About Policy Dividends

Tahoe Life Insurance Company (Macau) Limited ("Tahoe Life" or the "Company") offers a full range of life Tahoe products to suit your needs. These include participating policies which provide both guaranteed and non-guaranteed benefits depending on the specific features of the product.

Guaranteed benefits generally include any of the following benefits: 1) insurance cover payable on death, maturity, disablement or critical illness; 2) a cash value accessible by way of policy loan or policy cancellation, and 3) periodic or lump-sum cash payments during the term of a policy. Non-guaranteed benefits are the dividends and the interest accumulation payable on dividends and other cash payments left on deposit under a policy; they may be paid or varied at the discretion of Tahoe Life.

Tahoe Life determines and distributes dividends according to the policy terms and conditions and in accordance with all relevant legislative and regulatory requirements and actuarial standards. Certain types of policies may, in addition to annual dividends, have terminal dividends. These are dividends paid at a particular time or on the occurrence of a specific event and are previously known as special dividends or maturity dividends. These are not guaranteed and will be determined by the Company at its discretion.

Tahoe Life determines the amount available for distribution as dividends to relevant classes of policyholder based on the dividend policy approved by the Board, after consulting the advice of the Appointed Actuary and the Dividend Committee. The Dividend Committee aims to maintain the equity between shareholders and policyholders of Tahoe Life by providing independent advice on the determination of the amount of dividends to policyholders.

Factors affecting the amount of dividends may include but are not limited to actual experience and future expectation, of a combination of the following, all of which may fluctuate over time:

- Claims factors – These represent the experience of mortality and morbidity of the business. Elements that may have a significant impact on claims factors include, but are not limited to, age at issue, sex, risk selection class, and time elapsed since policy issue.
- Interest income factors – These include interest earnings, the outlook for interest rates, and the effects of capital gains and losses on bonds due to changes in interest rates and/or changes in credit spreads.
- Market risk factors – These represent the actual investment returns and outlook for future returns of the investment portfolios supporting the participating policies (other than those covered in interest income factors). These include, but are not limited to, investment returns and outlook in relation to equity markets and property markets,

actual or probable credit default losses, value changes due to foreign exchange rates and tax.

- Expense factors – These represent both the direct expenses specifically related to the group of policies (such as commissions, underwriting expenses, and policy issue and maintenance expenses) as well as the indirect expenses allocated (such as general overhead costs).
- Persistency factors – These represent the percentage of policies that stay in-force and do not lapse, surrender, or partially surrender. The impact on investments upon lapse, surrender, and partial surrender is also considered.

Each year the Company will review the actual experience and future expectation of the above factors and determine whether the dividends payable for that year need to be adjusted. The dividend adjustment may vary for different products due to the different benefit and premium structure of different products. Even where the product is the same, the dividend adjustment may vary among policies denominated in different currencies and policies of different policy classes (e.g. age, gender, underwriting class, in-force duration etc.). When considering the dividend adjustment, the Company may smooth out the experience over time to provide a more stable dividend payout. When the investment market becomes volatile, the chances of dividend adjustments are higher. The actual dividends paid (including both annual and terminal dividends) may change and may be higher or lower than those illustrated by the Company from time to time including those in the product illustration provided to a prospective policyholder before they take out a policy and during the term of the policy.

Policyholders may choose to leave their dividends or other cash payments with Tahoe Life to earn interest accumulation at interest rates which are not guaranteed and determined by Tahoe Life at its discretion from time to time based on interest income and market risk factors.

Any change in dividend rates or such interest accumulation rates will also affect the future value of the policy which may be higher or lower than the value illustrated from time to time including when the policy was first issued.

About Investment Policy

Tahoe Life follows an active long-term investment policy with the aim of achieving the investment returns needed to pay both the guaranteed and the non-guaranteed benefits which have been illustrated to you from time to time. The Company aims to achieve these returns and balance risks through active management of investment portfolios diversified across different asset classes. Changes to the Company's investment policy may lead to different investment risks and returns. The investment strategy and its expected risk and return profile for each product category is designed to be consistent with the guaranteed and non-guaranteed benefits and the term of that product category, with higher levels of non-guaranteed benefits entailing higher investment risks.

The investment portfolios supporting the participating policies consist of a mix of bonds, equities and equity-type investments (other investments may also be included) and cash.

Bonds refer to fixed or floating rate securities or other credit instruments issued by governments, companies or other entities, or funds holding such securities. Significant changes in interest rates (including long term interest rates) or the credit quality of these securities can affect the investment returns achieved and future returns as income is reinvested. Longer term bonds and bonds of lower credit quality may offer higher yields but are more volatile. The portfolio may potentially be exposed to losses should any bonds default on interest or principal.

Equity-type investments refer to investment funds, listed or unlisted, or other variable interest investments, while other investments can include, but is not limited to, property or property related funds or securities. They are expected to provide higher returns than bonds, although these are dependent on a number of factors beyond the Company's control including dividends, company-specific factors, economic conditions, market liquidity, market valuations and sentiment. Although historically equity investments have generally performed better than bonds over the long term, this is not certain and the additional volatility of equity and equity-type investments may cause greater or more frequent adjustments to the non-guaranteed dividends (as can other factors).

The Company's investment returns may be worse than market returns due to factors such as timing of investments, security selection, costs of dealing, tax and other expenses. Changes to the investment strategy for a product category may lead to different investment risk and returns, with a corresponding effect on the dividends. For example, increasing the proportion of bonds and decreasing equities may reduce risk and volatility but lower the expected return (and vice-versa).

Should there be any significant changes in the investment strategy, the Company would inform policyholders of the changes, with the underlying reasons and impact to their policies.

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