

Pasaca Insurance Company Ltd.

**Financial Statements and
Independent Auditors' Report**

December 31, 2022



Deloitte Ltd.
Corner House
20 Parliament Street
P.O. Box HM 1556
Hamilton HM FX
Bermuda

Tel: + 1 (441) 292 1500
Fax: + 1 (441) 292 0961
www.deloitte.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Shareholders of
Pasaca Insurance Company Ltd.

Opinion

We have audited the financial statements of Pasaca Insurance Company Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2022, and the related statements of income and cash flows, for the period then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a period of one year after the date that the financial statements are issued.

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 absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. 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. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities (collectively, the "Deloitte organization"). DTTL (also referred to as "Deloitte Global") and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more. Deloitte Ltd. is an affiliate of DCB Holding Ltd., a member firm of Deloitte Touche Tohmatsu Limited.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted disclosure of short-duration contracts that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Deloitte Ltd.

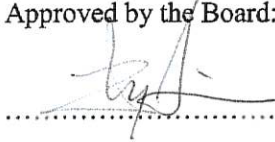
March 21, 2023

PASACA INSURANCE COMPANY LTD.
BALANCE SHEET
as of December 31, 2022
(expressed in U.S. Dollars)

	December 31 2022
ASSETS:	
Cash and cash equivalents	\$ 9,974,793
Tax recoverable	125,596
	<hr/> \$ 10,100,389 <hr/>
LIABILITIES:	
Unearned Premium	276,953
Accounts payable and accrued liabilities	149,154
Due to Affiliate	146,765
	<hr/> 572,872 <hr/>
SHAREHOLDER' S EQUITY:	
Capital stock	
Authorized, issued and fully paid-	
120,000 shares with a par value of \$1 each	120,000
Additional paid-in capital	9,880,000
Retained earnings	(472,483)
	<hr/> 9,527,517 <hr/>
	<hr/> \$ 10,100,389 <hr/>

See accompanying notes to the financial statements

Approved by the Board:



.....Director



.....Director

PASACA INSURANCE COMPANY LTD.
STATEMENTS OF OPERATIONS
period ended December 31, 2022
(expressed in U.S. Dollars)

	December 31 2022
UNDERWRITING REVENUES:	
Direct premiums written	\$ 388,800
Change in unearned premiums	(276,953)
	<hr/> 111,847 <hr/>
UNDERWRITING EXPENSES	0
	<hr/> 0 <hr/>
UNDERWRITING (LOSS)	111,847
INVESTMENT INCOME	0
GENERAL AND ADMINISTRATIVE EXPENSES (Note 4)	709,926
(LOSS) BEFORE TAXES	(598,079)
Income tax benefit	125,596
NET INCOME (LOSS)	<hr/> \$ (472,483) <hr/>

See accompanying notes to the financial statements

PASACA INSURANCE COMPANY LTD.
STATEMENTS OF CASH FLOWS
period ended December 31, 2022
(expressed in U.S. Dollars)

	December 31 2022
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net (loss)	\$ (472,483)
Reconciliation of net income to net cash generated from operating activities	
Add (deduct) net changes in assets and liabilities:	
Tax recoverable	(125,596)
Unearned Premium	276,953
Accounts payable and accrued liabilities	149,154
Due to Affiliate	146,765
Net cash (used in) from operating activities	<u>(25,207)</u>
FINANCING ACTIVITIES	
Share capital contribution	10,000,000
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>9,974,793</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u><u>\$ 9,974,793</u></u>

See accompanying notes to the financial statements

**PASACA INSURANCE COMPANY LTD.
NOTES TO FINANCIAL STATEMENTS**

December 31, 2022
(expressed in U.S. Dollars)

1. INSURANCE BUSINESS

Pasaca Insurance Company Ltd. (“the Company”) was incorporated in Bermuda on May 16, 2022 and is licensed as a class 3A general business insurer pursuant to the Bermuda Insurance Act 1978 and Related Regulations.

The Company is 60% owned by Pasaca Capital LLC, which 100% owned by Dr Charles Huang, a director of the Company. The remaining 40% is owned equally by two directors, Zhanqi Liu who is also the CEO and Blair Hu who is the COO. Pasaca Capital LLC is a company organized under the laws of the state of California and is part of the Pasaca Group of companies which was founded by Dr Huang. Within the Pasaca Group, Dr Huang and his family own a majority stake in Pasaca Capital Inc., which is a private equity firm focused on innovative technologies and products that benefit the world.

Pasaca Insurance Company Ltd. was established as a global insurance solutions provider for the Pasaca Group as well third parties predominantly in the product liability and professional liability lines of business.

At December 31, 2022, the Company has issued one product liability insurance policy an affiliate, which has a per occurrence and aggregate limit of \$10,000,000.

**PASACA INSURANCE COMPANY LTD.
NOTES TO FINANCIAL STATEMENTS**

December 31, 2022
(expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP"). The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The accompanying financial statements and notes have been prepared in conformity with US GAAP, assuming that the Company will continue as a going concern. No conditions have been identified which raise doubt about the Company's ability to continue as a going concern.

The significant accounting policies are summarized as follows:

Cash and cash equivalents

Cash and cash equivalents include amounts held in financial institutions and time deposits purchased with maturities of less than three months. The Company's cash and cash equivalents are on deposit with one financial institution.

Reserves for outstanding losses and loss related expenses

The reserves are based upon evaluations by consulting actuaries and management's best estimate. Although management believes the reserve estimates are reasonable, no assurance can be given that the ultimate settlement of losses will not vary materially from amounts recorded. Future adjustments to the amounts recorded as of December 31, 2022, resulting from the continual review process, as well as differences between estimates and ultimate settlements, will be reflected in the Company's statement of income in future periods when such adjustments become known.

Premiums

Premiums written are earned and premiums ceded are expensed on a pro rata basis over the terms of the policies. Premiums applicable to future periods are deferred in the accompanying balance sheets.

Fair value of financial instruments

Estimated fair value of financial instruments held by the Company approximates carrying value.

PASACA INSURANCE COMPANY LTD.
NOTES TO FINANCIAL STATEMENTS

December 31, 2022
(expressed in U.S. Dollars)

3. RESERVES FOR OUTSTANDING LOSSES AND LOSS RELATED EXPENSES

There was no activity in the reserves for outstanding losses and loss related expenses for the period ended December 31, 2022. The Company only wrote one claims-made products liability policy and there has been no reported claims through the reporting date.

The Company has not purchased reinsurance.

4. RELATED PARTY TRANSACTIONS

During the period ended December 31, 2022, the Pasaca Capital LLC paid expenses of \$146,765 on behalf of the Company for formation expenses, this amount remained outstanding at December 31, 2022.

5. STATUTORY REQUIREMENTS

The Company is registered as a Class 3A insurer under the Bermuda Insurance Act 1978, amendments thereto and related regulations which require that the Company maintain minimum levels of solvency and liquidity. For the year ended December 31, 2022, these requirements have been met. The minimum required statutory capital and surplus was \$1,000,000 and actual statutory economic capital and surplus was \$9,494,151 at December 31, 2022. The minimum required level of liquid assets was \$429,654 and actual liquid assets were \$9,974,793 at December 31, 2022.

As a result of the above requirements, retained earnings in the amount of \$ 1,000,000 at December 31, 2022 and were restricted from distribution.

The Bermuda Solvency Capital Requirement (BSCR) is the prescribed form of capital and solvency reporting in Bermuda. The Company's Enhanced Capital Requirement (ECR) under the BSCR is \$1,000,000 and it has an ECR ratio of 950%. The Target Capital Level (TCL) is 120%.

**PASACA INSURANCE COMPANY LTD.
NOTES TO FINANCIAL STATEMENTS**

December 31, 2022
(expressed in U.S. Dollars)

6. TAXES

At the present time, no income, profit, capital or capital gain taxes are levied in Bermuda and, accordingly, no provision for such taxes has been recorded by the Company. In the event that such taxes are levied, the Company has received an undertaking from the Bermuda Government exempting it from all such taxes until March 31, 2035.

The Company is in the process of applying for a section 953(d) directive under the Internal Revenue Service (IRS) tax code to be treated as a United States (US) corporation for US tax purposes. This directive will apply retroactively when it is approved and therefore the Company has recognized a tax benefit of \$125,596 in the financial statements based on its estimated taxable loss for the reporting period.

7. SUBSEQUENT EVENTS

In preparing the financial statements, management evaluated subsequent events through to March 16, which is the date that these financial statements are available to be issued and there are no subsequent events noted.