-	(2,830)
Originated or purchased new financial assets	13,395	-	-	13,395
Changes in models/risk parameters	20,753	52,697	-	73,450
Effects of exchange rate changes and others	(1,560)	(1,183)	-	(2,743)
Balance as of June 30, 2021	<u>\$86,522</u>	<u>\$51,667</u>	<u>\$-</u>	<u>\$138,189</u>

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

The reconciliations in loss allowance of other receivables related to financial assets measured at fair value through other comprehensive income and measured at amortized costs are as follows :

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	The loss allowances measured in accordance with IFRS 9
Balance as of January 1, 2022	\$1,152	\$388	\$-	\$1,540
Changes due to financial instruments recognized as at beginning:				
Transfer to 12-month ECLs	388	(388)	-	-
Transfer to lifetime ECLs	-	-	-	-
Transfer to credit-impaired financial assets	(14)	-	14	-
Derecognition of financial assets at current period	(258)	-	(6)	(264)
Originated or purchased new financial assets	347	-	209,513	209,860
Changes in models/risk parameters	(99)	-	73,806	73,707
Effects of exchange rate changes and others	78	-	5,452	5,530
Balance as of June 30, 2022	<u>\$1,594</u>	<u>\$-</u>	<u>\$288,779</u>	<u>\$290,373</u>
Balance as of January 1, 2021	\$805	\$-	\$-	\$805
Changes due to financial instruments recognized as at beginning:				
Transfer to 12-month ECLs	-	-	-	-
Transfer to lifetime ECLs	(1)	1	-	-
Transfer to credit-impaired financial assets	-	-	-	-
Derecognition of financial assets at current period	(225)	-	-	(225)
Originated or purchased new financial assets	192	-	-	192
Changes in models/risk parameters	234	445	-	679
Effects of exchange rate changes and others	(18)	(10)	-	(28)
Balance as of June 30, 2021	<u>\$987</u>	<u>\$436</u>	<u>\$-</u>	<u>\$1,423</u>



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

**Notes to financial statements (Continued)**

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

For the six-month periods ended 30 June 2022 and 2021, 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 expected loss rate for the investment in the debt instruments of the above-mentioned financial assets and the loss allowance for other receivables is as follows:

Date: 30 June 2022

	<u>12-month ECLs</u>	<u>Lifetime ECLs (Credit risk has increased significantly)</u>	<u>Lifetime ECLs (Credit risk has been reduced)</u>
Financial asset measured at fair value through other comprehensive income	0.00%~0.07%	-	7.92%~8.38%
Financial assets measured at amortized cost	0.00%~0.07%	-	7.77%~8.50%
Other receivables	0.00%~0.07%	-	100%

Date: 31 December 2021

	<u>12-month ECLs</u>	<u>Lifetime ECLs (Credit risk has increased significantly)</u>	<u>Lifetime ECLs (Credit risk has been reduced)</u>
Financial asset measured at fair value through other comprehensive income	0.00%~0.06%	-	-
Financial assets measured at amortized cost	0.00%~0.06%	1.80%~1.93%	-
Other receivables	0.00%~0.06%	1.80%~1.93%	-

Date: 30 June 2021

	<u>12-month ECLs</u>	<u>Lifetime ECLs (Credit risk has increased significantly)</u>	<u>Lifetime ECLs (Credit risk has been reduced)</u>
Financial asset measured at fair value through other comprehensive income	0.00%~0.05%	-	-
Financial assets measured at amortized cost	0.00%~0.05%	1.69%~1.87%	-
Other receivables	0.00%~0.05%	1.69%~1.87%	-

In the first half of 2022, due to the outbreak of war between Russia and Ukraine, the Company has taken into account the relevant impact and had recognized appropriate provision for impairment when preparing the financial report. In the future, the Company will closely monitor the situation in Russia and Ukraine, and review the possible impacts on the Company's investment positions.

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

The reconciliations in loss allowance of loans are as follows:

	12-month ECLs	Lifetime ECLs (collectively assessed)	Lifetime ECLs (individually assessed)	The loss allowances measured in accordance with IFRS 9	Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"	Total
Balance as of January 1, 2022	\$5	\$193	\$330	\$528	\$5,601	\$6,129
Changes due to financial instruments recognized as at beginning:						
Transfer to lifetime ECLs	-	-	-	-	-	-
Transfer to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets at current period	-	-	-	-	-	-
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"	-	-	-	-	(997)	(997)
Effects of exchange rate changes and others	(1)	964	34	997	-	997
Balance as of June 30, 2022	\$4	\$1,157	\$364	\$1,525	\$4,604	\$6,129
Balance as of January 1, 2021	\$8	\$384	\$444	\$836	\$8,312	\$9,148
Changes due to financial instruments recognized as at beginning:						
Transfer to lifetime ECLs	-	-	-	-	-	-
Transfer to 12-month ECLs	-	-	-	-	-	-
Derecognition of financial assets at current period	1	-	(2)	(1)	-	(1)
Impairment difference recognized in accordance with "Regulations Governing the Procedures for Institutions to Evaluate Assets and Deal with Non performing/ Nonaccrual Loans"	-	-	-	-	(1,389)	(1,389)
Effects of exchange rate changes and others	(2)	1,469	(77)	1,390	-	1,390
Balance as of June 30, 2021	\$7	\$1,853	\$365	\$2,225	\$6,923	\$9,148

**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 is as follows:

	For the six-month periods ended 30 June	
	2022	2021
Beginning balance	\$4,571	\$6,874
Increase (reverse)in the amount for the current period	(6)	(2,295)
Reversed because it cannot be recovered	-	-
Ending balance	\$4,565	\$4,579

(4) The total book value of each financial instrument and categories for credit quality

A. Financial asset measured at fair value through other comprehensive income, Financial assets measured at amortized cost and Other receivables

Date: 30 June 2022

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	Total
<u>Investment grade</u>				
Financial asset measured at fair value through other comprehensive income	\$163,289,709	\$-	\$-	\$163,289,709
Financial assets measured at amortized cost	1,392,831,669	-	-	1,392,831,669
Other receivables	12,024,852	-	-	12,024,852
<u>Non-investment grade</u>				
Financial asset measured at fair value through other comprehensive income	3,485,748	-	7,355,040	10,840,788
Financial assets measured at amortized cost	2,980,369	-	8,249,602	11,229,971
Other receivables	132,011	-	288,779	420,790

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

Date: 31 December 2021

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	Total
<u>Investment grade</u>				
Financial asset measured at fair value through other comprehensive income	\$213,332,708	\$-	\$-	\$213,332,708
Financial assets measured at amortized cost	1,204,481,553	2,472,225	-	1,206,953,778
Other receivables	11,663,976	20,872	-	11,684,848
<u>Non-investment grade</u>				
Financial asset measured at fair value through other comprehensive income	3,247,410	-	-	3,247,410
Financial assets measured at amortized cost	1,907,374	-	-	1,907,374
Other receivables	100,661	-	-	100,661

Date: 30 June 2021

	12-month ECLs	Lifetime ECLs (Credit risk has increased significantly)	Lifetime ECLs (Credit risk has been reduced)	Total
<u>Investment grade</u>				
Financial asset measured at fair value through other comprehensive income	\$265,546,147	\$-	\$-	\$265,546,147
Financial assets measured at amortized cost	1,135,461,478	2,908,011	-	1,138,369,489
Other receivables	10,654,755	24,706	-	10,679,461
<u>Non-investment grade</u>				
Financial asset measured at fair value through other comprehensive income	3,268,926	-	-	3,268,926
Financial assets measured at amortized cost	1,615,836	-	-	1,615,836
Other receivables	94,955	-	-	94,955

Note 1: Including those serving as refundable deposits.

Note 2: The Company is graded by referencing the rating of credit rating agencies, and its credit rating is classified as an investment grade if above BBB- , a credit rating below BBB- or no-rated are listed as a non-investment grade.

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

**Notes to financial statements (Continued)**

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

B. Secured loans and other receivables

Date: 30 June 2022

Credit risk rating grades	The measure of ECLs	Secured loans	Other receivables
Low credit risk	12-month ECLs	\$324,892	\$286
Credit risk has increased significantly	Lifetime ECL	647	3
Credit risk has been reduced	Lifetime ECL	5,731	6
Total		<u>\$331,270</u>	<u>\$295</u>

Date: 31 December 2021

Credit risk rating grades	The measure of ECLs	Secured loans	Other receivables
Low credit risk	12-month ECLs	\$388,984	\$330
Credit risk has increased significantly	Lifetime ECL	1,180	5
Credit risk has been reduced	Lifetime ECL	5,203	5
Total		<u>\$395,367</u>	<u>\$340</u>

Date: 30 June 2021

Credit risk rating grades	The measure of ECLs	Secured loans	Other receivables
Low credit risk	12-month ECLs	\$478,721	\$382
Credit risk has increased significantly	Lifetime ECL	1,307	5
Credit risk has been reduced	Lifetime ECL	5,746	5
Total		<u>\$485,774</u>	<u>\$392</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.

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

**Notes to financial statements (Continued)**

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

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.

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
2022.6.30				
Payables	\$12,350,485	\$83,162	\$-	\$12,433,647
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	140,448	385,232	3,542,132	4,067,812
2021.12.31				
Payables	\$13,110,913	\$58,112	\$-	\$13,169,025
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	137,790	405,177	3,475,404	4,018,371
2021.6.30				
Payables	\$17,088,034	\$46,205	\$-	\$17,134,239
Bonds payable	-	-	10,000,000	10,000,000
Lease liabilities	122,274	344,516	3,486,898	3,953,688

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

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:

		2022.6.30				
		181 days				
		In 90 days	91-180 days	-1 year	Over 1 year	Total
Financial liabilities at fair						
value through profit or loss		\$16,188,157	\$3,220,300	\$1,572,514	\$-	\$20,980,971
		2021.12.31				
		181 days				
		In 90 days	91-180 days	-1 year	Over 1 year	Total
Financial liabilities at fair						
value through profit or loss		\$587,924	\$231,997	\$161,097	\$-	\$981,018
		2021.6.30				
		181 days				
		In 90 days	91-180 days	-1 year	Over 1 year	Total
Financial liabilities at fair						
value through profit or loss		\$2,072,267	\$753,428	\$235,596	\$-	\$3,061,291

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.

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

**Notes to financial statements (Continued)**

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

The Company has built Value at Risk (VaR) model. The risk management system monitors all financial assets involving 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 responses 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's exchange rate risk is mainly from assets and liabilities denominated in foreign currency. Except for assets and liabilities in the same currency which can have natural hedging effect, other foreign currency positions can be effect by foreign exchange risk. The Company adopts foreign exchange swap and forward to avoid exchange rate risk, and is in accordance with relevant laws and internal control mechanism.

(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.

(4) Equity price risk

The Company holds equity securities of listed and unlisted 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.



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

**Notes to financial statements (Continued)**

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

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.

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.

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

**Notes to financial statements (Continued)**

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

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: 30 June 2022

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	1%	\$-	\$2,556,724
Interest rate risk (Yield curve)	+1BP	-	(248,218)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,248,615)	(1,136,383)

Date: 31 December 2021

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	1%	\$-	\$3,109,639
Interest rate risk (Yield curve)	+1BP	-	(407,349)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,458,398)	(1,060,788)

Date: 30 June 2021

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	1%	\$-	\$2,908,885
Interest rate risk (Yield curve)	+1BP	-	(515,277)
Exchange risk (Foreign exchange rate)	+1% (NTD appreciates 1% against each foreign currency)	(2,023,322)	(966,101)

4. Interest Rate Benchmark Reform

The Company evaluates the impact on its exposure positions based on the contents of interest rate benchmark reform indicators. As of the end of June 2022, the book value of the Company's affected bonds is \$27,373,153 thousand, and there are backup clauses in the public prospectus of these bonds. Therefore, when interest rate indicators no longer exist, there would still be alternative ways to continue to accrue interest. The interest rate reform has not had significant impact on the Company, and the Company will continue to pay attention to the changes and development of interest rate benchmark reform indicators.

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

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	2022.6.30		Total
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	
<b>Assets</b>			
Cash and cash equivalents	\$102,818,963	\$-	\$102,818,963
Receivables	20,088,458	-	20,088,458
Current tax assets	194,597	-	194,597
Financial assets at fair value through profit or loss	283,293,567	72,667,821	355,961,388
Financial assets at fair value through other comprehensive income	9,815,568	176,867,240	186,682,808
Financial assets measured at amortized cost	10,808,982	1,385,024,306	1,395,833,288
Investments accounted for using equity method	-	1,358,270	1,358,270
Investment property	-	59,740,617	59,740,617
Loans	6,144	33,799,686	33,805,830
Reinsurance assets	910,778	-	910,778
Property and equipment	-	11,422,178	11,422,178
Right of use assets	-	4,676,838	4,676,838
Intangible assets	-	308,848	308,848
Deferred tax assets	6,511,656	12,083,029	18,594,685
Other assets	11,552,409	7,779,877	19,332,286
Separate account product assets			98,732,063
Total assets	\$446,001,122	\$1,765,728,710	\$2,310,461,895
<b>Liabilities</b>			
Payables	\$12,350,485	\$83,162	\$12,433,647
Current tax liabilities	30,290	-	30,290
Financial liabilities at fair value through profit or loss	20,980,971	-	20,980,971
Bonds payable	-	10,000,000	10,000,000
Lease liabilities	84,331	1,726,280	1,810,611
Insurance liabilities	21,319,224	2,041,285,619	2,062,604,843
Foreign exchange valuation reserve	-	9,424,571	9,424,571
Provision	-	193,261	193,261
Deferred tax liabilities	1,733,089	1,670,010	3,403,099
Other liabilities	650,660	1,051,931	1,702,591
Separate account product liabilities			98,732,063
Total liabilities	\$57,149,050	\$2,065,434,834	\$2,221,315,947

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

Item	2021.12.31		
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
<b>Assets</b>			
Cash and cash equivalents	\$153,787,291	\$-	\$153,787,291
Receivables	17,038,235	-	17,038,235
Financial assets at fair value through profit or loss	364,711,425	70,877,402	435,588,827
Financial assets at fair value through other comprehensive income	2,342,510	278,012,834	280,355,344
Financial assets measured at amortized cost	10,317,765	1,190,993,203	1,201,310,968
Investments accounted for using equity method	-	1,017,001	1,017,001
Investment property	-	43,216,992	43,216,992
Loans	3,839	33,927,350	33,931,189
Reinsurance assets	891,059	-	891,059
Property and equipment	-	12,036,982	12,036,982
Right of use assets	-	4,699,054	4,699,054
Intangible assets	-	304,998	304,998
Deferred tax assets	12,880,302	193,731	13,074,033
Other assets	138,594	7,611,377	7,749,971
Separate account product assets			101,041,555
Total assets	\$562,111,020	\$1,642,890,924	\$2,306,043,499
<b>Liabilities</b>			
Payables	\$13,110,913	\$58,112	\$13,169,025
Current tax liabilities	1,924,345	-	1,924,345
Financial liabilities at fair value through profit or loss	981,018	-	981,018
Bonds payable	-	10,000,000	10,000,000
Lease liabilities	77,341	1,691,334	1,768,675
Insurance liabilities	21,706,428	1,966,980,461	1,988,686,889
Foreign exchange valuation reserve	-	3,351,124	3,351,124
Provision	-	199,799	199,799
Deferred tax liabilities	710,938	3,442,719	4,153,657
Other liabilities	2,526,693	1,231,007	3,757,700
Separate account product liabilities			101,041,555
Total liabilities	\$41,037,676	\$1,986,954,556	\$2,129,033,787

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

Item	2021.6.30		Total
	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	
<b>Assets</b>			
Cash and cash equivalents	\$141,073,299	\$-	\$141,073,299
Receivables	19,408,668	-	19,408,668
Financial assets at fair value through profit or loss	342,126,764	65,470,447	407,597,211
Financial assets at fair value through other comprehensive income	1,752,763	340,543,365	342,296,128
Financial assets measured at amortized cost	11,443,936	1,121,311,033	1,132,754,969
Investments accounted for using equity method	-	138,517	138,517
Investment property	-	37,086,342	37,086,342
Loans	4,524	33,922,495	33,927,019
Reinsurance assets	1,032,766	-	1,032,766
Property and equipment	-	12,459,706	12,459,706
Right of use assets	-	5,967,833	5,967,833
Intangible assets	-	245,936	245,936
Deferred tax assets	13,357,669	198,340	13,556,009
Other assets	2,080,417	7,364,366	9,444,783
Separate account product assets			93,148,263
Total assets	\$532,280,806	\$1,624,708,380	\$2,250,137,449
<b>Liabilities</b>			
Payables	\$17,088,034	\$46,205	\$17,134,239
Current tax liabilities	2,665,471	-	2,665,471
Financial liabilities at fair value through profit or loss	3,061,291	-	3,061,291
Bonds payable	-	10,000,000	10,000,000
Lease liabilities	70,107	1,640,742	1,710,849
Insurance liabilities	30,069,188	1,911,973,393	1,942,042,581
Foreign exchange valuation reserve	-	2,181,291	2,181,291
Provision	-	193,004	193,004
Deferred tax liabilities	538,067	4,662,001	5,200,068
Other liabilities	1,030,132	1,153,006	2,183,138
Separate account product liabilities			93,148,263
Total liabilities	\$54,522,290	\$1,931,849,642	\$2,079,520,195

**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 and the company's equity divided by total assets excluding the separate accounts product assets 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) (Note 1)
Shenhe Energy Co., Ltd.	Associate of the Company
Fu Bao Yi Hao Energy CO., Ltd.	Associate of the Company
Taipan Solar Co., Ltd	Associate of the Company
Ju Xin 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)

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

Name of the related parties	Nature of relationship of the related parties
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)
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
GPPC Development Corporation.	Equity method investee of subsidiary of parent company (Other related party)
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 2)

Note 1: Tai li Investment Co.,Ltd. is no longer related parties of the Company from 31 December 2021.

Note 2: 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	2022.6.30	2021.12.31	2021.6.30
Other related parties	\$1,862,960	\$913,551	\$1,653,861

(2) Receivables

Name	2022.6.30	2021.12.31	2021.6.30
Other receivables:			
Parent company	\$54,785	\$55,732	\$37,432
KGI Bank	939,669	1,776,237	1,417,008
Other related parties	132,405	123,394	40,467
Total	\$1,126,859	\$1,955,363	\$1,494,907

**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 (In thousands of USD dollars)	Balance Sheets (2022.6.30)	
				Items	Balance
Other related parties	Swap contracts	2022/5/16~ 2022/11/28	USD 410,000	financial assets at fair value through profit or loss	\$16,527
Other related parties	Swap contracts	2021/9/1~ 2022/9/14	USD 285,000	financial liabilities at fair value through profit or loss	377,502

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2021.12.31)	
				Items	Balance
Other related parties	Swap contracts	2021/8/16~ 2022/9/6	USD645,000	financial assets at fair value through profit or loss	\$58,900

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2021.6.30)	
				Items	Balance
Other related parties	Swap contracts	2021/6/22~ 2021/10/28	USD 325,000	financial assets at fair value through profit or loss	\$26,650
Other related parties	Swap contracts	2021/6/1~ 2021/12/6	USD 370,000	financial liabilities at fair value through profit or loss	78,026

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

Name	2022.6.30	2021.12.31	2021.6.30
Stocks:			
Other related parties	\$588,663	\$509,528	\$399,876
Beneficiary certificates:			
Other related parties	777,605	726,224	750,172
Total	\$1,366,268	\$1,235,752	\$1,150,048



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

**Notes to financial statements (Continued)**

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

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

Name	2022.6.30	2021.12.31	2021.6.30
Stocks:			
Other related parties	\$153,826	\$178,381	\$184,838

(6) Investment balance appointed to parties' discretionary investment

Name	2022.6.30	2021.12.31	2021.6.30
KGI Securities Investment Trust Co., Ltd.	\$-	\$-	\$2,292,621

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

Name	2022.6.30	2021.12.31	2021.6.30
Other related parties	\$3,917,735	\$6,704,200	\$6,968,565

(8) Policy loans

Name	2022.6.30	2021.12.31	2021.6.30
Other related parties	\$2,616	\$5,451	\$6,431

(9) Current tax assets

Name	2022.6.30	2021.12.31	2021.6.30
Parent company	\$154,993	\$-	\$-

It is the tax that shall be collected from the parent company arising from the consolidated tax return of income tax between the Company and the parent company and its subsidiaries by the policy jointly declaration of tax.

(10) Payables

Name	2022.6.30	2021.12.31	2021.6.30
Commissions payable:			
Other related parties	\$20,854	\$33,658	\$16,816
Other payables:			
Parent company	-		895,170
Other related parties	69,674	176,676	419,453
Total	\$90,528	\$210,334	\$1,331,439

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

**Notes to financial statements (Continued)**

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

(11) The Company entrusted the parent company to collect and transfer the prepayment for equipment to non related parties. As of 30 June 2022, the transaction amount of the prepayment for equipment was \$21,554 thousand. There were no payables arising from the abovementioned transaction as of 31 December 2021 and 30 June 2021. For the three-month period ended 30 June 2022 and 2021, the operating expenses arising from this transaction was \$85 thousand and \$3 thousand, respectively. For the six-month period ended 30 June 2022 and 2021, the operating expenses arising from this transaction was \$85 thousand and \$3 thousand, respectively, and there was no difference between the collection and transfer. There were no payables arising from the abovementioned transactions as of 30 June 2022, 31 December 2021 and 30 June 2021.

(12) Bonds payable

Name	2022.6.30	2021.12.31	2021.6.30
KGI Securities Co., Ltd.	\$4,850,000	\$4,850,000	\$4,850,000

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 30 June 2022, 31 December 2021 and 30 June 2021, KGI Securities Co., Ltd. held a total face value of \$4,850,000 thousand, \$4,850,000 thousand and \$4,850,000 thousand of corporate bonds issued by the Company, and the interest payable generated amounted to \$66,372 thousand, \$1,435 thousand and \$66,372 thousand. The interest expenses in the above transactions attributable to KGI Securities Co., Ltd. amounted to \$32,648 thousand and \$32,748 thousand, for the three-month periods ended 30 June 2022 and 30 June 2021, respectively. The interest expenses amounted to \$64,937 thousand and \$64,937 thousand, for the six-month periods ended 30 June 2022 and 30 June 2021, respectively.

(13) Other liabilities

Name	2022.6.30	2021.12.31	2021.6.30
receipts in advance :			
Parent company	\$6,743	\$-	\$-
Other related parties	968	5,369	34
Total	\$7,711	\$5,369	\$34

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

**Notes to financial statements (Continued)**

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

(14) Guarantee deposits received

Name	2022.6.30	2021.12.31	2021.6.30
Parent company	\$19,574	\$19,524	\$19,523
Other related parties	67,200	62,194	62,195
<b>Total</b>	<b>\$86,774</b>	<b>\$81,718</b>	<b>\$81,718</b>

(15) Premium income

Name	For the three-month periods ended 30 June	
	2022	2021
Parent company	\$1,095	\$361
Other related parties	41,145	55,681
<b>Total</b>	<b>\$42,240</b>	<b>\$56,042</b>

Name	For the six-month periods ended 30 June	
	2022	2021
Parent company	\$1,095	\$913
Other related parties	112,915	106,195
<b>Total</b>	<b>\$114,010</b>	<b>\$107,108</b>

(16) Fee income

Name	For the three-month periods ended 30 June	
	2022	2021
KGI Securities Investment Trust Co., Ltd	\$4,285	\$4,850

Name	For the six-month periods ended 30 June	
	2022	2021
KGI Securities Investment Trust Co., Ltd	\$8,719	\$9,757

(17) Interest income

Name	For the three-month periods ended 30 June	
	2022	2021
Other related parties	\$1,613	\$332

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

**Notes to financial statements (Continued)**

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

Name	For the six-month periods ended 30 June	
	2022	2021
Other related parties	\$1,613	\$332

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

Name	For the three-month periods ended 30 June	
	2022	2021
Other related parties	\$50,584	\$54,632

Name	For the six-month periods ended 30 June	
	2022	2021
Other related parties	\$125,769	\$145,162

(19) Gains on Investment property - rental income

Name	For the three-month periods ended 30 June	
	2022	2021
Parent company	\$19,794	\$18,753
KGI Bank	44,441	39,794
Other related parties	69,273	20,359
Total	\$133,508	\$78,906

Name	For the six-month periods ended 30 June	
	2022	2021
Parent company	\$39,588	\$37,507
KGI Bank	85,007	79,588
Other related parties	106,453	40,717
Total	\$231,048	\$157,812

According to contracts, leasing periods are generally 3 to 20 years, and rentals are usually paid on a monthly basis.

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

(20) Insurance claim payments

Name	For the three-month periods ended 30 June	
	2022	2021
Other related parties	\$1,915	\$459

Name	For the six-month periods ended 30 June	
	2022	2021
Other related parties	\$2,671	\$1,352

(21) Commission expenses

Name	For the three-month periods ended 30 June	
	2022	2021
Other related parties	\$126,519	\$133,335

Name	For the six-month periods ended 30 June	
	2022	2021
Other related parties	\$250,473	\$172,146

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

Name	For the three-month periods ended 30 June	
	2022	2021
Other related parties	\$6,853	\$8,692

Name	For the six-month periods ended 30 June	
	2022	2021
Other related parties	\$13,297	\$17,221

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

**Notes to financial statements (Continued)**

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

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

Name	For the three-month periods ended 30 June	
	2022	2021
	Other related parties	\$15,063

Name	For the six-month periods ended 30 June	
	2022	2021
	Other related parties	\$43,949

Other handling fees (recognized in operating expenses)

Name	For the three-month periods ended 30 June	
	2022	2021
	Other related parties	\$7,517

Name	For the six-month periods ended 30 June	
	2022	2021
	Other related parties	\$14,369

(24) Donation expenses (recognized in operating expenses)

Name	For the three-month periods ended 30 June	
	2022	2021
	Other related parties	\$-

Name	For the six-month periods ended 30 June	
	2022	2021
	Other related parties	\$-

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

(25) Finance costs

Name	For the three-month periods ended 30 June	
	2022	2021
Parent company	\$38	\$38
KGI Securities Co., Ltd.	32,651	32,649
Other related parties	128	118
<b>Total</b>	<b>\$32,817</b>	<b>\$32,805</b>

Name	For the six-month periods ended 30 June	
	2022	2021
Parent company	\$76	\$75
KGI Securities Co., Ltd.	64,942	64,940
Other related parties	247	237
<b>Total</b>	<b>\$65,265</b>	<b>\$65,252</b>

(26) Non-operating income and expenses

Name	For the three-month periods ended 30 June	
	2022	2021
Other related parties	\$178	\$173

Name	For the six-month periods ended 30 June	
	2022	2021
Other related parties	\$472	\$462

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

3. Key management personnel remuneration

Item	For the three-month periods ended 30 June	
	2022	2021
Short-term employee benefits	\$159,686	\$124,670
Post-employment benefits	2,296	1,522
Share-based payment	18,095	-

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

Item	For the three-month periods ended 30 June	
	2022	2021
Total	\$180,077	\$126,192

  

Item	For the six-month periods ended 30 June	
	2022	2021
Short-term employee benefits	\$366,141	\$273,759
Post-employment benefits	3,973	3,013
Share-based payment	37,638	-
Total	\$407,752	\$276,772

**XIII. Pledged assets**

Details of pledged and guaranteed assets are as follows:

Item	2022.6.30	2021.12.31	2021.6.30
Government bonds (recognized as refundable deposits)	\$7,401,593	\$7,402,206	\$7,092,167
Cash in bank (recognized as refundable deposits)	11,494,152	36,828	2,026,149
Total	\$18,895,745	\$7,439,034	\$9,118,316

**XIV. Commitment and Contingencies**

1. Investment commitment not yet contributed

As of 30 June 2022, among the investment contracts signed, the upper limit of the amount not yet contributed were NTD2,210,082 thousand, USD731,762 thousand and EUR59,569 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, April 12 2021 and 5 May 2022, the Company signed the first, second and third contract amendment protocol, amending the total amount of contract to be \$5,729,721 thousand. As of 30 June 2022, all of the amount of construction is paid.



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

XV. Significant disaster damages

None.

XVI. Significant subsequent events

None.

XVII. Other matters

1. Foreign currency financial assets and liabilities with significant influence as of 30 June 2022, 31 December 2021, and 30 June 2021 are as follows:

	2022.6.30		
	Foreign currency	Exchange rate (in dollar)	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$43,869,927	29.7260	\$1,304,077,461
AUD	4,972,770	20.4515	101,700,601
<u>Non-monetary items</u>			
USD	3,137,241	29.7260	93,257,624
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	850	29.7260	25,262
2021.12.31			
	Foreign currency	Exchange rate (in dollar)	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$43,195,379	27.6900	\$1,196,080,037
AUD	5,204,421	20.0891	104,552,135
<u>Non-monetary items</u>			
USD	3,237,451	27.6900	89,645,006

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

	2021.12.31		
	Foreign currency	Exchange rate (in dollar)	NTD
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	66,234	27.6900	1,834,010
<hr/>			
	2021.6.30		
	Foreign currency	Exchange rate (in dollar)	NTD
<u>Financial assets</u>			
<u>Monetary items</u>			
USD	\$42,789,094	27.8700	\$1,192,532,038
AUD	4,725,201	20.9471	98,979,257
<u>Non-monetary items</u>			
USD	2,833,651	27.8700	78,973,848
<u>Financial Liabilities</u>			
<u>Monetary items</u>			
USD	113,016	27.8700	3,149,751

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

## 2. Participation of unconsolidated structured entities

As of 30 June 2022, 31 December 2021 and 30 June 2021, 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: 30 June 2022

	Asset Securitization		
	Private Equity Fund	Product	Total
<u>Assets held by the Company</u>			
Financial assets at fair value through profit and loss	\$30,153,301	\$5,300,078	\$35,453,379
Financial assets measured at amortized cost	-	6,415,342	6,415,342
The maximum exposure amount	30,153,301	11,715,420	41,868,721
Financial or other support provided	None	None	

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

**Notes to financial statements (Continued)**

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

Date: 31 December 2021

	Asset Securitization		Total
	Private Equity Fund	Product	
Assets held by the Company			
Financial assets at fair value through profit and loss	\$19,028,820	\$4,587,146	\$23,615,966
Financial assets measured at amortized cost	-	6,321,505	6,321,505
The maximum exposure amount	19,028,820	10,908,651	29,937,471
Financial or other support provided	None	None	

Date: 30 June 2021

	Private Equity Fund	Asset Securitization	Total
		Product	
Assets held by the Company			
Financial assets at fair value through profit and loss	\$12,097,641	\$4,914,163	\$17,011,804
Financial assets measured at amortized cost	-	8,191,671	8,191,671
The maximum exposure amount	12,097,641	13,105,834	25,203,475
Financial or other support provided	None	None	

**3. Discretionary account management**

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

Items	2022.6.30		2021.12.31		2021.6.30	
	Carrying		Carrying		Carrying	
	Amount	Fair Value	Amount	Fair Value	Amount	Fair Value
Domestic listed stocks	\$-	\$-	\$-	\$-	\$2,092,621	\$2,092,621
Cash and cash equivalents	1,380,326	1,380,326	733,041	733,041	673,903	673,903
Overseas listed stocks	6,290,242	6,290,242	8,173,323	8,173,323	3,548,748	3,548,748
Total	<u>\$7,670,568</u>	<u>\$7,670,568</u>	<u>\$8,906,364</u>	<u>\$8,906,364</u>	<u>\$6,315,272</u>	<u>\$6,315,272</u>

(2) As of 30 June 2022, the discretionary investments limits were USD 245,954 thousand and CNY 500,000 thousand ; As of 31 December 2021, the discretionary investments limits were USD 226,831 thousand and CNY 500,000 thousand ; As of 30 June 2021, the discretionary investments limits were USD 126,831 thousand and NTD 2,000,000 thousand.

4. 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.

5. As of 30 June 2022, 31 December 2021 and 30 June 2021, the Company's equity divided by total assets excluding the separate accounts product assets was 4.03%, 8.03% and 7.91%.

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

6. 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 for the six-month periods ended June 2022 and 2021.

**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.
- (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 30 June 2022, 31 December 2021 and 30 June 2021, 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:

	2022.6.30	2021.12.31	2021.6.30
Swap and forward exchange contracts	\$28,173,645	\$27,634,984	\$29,602,571

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

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

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

Investor	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		Balance as of 30 June, 2022			Investee Company's profit or loss for the period	Recognized investment gain or loss for the period	Note
				30 June, 2022	31 December, 2021	Shares	Percentage of ownership (%)	Carrying Amount			
The Company	Shenhe Energy Co., LTD	Taiwan	self-usage power generation equipment utilizing renewable energy industry	199,000	199,000	19,900,000	19.90%	191,411	(20,519)	(4,152)	Investment Accounted for Using Equity Method
The Company	Fu Bao Yi Hao Energy CO., LTD.	Taiwan	Energy technology service industry	500,000	377,778	50,000,000	39.68%	489,999	(19,867)	(2,418)	Investment Accounted for Using Equity Method
The Company	Taipan Solar Co., LTD	Taiwan	self-usage power generation equipment utilizing renewable energy industry	451,500	451,500	45,150,000	30.00%	460,860	15,368	4,610	Investment Accounted for Using Equity Method
The Company	Ju Xin Energy Co., LTD	Taiwan	Energy technology service industry	216,000	-	21,600,000	30.00%	216,000	(54)	-	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: Please refer to Table 3.
- 2) Endorsements/ guarantees for others: 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)**

3) Securities held at the end of the year:

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	30 June, 2022			
				Shares	Carrying Amount (Note2)	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	970,840	\$932,845	100%	(Note1)
"	Dehe 1 Energy Co., Ltd.	"	"	948,000	9,968	100%	(Note1)
"	Dehe 2 Energy Co., Ltd.	"	"	\$12,370 thousand	12,108	100%	(Note1)
Fu Bao Yi Hao Energy CO., LTD.	Enfinite Capital Taiwan Solar I Co. Ltd.	Parent and subsidiary	Investment Accounted for Using Equity Method	126,000,000	1,460,432	70%	(Note1)
Taipan Solar Co., LTD.	Crimson Solar Co., Ltd.	Investments in Associates	Investment Accounted for Using Equity Method	69,267,480	1,347,703	24%	(Note1)
Ju Xin Energy Co., LTD	Xin Xin Energy Co., LTD	Parent and subsidiary	Investment Accounted for Using Equity Method	72,000,000	720,000	100%	(Note1)

Note1: Investment adopting the equity method does not need to disclose the fair value.

Note2: Unaudited by the CPA.

- 4) Transactions where the aggregate purchases or sales of the same security reaching NT\$100 million or 20% of paid-in capital or more: Please refer to Table 5.
- 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.

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

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 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.

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

**Notes to financial statements (Continued)**

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

- (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 6.

4. Information of major shareholders:

For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A

**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	5F, 5F-1, 5F-2, 16F, 16F-1, 16F-2 and 19-24F., No. 76, Sec. 2, Dunhua S. Rd., Daan Dist., Taipei City with 38 parkinglots at ground floor and basement 1.	25 January 2022	\$3,199,990	Paid in accordance with contract	Anhung Co., Ltd.	None	-	-	-	-	Valuation reports (Note 1)	Implementation of real estate investment	None
The Company	1-3F, No. 400, No. 406, No.408, and 4-38F, No. 402, Shizheng Rd., Xitun Dist., Taichung City with 616 parkinglots at basement.	25 January 2022	\$12,050,000	Paid in accordance with contract	Land : Wang Sen-Sen Building : Fong Yi Construction Co., Ltd.	None	-	-	-	-	Valuation reports (Note 2)	Implementation of real estate investment	None

Note 1 : Amount include taxes. Valuation report is acquired from Home Ban Appraisers Joint Firm and Repro International Appraisers for transaction price.

Note 2 : Amount include taxes. Valuation report is acquired from Gao Yuan Appraisers Joint Firm and Cushman & Wakefield Appraisers 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  China Development Financial Holding Corp.	Brother company  Parent company	Other receivables \$826,945	Note 1	\$-	\$-	\$826,945	\$-
			Other receivables \$111,403	Note 2	-	-	798	-
			Tax receivables \$154,993	Note 3	-	-	-	-

Note 1: No turnover rate is available as the receivables were caused by Automated Clearing House (ACH).

Note 2: No turnover rate is available as the receivables were caused by the rent receivable of the leased office. It is the rental income recognized on a straight-line basis in accordance with the contract period (including the rent-free period).

Note 3: No turnover rate is available as the receivables were caused by the policy jointly declaration of tax.

China Life Insurance Co., Ltd.  
Notes to financial statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 3: Loans made to others

Lender	Lendee	Account	Related party	Maximum amount for the current period	Ending Balance	Actual using amount	Interest rate	Nature of loan	Amount of business	Reasons for the necessity of short-term financing	Recognized provision	Collateral		Loan limit for individual	Loan limit
												Name	Value		
Taipan Solar Co., LTD.	Crimson Solar Co., Ltd.	Long-term receivables - related party	Yes	\$143,414	\$143,414	\$143,414	Three months TAIBOR+0.7%	Necessary for short-term financing	-	Operating	-	-	-	\$614,281	\$614,281

**China Life Insurance Co., Ltd.**  
**Notes to financial statements (continued)**  
**(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)**

Table 4: 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 (Note 1)	Ending Balance (Note 1)	Amount Actually Drawn	Amount of Endorsement / Guarantee Collateralized by Properties	Ratio of Accumulated Endorsement/ Guarantee to Equity per Latest Financial Statements (Note 2)	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	\$3,323,810	\$3,323,810	\$991,830	\$-	346%	None	Yes	No	No
Shenhe Energy Co., Ltd.	Dehe 1 Energy Co., Ltd.	Parent and Subsidiary	None	160,000	160,000	18,690	-	17%	None	Yes	No	No
Shenhe Energy Co., Ltd.	Dehe 2 Energy Co., Ltd.	Parent and Subsidiary	None	197,200	197,200	29,766	-	21%	None	Yes	No	No
Fu Bao Yi Hao Energy Co., Ltd.	Enfinite Capital Taiwan Solar Co., Ltd.	Parent and Subsidiary	None	6,222,000	6,222,000	2,164,400	-	502%	None	Yes	No	No

Note 1: For the endorsement guarantee provided by Shenhe Energy Co., Ltd., \$2,000,000 thousand is provided by the bank to Dehe Energy Co., Ltd., Dehe 1 Energy Co., Ltd. and Dehe 2 Energy Co., Ltd. as shared quota.

Note 2: Investee Company's net value of the most recent financial statement is the book balance of the investee company, unaudited by the CPA.

China Life Insurance Co., Ltd.  
Notes to financial statements (continued)  
(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 5: Transactions where the aggregate purchases or sales of the same security reaching NT\$100 million or 20% of paid-in capital or more

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Currency	Beginning Balance		Acquisition		Disposal				Ending Balance	
						Shares/Units	Amount	Shares/Units	Amount	Shares/Units	Amount	Carrying Value	Gain/Loss on Disposal	Shares/Units	Amount (Note3)
Fu Bao Yi Hao Energy CO., LTD.	Enfinite Capital Taiwan Solar Co. Ltd.	Investments accounted for using equity method	(Note 1)	(Note 1)	NTD	95,200,000	\$1,145,386	30,800,000	\$308,000	-	\$-	\$-	\$-	126,000,000	\$1,460,432
Ju Xin Energy Co., LTD	Xin Xin Energy Co., LTD	Investments accounted for using equity method	(Note 2)	(Note 2)	NTD	-	-	72,000,000	720,000	-	-	-	-	72,000,000	720,000

Note 1 : Participated in the cash capital increase of Enfinite Capital Taiwan Solar Co. Ltd..

Note 2 : Including the acquisition of 750,000 shares from the unrelated party You Ben-can, the acquisition of 550,000 shares from the related party Ju Sheng Energy Co., LTD and the participation in the cash capital increase of 70,700,000 shares of Xin Xin Energy Energy Co., LTD, each priced at \$10.

Note 3 : Investments using the equity method include investment gains and losses recognized under the equity method.

China Life Insurance Co., Ltd.

Notes to financial statements (continued)

(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 6: 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 (Note 1)	Life Insurance	\$32,212,967 (CNY 7,120,461 thousand)	Direct investment in Mainland China	\$12,880,969	\$-	\$-	\$12,880,969	\$308,387 (Note 3)	19.90%	\$-	\$13,512,572 (Note 2)	\$229,387 (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	\$53,487,569

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: Accumulated cash dividends distributed in previous years.