Cathay Century Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2019 and 2018 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Century Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Cathay Century Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as of June 30, 2019, and the consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2019, and the related consolidated statements of changes in equity and cash flows for the six-month period then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2019, and its consolidated financial performance for the three-month and the six-month periods ended June 30, 2019, and it's consolidated cash flows for the six-month period ended June 30, 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, and IAS 34 "Interim Financial Reporting" as endorsed and issued into effect 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 Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the consolidated financial statements for the six-month period ended June 30, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter identified in the audit of the Group's consolidated financial statements for the six-month period ended June 30, 2019 is described as follows:

<u>Adequacy of Claim Reserves</u>

For the estimates and judgments related to claim reserves, refer to Note 5 to the consolidated financial statements. For other related disclosures, refer to Note 20.

Claim reserve is a major component of the Group's liability. As of June 30, 2019, the balance of claim reserves was NT$8,853,241 thousand, representing 22% of the total assets of the Group.

Claim reserves include case outstanding on known claims and reserves for incurred but not reported (IBNR) claims. The term case outstanding refers to the estimates of unpaid claims evaluated by the claims department, third-party adjusters, or independent adjusters for known and reported claims only. The adjusters analyze the specific details of the insured event to generate an independent estimate of the case outstanding. The IBNR reserves include estimates of the unpaid claims and unpaid unallocated loss adjustment expenses (ULAE). The actuaries estimate unpaid claims were based on the claim development methods (accident year basis) and a separate analysis was performed to evaluate the unpaid ULAE estimate. These analyses are performed by line of business and applied to gross as well as ceded claims.

The said claim development methods involve credibility weighting of the experiential development and the expected claims. The actuaries exercise professional judgment in determining the appropriate method or models, assumptions, or parameters associated with the evaluation of unpaid claims

We obtained an understanding of the design and implementation, and we tested the operating effectiveness of the internal control relevant to the estimation of claim reserves of Cathay Century Insurance Co., Ltd. Moreover, we also performed the following audit procedures:

1. We verified, on a test basis, the actual payment documents and relevant information on material claims incurred and determined that Cathay Century Insurance Co., Ltd. accrued appropriate amount of the cases outstanding on known claims in the appropriate period;

2. We obtained the actuarial report prepared by Cathay Century Insurance Co., Ltd.'s internal actuary and determined that Cathay Century Insurance Co., Ltd.'s claim reserves were accrued accordingly. We confirmed that the professional qualification of the actuary is compliant with the regulations issued by the Financial Supervisory Commission of the Republic of China;

3. Our internal specialists evaluated the completeness and accuracy of the data, as well as the reasonableness of Cathay Century Insurance Co., Ltd.'s estimate of IBNR claims.

Other Matter

The consolidated financial statements of the Group for the six-month period ended June 30, 2018, were audited by another auditor who expressed an unmodified opinion on those statements with emphasis of matter paragraph on August 15, 2018.

Cathay Century Insurance Co., Ltd. has prepared parent company only financial statements of the Company for the six-months ended June 30, 2019 on which we have issued an unmodified opinion on those statements with Other Matter paragraph, as for reference.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including the audit committee or supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated 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 Group's internal control.

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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group

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 the consolidated financial statements for the six-months ended June 30, 2019, and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hung Kuo and An-Hwei Lin.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 14, 2019

<u>*Notice to Readers*</u>

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

ASSETS	June 30, 2019 Amount	%	December 31, 2018 Amount	%	March 31, 2018 Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	$ 11,194,550	28	$ 10,185,921	27	$ 9,231,820	23
RECEIVABLES (Notes 4, 11, 28 and 33)	2,593,489	7	2,358,780	6	2,725,098	7
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 7 and 28)	6,949,853	17	5,887,384	15	8,405,122	21
Financial assets at fair value through other comprehensive income (Notes 4, 5 and 8)	1,181,078	3	1,451,444	4	1,449,549	4
Financial assets at amortized cost (Notes 4, 5 and 9)	8,379,524	21	8,526,240	22	8,992,296	23
Investments accounted for using the equity method, net (Notes 4 and 14)	2,174,860	5	1,070,814	3	1,111,819	3
Loans (Notes 4, 10 and 28)	225,344	1	236,816	1	228,330	-
REINSURANCE CONTRACT ASSET (Notes 4, 12, 20 and 33)	6,482,019	16	6,104,797	16	6,424,164	16
PROPERTY AND EQUIPMENT (Notes 4 and 15)	155,466	-	122,185	-	63,727	-
RIGHT-OF-USE ASSETS (Notes 4 and 16)	66,337	-	-	-	-	-
INTANGIBLE ASSETS (Notes 4 and 17)	63,476	-	65,395	-	54,469	-
DEFERRED INCOME TAX ASSETS (Note 4)	113,407	-	147,546	1	169,832	1
OTHER ASSETS (Notes 18, 28 and 29)	687,368	2	1,798,718	5	746,295	2
TOTAL	$ 40,266,771	100	$ 37,956,040	100	$ 39,602,521	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 4, 19, 28 and 33)	$ 3,128,138	8	$ 2,622,777	7	$ 3,848,251	10
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 28)	77,241	-	50,041	-	207,418	-
PREFERRED STOCK LIABILITIES (Notes 4, 21 and 28)	-	-	-	-	1,000,000	2
LEASE LIABILITIES (Notes 3, 16 and 28)	65,838	-	23,785,675	63	-	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	24,351,540	61	733,341	2	23,391,276	59
OTHER LIABILITIES	542,443	1	440,082	1	313,707	1
PROVISIONS	440,032	1	299,048	1	427,118	1
DEFERRED INCOME TAX LIABILITIES (Note 4)	290,445	1	-	-	295,806	1
Total liabilities	28,895,677	72	27,930,964	74	29,483,576	74
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Ordinary Shares						
Ordinary Shares	3,057,052	8	3,057,052	8	3,057,052	8
Capital surplus						
Capital surplus - additional paid-in capital	502,500	1	502,500	1	502,500	1
Retained earnings						
Legal reserve	2,711,555	7	2,436,306	7	2,436,306	6
Special reserve	4,455,458	11	3,934,250	10	3,465,618	9
Unappropriated earnings	996,329	2	907,615	2	1,034,520	3
Total retained earnings	8,163,342	20	7,278,171	19	6,936,444	18
Other equity	(351,800)	(1)	(812,647)	(2)	(377,051)	(1)
Total equity attributable to owners of the Company	11,371,094	28	10,025,076	26	10,118,945	26
Total equity	11,371,094	28	10,025,076	26	10,118,945	26
TOTAL	$ 40,266,771	100	$ 37,956,040	100	$ 39,602,521	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors’ report dated August 14, 2019)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUES								
Retained earned premium (Note 33)								
Direct insurance premium revenues (Notes 4 and 28)	$ 5,988,300	121	$ 5,673,854	118	$ 11,388,744	116	$ 10,718,300	115
Reinsurance premium inward	401,097	8	332,303	7	775,703	8	651,758	7
Premium revenues	6,389,397	129	6,006,157	125	12,164,447	124	11,370,058	122
Less: Reinsurance premium outward (Notes 4 and 33)	1,640,370	33	1,552,616	32	2,932,941	30	2,662,808	29
Less: Net change in unearned premium reserves (Notes 4, 20 and 33)	129,819	3	176,749	4	156,151	1	277,397	3
Total retained earned premium	4,619,208	93	4,276,792	89	9,075,355	93	8,429,853	90
Reinsurance commission earned (Note 33)	136,301	3	130,810	3	297,823	3	271,693	3
Handling fees earned	11,129	-	10,841	-	22,206	-	22,145	-
Net gains on investments								
Interest income (Notes 24 and 28)	137,488	3	145,106	3	269,280	2	279,554	3
Foreign exchange losses (Note 4)	54,367	1	284,661	6	96,905	1	122,438	1
Gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss (Note 4)	3,520	-	(154,084)	(3)	466,958	5	46,198	1
Excluding net gain on financial assets measured at amortized cost	160	-	248	-	278	-	535	-
Share of (loss) profit of associates and joint ventures accounted for using equity method	(17,162)	-	5,554	-	(23,415)	-	(37,348)	-
Expected credit impairment losses and reversal on investment	(342)	-	(242)	-	(448)	-	(812)	-
Income or loss reclassified under the overlay approach (Notes 4 and 7)	17,708	-	98,110	2	(408,459)	(4)	215,364	2
Total net gains on investments	195,739	4	379,353	8	401,099	4	625,929	7
Total operating revenues	4,962,377	100	4,797,796	100	9,796,483	100	9,349,620	100
OPERATING COSTS								
Retained claims (Notes 4, 28 and 33)								
Claims incurred	3,358,269	68	2,831,802	59	6,206,075	63	5,712,376	61
Less: Claims recovered from reinsurers (Note 33)	748,716	15	535,145	11	1,307,507	13	1,005,218	10
Total retained claims	2,609,553	53	2,296,657	48	4,898,568	50	4,707,158	51
Other net change in insurance liabilities (Note 18)	(64,709)	(1)	39,291	1	162,597	2	(85,885)	(1)
Commission expenses (Notes 4, 24, 28 and 33)	801,489	16	688,225	14	1,555,069	16	1,428,424	15
Other operating costs	2,876	-	5,290	-	13,751	-	28,556	-
Total operating costs	3,349,209	68	3,029,463	63	6,629,985	68	6,078,253	65
GROSS MARGIN	1,613,168	32	1,768,333	37	3,166,498	32	3,271,367	35

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING EXPENSES (Notes 24 and 28)								
Operating	821,872	17	767,959	16	1,643,553	17	1,515,774	16
Administrative	166,956	3	185,366	4	318,139	3	343,051	4
Training	3,211	-	4,503	-	4,362	-	5,715	-
Total operating expenses	992,039	20	957,828	20	1,966,054	20	1,864,540	20
OPERATING INCOME	621,129	12	810,505	17	1,200,444	12	1,406,827	15
NON-OPERATING INCOME AND EXPENSES (Note 28)	(411)	-	(2,865)	-	(62)	-	(7,447)	-
PROFIT BEFORE INCOME TAX	620,718	12	807,640	17	1,200,382	12	1,399,380	15
INCOME TAX (Notes 4 and 25)	106,474	2	122,278	3	204,053	2	231,271	3
NET PROFIT	514,244	10	685,362	14	996,329	10	1,168,109	12
OTHER COMPREHENSIVE INCOME (LOSS)								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 23)	7,200	-	(55,800)	(1)	17,400	-	(35,400)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 25)	-	-	-	-	-	-	(5,748)	-
	7,200	-	(55,800)	(1)	17,400	-	(29,652)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 23)	2,325	-	29,347	1	4,178	-	6,733	-
Share of the other comprehensive income (loss) of associates and joint ventures accounted for using the equity method - items that may be reclassified to profit or loss	(34,139)	-	(13,756)	-	27,412	1	(947)	-

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income (Notes 4 and 23)	6,846	-	7,051	-	15,439	-	(603)	-
Other comprehensive income reclassified under the overlay approach (Notes 4 and 23)	(17,708)	-	(98,110)	(2)	408,459	4	(215,364)	(2)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 25)	(4,036)	-	(3,098)	-	12,041	-	(15,991)	-
	(38,640)	-	(72,370)	(1)	443,447	5	(194,190)	(2)
Other comprehensive income (loss), net of income tax	(31,440)	-	(128,170)	(2)	460,847	5	(223,842)	(2)
TOTAL COMPREHENSIVE INCOME	$ 482,804	10	$ 557,192	12	$ 1,457,176	15	$ 944,267	10
NET PROFIT ATTRIBUTABLE TO:								
Owner of the Company	$ 514,244	10	$ 685,362	14	$ 996,329	10	$ 1,168,109	12
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 514,244	10	$ 685,362	14	$ 996,329	10	$ 1,168,109	12
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owner of the Company	$ 482,804	10	$ 557,192	12	$ 1,457,176	15	$ 944,267	10
Non-controlling interests	-	-	-	-	-	-	-	-
	$ 482,804	10	$ 557,192	12	$ 1,457,176	15	$ 944,267	10
EARNINGS PER SHARE (Note 26)								
Basic	$ 1.68		$ 2.24		$ 3.26		$ 3.82	
Diluted	$ 1.68		$ 2.24		$ 3.26		$ 3.82	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated August 14, 2019) (Concluded)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
				Retained Earnings (Note 23)			Other Equity					
	Shares (In Thousands)	Capital Stock (Notes 4 and 23)	Capital Surplus - Additional Paid-in Capital (Note 23)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 4)	Unrealized Gains (Losses) on Available-for-sale Financial Assets (Notes 4 and 23)	Financial Assets Measured at Fair Value Through Other Comprehensive Profit or Loss with Unrealized Interest (Notes 4 and 23)	Remeasurement of Defined Benefit Plans	Other Comprehensive Income Reclassified Under Overlay Method	Total Equity
BALANCE AT JANUARY 1, 2018	305,705	$ 3,057,052	$ 502,500	$ 2,064,679	$ 3,680,566	$ 1,511,512	$ (207,639)	$ 67,676	$ -	$ (159,025)	$ -	$ 10,517,321
Effect of retrospective application	-	-	-	-	-	(133,589)	-	(67,676)	(116,730)	-	330,185	12,190
BALANCE AT JANUARY 1, 2018 AS RESTATED	305,705	3,057,052	502,500	2,064,679	3,680,566	1,377,923	(207,639)	-	(116,730)	(159,025)	330,185	10,529,511
Appropriation of 2017 earnings												
Legal reserve	-	-	-	371,627	-	(371,627)	-	-	-	-	-	-
Special reserve	-	-	-	-	(214,948)	214,948	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,354,833)	-	-	-	-	-	(1,354,833)
Net profit for the six months ended June 30, 2018	-	-	-	-	-	1,168,109	-	-	-	-	-	1,168,109
Other comprehensive income (loss) for the six months ended June 30, 2018, net of income tax	-	-	-	-	-	-	12,247	-	(42,464)	5,748	(199,373)	(223,842)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	1,168,109	12,247	-	(42,464)	5,748	(199,373)	944,267
BALANCE AT JUNE 30, 2018	305,705	$ 3,057,052	$ 502,500	$ 2,436,306	$ 3,465,618	$ 1,034,520	$ (195,392)	$ -	$ (159,194)	$ (153,277)	$ 130,812	$ 10,118,945
BALANCE AT JANUARY 1, 2019	305,705	$ 3,057,052	$ 502,500	$ 2,436,306	$ 3,934,250	$ 907,615	$ (228,873)	$ -	$ (153,280)	$ (163,649)	$ (266,845)	$ 10,025,076
Appropriation of 2018 earnings												
Legal reserve	-	-	-	275,249	-	(275,249)	-	-	-	-	-	-
Special reserve	-	-	-	-	521,208	(521,208)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(111,158)	-	-	-	-	-	(111,158)
Net profit for the six months ended June 30, 2019	-	-	-	-	-	996,329	-	-	-	-	-	996,329
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	-	16,252	-	48,177	-	396,418	460,847
Total comprehensive income for the six months ended June 30, 2019	-	-	-	-	-	996,329	16,252	-	48,177	-	396,418	1,457,176
BALANCE AT JUNE 30, 2019	305,705	$ 3,057,052	$ 502,500	$ 2,711,555	$ 4,455,458	$ 996,329	$ (212,621)	$ -	$ (105,103)	$ (163,649)	$ 129,573	$ 11,371,094

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated August 14, 2019)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2019	**2018**
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 1,200,382	$ 1,399,380
Adjustments for:		
Depreciation expenses	84,146	11,362
Amortization expenses	19,075	13,993
Net gain on valuation of financial assets and liabilities at fair value through profit or loss	(466,958)	(46,198)
Interest expense	909	262
Net gain on disposal of financial assets measured at amortized cost	(278)	(535)
Interest income	(269,280)	(279,554)
Net change in insurance liabilities	565,865	399,948
Expected credit impairment losses on investment	448	812
Share of loss of associates and joint ventures accounted for using the equity method	23,415	37,348
Income or loss reclassified under the overlay approach	408,459	(215,364)
Changes in operating assets and liabilities		
Decrease in notes receivable	26,657	13,536
Increase in premiums receivable	(423,804)	(144,238)
Decrease (increase) in other receivables	167,031	(369,226)
(Increase) decrease in financial instruments at fair value through profit or loss	(585,739)	1,432,071
Decrease in financial assets at fair value through other comprehensive income	303,283	1,604
Decrease (increase) in financial assets at amortized cost	146,473	(329,300)
(Increase) decrease in reinsurance contract asset	(377,222)	58,268
Decrease (increase) in other assets	11,296	(37,122)
Increase in claims outstanding	406	-
Increase in commissions payable and fees	50,690	3,346
Increase in due to reinsurers and ceding companies	346,653	155,212
Decrease in other payables	(120,364)	(365,041)
(Decrease) increase in provisions	(50)	672
Decrease in other liabilities	(190,898)	(306,304)
Cash generated from operations	920,595	1,434,932
Interest received	273,376	248,454
Dividend received	8,739	280
Interest paid	(909)	(267)
Income tax paid	(73,741)	(5,498)
Net cash generated from operating activities	1,128,060	1,677,901
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	(49,958)	(8,770)
Payments for intangible assets	(13,485)	(10,729)

(Continued)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of New Taiwan Dollars)

	For the Six Months Ended June 30	
	2019	**2018**
Decrease in loans	11,472	23,440
Net cash (used in) generated from investing activities	(51,971)	3,941
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(70,207)	-
Net cash used in financing activities	(70,207)	-
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	2,747	1,643
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,008,629	1,683,485
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	10,185,921	7,548,335
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 11,194,550	$ 9,231,820

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors’ report dated August 14, 2019) (Concluded)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Cathay Century Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on July 19, 1993, under the provisions of the Company Act of the Republic of China ("R.O.C."). On April 22, 2002, the Company became a subsidiary of Cathay Financial Holdings Co., Ltd. ("Cathay Financial Holdings") by adopting the stock conversion method under the R.O.C Financial Holdings Company Act and other pertinent acts of the R.O.C. On August 2, 2002, the Company officially changed its name from "Tong-Tai Insurance Co., Ltd." to "Cathay Century Insurance Co., Ltd.". The Company mainly engages in the business of property and casualty insurance. The Company's registered office and the main business location are at No. 296, Sec. 4, Jen Ai Road, Taipei, Taiwan, R.O.C. Cathay Financial Holdings is the Company's parent company and ultimate parent company.

The consolidated financial statements are presented in the Company's functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company's board of directors on August 14, 2019.

3. APPLICATION OF NEW AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the "IFRSs") endorsed and issued into effect by the Financial Supervisory Commission (FSC)

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively referred to as the "Group"):

<u>IFRS 16 "Leases"</u>

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

<u>Definition of a lease</u>

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities. The Group applies IAS 36 to all right-of-use assets.

The Group also applies the following practical expedients:

1) The Group applies a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.

2) The Group excludes initial direct costs from the measurement of right-of-use assets on January 1, 2019.

For leases previously classified as finance leases under IAS 17, the carrying amounts of right-of-use assets and lease liabilities on January 1, 2019 are determined as at the carrying amounts of the respective leased assets and finance lease payables on December 31, 2018.

The weighted average lessee’s incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 1.63%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	$ 126,812
Undiscounted amounts on January 1, 2019	$ 126,812
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 125,904
Lease liabilities recognized on January 1, 2019	$ 125,904

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Right-of-use assets	$ -	$ 125,904	$ 125,904
Total effect on assets	$ -	$ 125,904	$ 125,904
Lease liabilities	$ -	$ 125,904	$ 125,904
Total effect on liabilities	$ -	$ 125,904	$ 125,904
Total effect on equity	$ -	$ -	$ -

b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 2)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2021

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

IFRS 17 “Insurance Contracts”

IFRS 17 sets out the accounting standards for insurance contracts that will supersede IFRS 4. The key principles in IFRS 17 are as follows:

Level of aggregation for insurance contracts

The Group shall identify portfolios of insurance contracts, which comprise contracts that are subject to similar risks and managed together. Contracts within a product line subject to similar risks and hence would be expected to be in the same portfolio if they are managed together. The Group shall divide each portfolio of insurance contracts issued into a minimum of:

1) A group of contracts that are onerous at initial recognition, if any;

2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and

3) A group of the remaining contracts in the portfolio, if any.

The Group is not permitted to include contracts issued more than one year apart in the same group, and shall apply the recognition and measurement under IFRS 17 to the Group of insurance contracts it issues.

Recognition

The Group shall recognize a group of insurance contracts it issues from the earliest of the following:

1) The beginning of the coverage period of the Group of contracts;

2) The date when the first payment from a policyholder in the Group becomes due; and

3) For a group of onerous contracts, when the Group becomes onerous.

Measurement

On initial recognition, the Group shall measure a group of insurance contracts at the total of the fulfilment cash flows (FCF) and the contractual service margin (CSM). The FCF comprises estimates of future cash flows, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows, and a risk adjustment for non-financial risk. The CSM represents the unearned profit the Group will recognize as it provides services under the insurance contracts in the Group.

This is measured on initial recognition of a group of insurance contracts at an amount that, unless the Group of contracts is onerous, results in no income or expenses arising from: (a) the initial recognition of an amount for the FCF; (b) the derecognition at that date of any asset or liability recognized for insurance acquisition cash flows; and (c) any cash flows arising from the contracts in the Group at that date.

Subsequent measurement

The Group shall remeasure the carrying amount of a group of insurance contracts at the end of each reporting period subsequently at the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the Group at that date. The liability for incurred claims comprises the FCF related to past service allocated to the Group at that date. On subsequent measurement, if a group of insurance contracts becomes onerous (or more onerous), that excess shall be recognized in profit or loss.

Onerous contracts

On initial recognition, an insurance contract is onerous if the total of the FCF, any previously recognized acquisition cash flows and any cash flows arising from the contract at that date is a net outflow. The Group shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the Group being equal to the FCF and the CSM of the Group being zero. The CSM cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss.

Premium allocation approach

The Group may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the inception of the Group:

1) The Group reasonably expects that the liability for remaining coverage of a group of insurance contracts using the PAA will be a reasonable approximation of the general model results, or

2) The coverage period of each contract in the Group is one year or less.

Where, at the inception of the Group, the Group expects significant variances in the FCF during the period before a claim is incurred may affect the measurement of the liability for remaining coverage of a group of insurance contracts, such circumstances are not eligible to condition 1).

Using the PAA, the liability for remaining coverage shall be initially recognized as the premiums received at initial recognition, minus any insurance acquisition cash flows. Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for coverage provided in that period, and minus any investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation feature (DPF)

An investment contract with a DPF is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the IFRS 17 only if the Group also issues insurance contracts.

Modification and derecognition

If the terms of an insurance contract are modified and be treated as a substantive modification, which meet specified criteria, the Group shall derecognize the original contract and recognize the modified contract as a new contract. The Group shall derecognize an insurance contract when it is extinguished, or if there is a substantive modification of an insurance contract.

Transition

The Group shall apply the IFRS 17 retrospectively unless impracticable, in which case the Group have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, the Group shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. The Group shall apply the fair value approach if obtaining reasonable and supportable information is impracticable.

Under the fair value approach, the Group determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance, and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICY

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, or other regulations and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual consolidated financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments which are measured at fair value and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Assets and liabilities of this consolidated financial statement are classified by nature and are presented in the order of liquidity, instead of being classified as current or noncurrent.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group’s ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 13 and Table 4 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency (i.e. foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purpose of presenting consolidated financial statements, the functional currencies of the group entities (including subsidiaries, associates, joint ventures and branches in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income.

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture.

The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of the equity of associates.

When the Company subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates and joint ventures accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further loss, if any. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which its investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When the Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

g. Property and equipment

Property and equipment are stated at cost, less subsequent accumulated depreciation and accumulated impairment loss.

Depreciation on property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. If the lease term is shorter than the useful lives, assets are depreciated over the lease term. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset are recognized in profit or loss.

i. Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are allocated to the individual cash-generating units; otherwise they are allocated to the smallest group of cash-generating units.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss subsequently is reversed, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

j. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (FVTPL)) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income (FVTOCI).

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 27.

Overlay approach is applied to financial assets if all of the following conditions are met therein, the Group elected to remove profit or loss arising from changes in fair value in subsequent measurement and placed it in other comprehensive income.

i) The financial assets are held in respect of activities related to IFRS 4.

ii) The financial assets are measured at FVTPL applying IFRS 9, but would not have been measured at FVTPL in its entirely applying under IAS 39.

iii) The financial assets designated to apply overlay approach at initial recognition when an entity first applies IFRS 9 or when a new financial asset is initially recognized or when a financial asset newly meets the criteria having previously not met.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) 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.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents and receivables at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including receivables) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

In addition, 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 classify loans into five categories; including category one-normal assets; category two-special mention assets; category three-substandard assets; category four-doubtful assets; and category five-loss assets depending on the status of the loans collaterals and the length of time overdue, as well as financial condition of the uncollectible accounts. The Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

i. 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, 10% of the ending balance for the third category of loan assets, as well as 50% and 100% of the ending balance for the fourth and fifth category of loan assets.

ii. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.

iii. Total unsecured portion of loans overdue and receivable on demand.

Pursuant to Order No. Financial-Supervisory-Insurance-Corporate-10402506096, to enhance insurance industry's ability to bear loss on specific loan assets, the Company shall increase its allowance for bad debt loans ratio to at least 1.5%.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2) Equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except the following situations, all the financial liabilities are measured at amortized cost using the effective interest method:

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading.

Financial liabilities held for trading are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest or dividends paid on the financial liability. Fair value is determined in the manner described in Note 27.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, foreign exchange swaps, cross currency swaps, options and futures.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that is within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

k. Reinsurance business

The reinsurance business refers to the provision of services to enable clients to limit possible loss due to risk events such as explosions and to meet their business needs insurance regulations. For the ceding reinsurance, the Group may not refuse or delay fulfillment of its obligations to the insured on the grounds that a reinsurer has failed to fulfill its obligation.

For the ceding reinsurance, reinsurance premium outward is recognized based on the ceding reinsurance contract. According to matching principle, the reinsurance premium outward must be matched in the same accounting period as the reinsurance premium inward they helped to earn. Also, at the balance sheet date, the Group will accrue the related reinsurance revenue and expense for the billing statements that have not yet been received but are already considered likely to be received as shown by past experience. The related reinsurance profit and loss cannot be deferred.

Reinsurance assets on which the reinsurer has rights include ceding unearned premium reserve, ceding claim reserve, and ceding premium deficiency reserve under various insurance provisions and related reinsurance regulations.

l. Reserves for liabilities

Reserves for liabilities under the insurance contracts should be audited by the actuaries certified by the FSC and should also conform to these regulations: Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance and the Regulations for the Reserves for Nuclear Energy Insurance.

The descriptions of these reserves are as follows:

1) Unearned premium reserve

   For clients with ongoing business operations and with unexpired insurance contracts, unearned premiums are calculated on the basis of unexpired risks for each type of insurance and individual unearned premium reserves are set up for each type of insurance.

   The unearned premium reserve for the compulsory insurance contract should conform to the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

   The unearned premium reserve for the residential earthquake insurance contract should conform to the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

   The unearned premiums reserve for Nuclear Energy Insurance should conform to the Regulations for the Reserves of Nuclear Energy Insurance.

   The amount of the unearned premium reserve is decided by actuaries in the insurance industry on the basis of the characteristics of the different types of insurance (and this amount may not be changed without permission from the authorities) and should be audited by actuaries at the end of the reporting period.

2) Claim reserve

   This refers to IBNR (incurred but not reported) and outstanding claims and is calculated on the basis of past claim experience and payments, using the actuarial methodology. An outstanding-claim reserve is estimated for each client case, taking into consideration the specific circumstances of each case.

   The claims reserve for the compulsory insurance contracts should conform to the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

   The claims reserve for residential earthquake insurance contracts should conform to the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

   The claims reserve for Nuclear Energy Insurance should conform to the Regulations for the Reserves for Nuclear Energy Insurance.

3) Special reserve

   Special reserve is divided into the equalization reserve and the catastrophe reserve. The provision of special reserves should be recognized in special reserve under shareholders’ equity by the amount, net of the effect of tax. For those special reserve recognized in liabilities before December 31, 2012, except for the catastrophe reserve and equalization reserve of compulsory automobile insurance, nuclear energy insurance, residential earthquake insurance, commercial-business earthquake insurance and typhoon and flood insurance, those reserves of other insurances should be used to make up the deficiencies of commercial-business earthquake insurance and typhoon and flood insurance to the required level and recognized as liabilities; the remaining should be reclassified to the special reserve under shareholders’ equity by the amount, net of the effect of tax, as requested by IAS 12 since January 1, 2013. The recovered and reversal of special reserve could be debited to those reserves recognized under liabilities first. If those reserves recognized under liabilities are not enough for the debit purpose, those insufficient amount would be debited to the special reserve recognized under shareholders' equity.

a) Catastrophe reserve

Catastrophe reserves should be set aside at the required rate for each insurance type.

Under the government's definition of "severe damage" due to a single disaster, the catastrophe reserve can be reversed if the total amount of the retained claims for each insurance type under an individual Company reaches $30,000,000 and the total amount of the claims for each insurance type under all insurance companies reaches $2,000,000,000.

A catastrophe reserve that has been set aside for more than 15 years may be reversed in the manner prescribed by the insurance firm's appointed actuary. This reversal should be registered with the relevant authorities. In addition, the reserve for commercial-businesses earthquake insurance, typhoon insurance and flood insurance may be reversed if it has been set aside for more than 30 years.

b) Equalization reserve

For each type of insurance, when actual losses minus the amount withdrawn from the catastrophe reserve are lower than the expected losses, a nonlife insurance firm should place 15% of the difference in the equalization reserve. For commercial-business earthquake insurance and typhoon and flood insurance, a nonlife insurance firm should place 75% of the difference in the equalization reserve.

For each type of insurance, when actual losses minus the amount withdrawn from the catastrophe reserve are greater than the expected losses, the difference may be withdrawn from the equalization reserve. If the equalization reserve for a particular type of insurance is insufficient to cover the difference, the shortfall may be withdrawn from the equalization reserve of another type of insurance. The insurance type corresponding to the reserve used for covering the shortfall and the withdrawn amount should be registered with the relevant authorities.

For each type of insurance, when the accumulated amount of the equalization reserve exceeds 60% (30% each for accident insurance and health insurance) of the retained earned premiums for the current year, the excess should be retired and treated as income. For commercial-business earthquake insurance and typhoon and flood insurance, if the accumulated amounts exceed 8 times and 18 times, respectively, of the retained earned premiums for the current year, the excess should be retired and treated as income.

4) Premium deficiency reserve

The Group should set aside a premium deficiency reserve if the estimated amount of the future claims on an unexpired insurance contract or on the contract under the insurance risk is more than the sum of the unearned premium reserves and the expected future premium income.

5) Liability reserve

The minimum liability reserve for health insurance that the insurance period is greater than one year is set aside using full preliminary term reserving method. However, the method of setting aside minimum liability reserve for health insurance with special nature should be approved by the competent authority.

6) Liability adequacy reserve

At the end of each reporting period, the Group should assess whether its insurance liabilities recognized were adequate based on the current estimation of future cash flows as requested by IFRS 4. If the result was inadequate, the Group should recognize the shortage amount as a liability adequacy reserve.

m. Premiums, commission expenses and processing fees

For insurance companies, direct premiums are recognized in the year when the insurance is approved and policies are issued. Ceded reinsurance revenues are recognized when the Group receives the related billing statement. At the balance sheet date, the Group will accrue the related reinsurance revenue and expense for the billing statements that have not yet been received but are already considered likely to be received as shown by past experience. Related expenses such as commission expenses, agent expenses and processing fees are recorded when the related premiums are recognized.

n. Insurance claims

The claims (including claim expenses) pertaining to the direct insurance business are recognized when the claims have been reported and filed by, and paid to, the policyholder. A claims reserves, which is set aside for claims incurred but unsettled, is estimated on actuarial calculation for different types of insurance cases.

The IBNR claims reserve for direct insurance and for the ceding reinsurance is estimated on the basis of past experience and is recognized on the basis of actuarial calculation.

The claims to be recovered from the reinsurer under the reinsurance contract (including claim expenses) are reported as claim recoverable from reinsurers. The difference between outstanding claims and the IBNR claims (including claim expenses) are reported as movement of the claims reserve.

The claim reserve is undiscounted.

o. Liability adequacy test

At the end of each reporting period, each type of insurance is subjected to the expected cost method to assess for the adequacy of insurance contract liabilities, using current estimates of future cash flows under the insurance contract. The estimation method is in accordance with the requirement for actuaries that was issued by the Actuarial Institute of the Republic of China. If an assessment shows that the carrying amount of insurance liabilities (less related intangible assets) is not enough to cover the estimated future cash flows, the entire shortfall is recognized in profit or loss.

Liability adequacy test is calculated on the undiscounted basis.

p. Leases

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

<u>2019</u>

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

q. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost, net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service cost (including current service cost and past service cost) and net interest on the net defined benefit liabilities are recognized as employee benefits expense in the period in which they occur. Remeasurement, comprising actuarial gains and losses and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities represent the actual deficit in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

3) Termination benefits

A liability for a termination benefit is recognized at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognizes any related restructuring costs.

r. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's pre-tax income the tax rate that would be applicable to expected total annual earnings. The effect of a change in tax rate resulting from a change in tax law is recognized consistently with the accounting for the transaction itself which gives rise to the tax consequence, and this is recognized in profit or loss, other comprehensive income or directly in equity in full in the period in which the change in tax rate occurs.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for as income tax in the year the shareholders approve to retain earnings.

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are recognized only to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the asset, are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred tax for the year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group’s accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Fair value measurements and valuation processes

Where some of the Group’s assets and liabilities measured at fair value have no quoted prices in active markets, the Group has determined the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Group determines the appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Note 27.

b. Estimated impairment of investments in debt instruments

The provision for impairment of investments in debt instruments is estimated based on expected loss rates. According to difference of fair value between the collection of contractual cash flows (carrying amount) and cash flow (evaluating the forward looking estimates) of expected income to recognize credit loss. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group’s historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

c. Adequacy test on claim reserve

The Group estimated the claim reserve based on the IBNR (incurred but not reported) and outstanding claims at the end of reporting period based on historical data, actuarial analysis, financing modeling and other analytical techniques. The Group will adjust its estimations if necessary; however, the actual results may differ from these estimates.

6. CASH AND CASH EQUIVALENTS

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand	$ 21,142	$ 18,928	$ 19,376
Checking accounts and demand deposits	2,120,971	2,641,308	1,607,936
Cash equivalents (investments with original maturities of less than 3 months)			
Time deposits	6,664,365	6,186,918	6,440,106
Short-term transactions instruments	2,388,072	1,338,767	1,164,402
	$ 11,194,550	$ 10,185,921	$ 9,231,820

7. FINANCIAL INSTRUMENTS AT FVTPL

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily classified as at FVTPL			
Derivative financial assets (not under hedge accounting)			
Foreign exchange swaps	$ 7,858	$ 6,280	$ 766
Non-derivative financial assets			
Listed shares	4,257,616	3,433,971	5,345,169
Mutual funds	1,910,427	1,667,453	2,281,848
Financial bonds	773,952	779,680	777,339
	$ 6,949,853	$ 5,887,384	$ 8,405,122
Financial liabilities mandatorily classified as at FVTPL			
Derivative financial liabilities (not under hedge accounting)			
Foreign exchange swaps	$ 77,241	$ 50,041	$ 207,418

a. At the end of the reporting period, outstanding foreign exchange swaps not under hedge accounting were as follows:

	Currency	Maturity Date	Notional Amount (In Thousands)
June 30, 2019			

	Currency	Maturity Date	Notional Amount (In Thousands)
Sell	USD/NTD	2019.7.9-2020.5.11	US$ 179,100
	EUR/NTD	2019.8.22-2019.9.5	EUR 2,750
December 31, 2018			
Sell	USD/NTD	2019.1.9-2019.5.29	US$ 186,600
	EUR/NTD	2019.1.22-2019.3.5	EUR 2,750
June 30, 2018			
Sell	USD/NTD	2018.7.11-2019.5.29	US$ 195,600
	EUR/NTD	2018.7.5-2018.7.31	EUR 3,850

The Group entered into foreign exchange swaps to manage exposures to exchange rate fluctuations of foreign currency-denominated assets and liabilities.

b. The financial assets at FVTPL were not pledged.

c. The Group chose to express profit or loss of the designated financial assets in the overlay approach under IFRS 4 "Insurance Contracts" since its application of IFRS 9 on January 1, 2018. Financial assets designated to apply the overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets mandatorily measured at FVTPL			
Listed shares	$ 4,257,616	$ 3,433,971	$ 5,345,169
Mutual funds	1,910,427	1,667,453	2,256,386
Financial bonds	773,952	779,680	777,339

For the six months ended June 30, 2019 and 2018, none of financial assets held by the Group has changed conditions, been designated or been terminated.

Reclassification from profit or loss to other comprehensive income of the consolidated financial assets designated to apply the overlay approach for the three months ended June 30, 2019 and 2018, and for the six months ended June 30, 2019 and 2018 were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Gains due to applying IFRS 9 to profit or loss	$ (85,701)	$ (126,309)	$ (615,642)	$ (250,646)
Less: Gains if applying IAS 39 to profit or loss	103,409	224,419	207,183	466,010
(Loss) gains from reclassification using the overlay approach	$ 17,708	$ 98,110	$ (408,459)	$ 215,364

According to the adjustment by applying the overlay approach, gains (loss) from consolidated financial assets at FVTPL increased from $3,520 thousand to $21,228 thousand and increased from $(154,084) thousand to $(55,974) thousand for the three months ended June 30, 2019 and 2018, respectively, and gain from consolidated financial assets at FVTPL reduced from $466,958 thousand to $58,499 thousand and increased from $46,198 thousand to $261,562 thousand for the six months ended June 30, 2019 and 2018, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	June 30, 2019	December 31, 2018	June 30, 2018
Investments in equity instruments at FVTOCI	$ 423,000	$ 405,600	$ 403,200
Investments in debt instruments at FVTOCI	758,078	1,045,844	1,046,349
	$ 1,181,078	$ 1,451,444	$ 1,449,549

a. Investments in equity instruments at FVTOCI

	June 30, 2019	December 31, 2018	June 30, 2018
Domestic investments			
Unlisted shares	$ 423,000	$ 405,600	$ 403,200

These investments in equity instrument are held for medium to long-term strategic purposes. Accordingly, the management elected to designate these investments in equity instruments as at FVTOCI as they believe that recognizing short-term fluctuations in these investments' fair value in profit or loss would not be consistent with the Group's strategy of holding these investments for long-term purposes.

There was no dividend revenue recognized relating to investments in equity instrument at FVTOCI still held by the Group on the balance sheet date for the six months ended June 30, 2019 and 2018. There was no derecognition either.

b. Investments in debt instruments at FVTOCI

	June 30, 2019	December 31, 2018	June 30, 2018
Domestic investments			
Government bonds	$ 758,078	$ 745,593	$ 744,833
Corporate bonds	-	300,251	301,516
	$ 758,078	$ 1,045,844	$ 1,046,349

Refer to Note 27 for information relating to their credit risk management and impairment.

c. The financial assets at FVTOCI were not pledged.

9. FINANCIAL ASSETS AT AMORTIZED COST

	June 30, 2019	December 31, 2018	June 30, 2018
Domestic investments			
Corporate bonds	$ 1,399,968	$ 1,599,988	$ 1,749,968
Government bonds	515,959	519,346	572,769
Financial bonds	-	-	300,007
Foreign investments			
Corporate bonds	6,983,617	6,929,795	6,905,365
Time deposits (other)	-	-	41,305
	8,899,544	9,049,129	9,569,414
Less: Allowance for impairment loss	(4,113)	(3,587)	(4,425)
Less: Statutory guarantee deposits	(515,907)	(519,302)	(572,693)
	$ 8,379,524	$ 8,526,240	$ 8,992,296

The Group's gains on disposal of bonds from repayments due for the three months ended June 30, 2019 and 2018 were $160 thousand and $248 thousand, respectively, and were $278 thousand and $535 thousand for the six months ended June 30, 2019 and 2018 respectively.

Refer to Note 27 for information relating to their credit risk management and impairment. The financial assets at amortized cost were not pledged.

10. LOANS

	June 30, 2019	December 31, 2018	June 30, 2018
Loans	$ 228,066	$ 239,701	$ 231,103
Less: Allowance for impairment loss	(2,722)	(2,885)	(2,773)
	$ 225,344	$ 236,816	$ 228,330

Property and equipment are pledged as collaterals for secured loans. The Group applied IFRS 9 and assessed impairment in accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises". Refer to Note 27 for information relating to the credit risk management and impairment for the six months ended June 30, 2019 and 2018.

11. RECEIVABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	$ 210,725	$ 235,666	$ 239,887
Premiums receivables	2,160,121	1,760,192	1,886,052
Other receivables	279,809	442,246	678,701
	2,650,655	2,438,104	2,804,640
Less: Allowance for impairment loss	(57,166)	(79,324)	(79,542)
	$ 2,593,489	$ 2,358,780	$ 2,725,098

The movements of the loss allowance of receivables were as follows:

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ 79,324	$ 66,827
Impairment losses recognized on receivables	-	12,715
Impairment losses reversed	(22,158)	-
Balance at June 30	$ 57,166	$ 79,542

12. REINSURANCE ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018
Claims recoverable from reinsurers	$ 324,782	$ 345,635	$ 447,951
Due from reinsurers and ceding companies, net	605,130	448,406	397,645
Reinsurance reserve assets			
Ceded unearned premium reserve	3,196,826	2,965,729	3,006,311
Ceded claims reserve	2,355,281	2,345,027	2,571,869
Ceded premium deficiency reserve	-	-	388
	$ 6,482,019	$ 6,104,797	$ 6,424,164

Reinsurance assets held by the Group were not impaired.

	June 30, 2019	December 31, 2018	June 30, 2018
a. Claims recoverable from reinsurers			
Gross carrying amount	$ 328,063	$ 349,126	$ 452,475
Less: Allowance for impairment loss	(3,281)	(3,491)	(4,524)
	$ 324,782	$ 345,635	$ 447,951

The movements of the loss allowance of claims recoverable from reinsurers were as follows:

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ 3,491	$ 5,453
Impairment losses recognized (reversed) on receivables and reversed	(210)	(929)
Balance at June 30	$ 3,281	$ 4,524

	June 30, 2019	December 31, 2018	June 30, 2018
b. Due from reinsurers and ceding companies			

	June 30, 2019	December 31, 2018	June 30, 2018
Gross carrying amount	$ 645,480	$ 466,224	$ 414,926
Less: Allowance for bad debts	(40,350)	(17,818)	(17,281)
	$ 605,130	$ 448,406	$ 397,645

The aging of due from reinsurers and ceding companies was as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Up to 270 days	$ 631,251	$ 453,055	$ 401,695
More than 270 days	14,229	13,169	13,231
	$ 645,480	$ 466,224	$ 414,926

The above aging schedule was based on the posted date.

The movements of the loss allowance of claims recoverable from reinsurers were as follows:

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ 17,818	$ 28,716
Impairment losses recognized (reversed) on receivables and reversed	22,532	(11,435)
Balance at June 30	$ 40,350	$ 17,281

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

			Proportion of Ownership (%)			
Investor	Investee	Nature of Activities	June 30, 2019	December 31, 2018	June 30, 2018	Remark
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd. (Vietnam)	Operating non-life insurance business	100%	100%	100%	a

Remarks:

a. Cathay Insurance Co., Ltd. (Vietnam) is an immaterial subsidiary, and its financial statements have not been audited; management believes there is no material adjustment on the financial statements of the immaterial subsidiary which have not been audited.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2019	December 31, 2018	June 30, 2018
Investments in associates	$ 2,174,860	$ 1,070,814	$ 1,111,819

Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
The Group’s share of:				
Profit (loss) from continuing operations	$ (16,892)	$ 5,554	$ (23,415)	$ (37,348)
Profit (loss) from discontinued operations				
Other comprehensive income (loss)	(3,820)	(4,885)	15,338	(6,460)
Total comprehensive income (loss) for the period	$ (20,712)	$ 669	$ (8,077)	$ (43,808)

Investments were calculated based on financial statements which have not been audited. Management believes there is no material impact on the equity method of accounting or the calculation of the share of profit or loss and other comprehensive income from the financial statements which have not been audited.

The investments accounted for using the equity method were not pledged.

15. PROPERTY AND EQUIPMENT

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Cost				
Balance at January 1, 2018	$ 350,758	$ 173,139	$ 15,064	$ 538,961
Additions	2,874	424	5,472	8,770
Disposals	-	(1)	-	(1)
Reclassified	-	-	(8,881)	(8,881)
Effects of foreign currency exchange differences	-	764	-	764
Balance at June 30, 2018	$ 353,632	$ 174,326	$ 11,655	$ 539,613
Accumulated depreciation and impairment				
Balance at January 1, 2018	$ 315,353	$ 148,464	$ -	$ 463,817
Disposals	-	(1)	-	(1)
Depreciation expenses	7,360	4,002	-	11,362
Effects of foreign currency exchange differences	-	708	-	708
Balance at June 30, 2018	$ 322,713	$ 153,173	$ -	$ 475,886
Carrying amounts at June 30, 2018	$ 30,919	$ 21,153	$ 11,655	$ 63,727
Cost				
Balance at January 1, 2019	$ 388,165	$ 177,041	$ 45,038	$ 610,244

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Additions	2,522	190	47,246	49,958
Disposals	-	(21)	-	(21)
Reclassified	2,000	-	(4,622)	(2,622)
Effects of foreign currency exchange differences	-	474	-	474
Balance at June 30, 2019	$ 392,687	$ 177,684	$ 87,662	$ 658,033
Accumulated depreciation and impairment				
Balance at January 1, 2018	$ 331,005	$ 157,054	$ -	$ 488,059
Disposals	-	(21)	-	(21)
Depreciation expenses	10,410	4,028	-	14,438
Effects of foreign currency exchange differences	-	91	-	91
Balance at June 30, 2018	$ 341,415	$ 161,152	$ -	$ 502,567
Carrying amounts at June 30, 2019	$ 51,272	$ 16,532	$ 87,662	$ 155,466
Carrying amounts at December 31, 2018 and January 1, 2019	$ 57,160	$ 19,987	$ 45,038	$ 122,185

(Concluded)

The above items of property and equipment used by the Group are depreciated on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3-5 years
Other equipment	3-5 years

16. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	June 30, 2019
Carrying amounts	
Buildings	$ 56,619
Transportation equipment	9,718
	$ 66,337

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Additions to right-of-use assets	$ 11,583	$ 14,917
Depreciation charge for right-of-use assets		
Buildings	$ 34,990	$ 67,807

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Transportation equipment	956	1,901
	$ 35,946	$ 69,708

b. Lease liabilities - 2019

	June 30, 2019
Carrying amounts	$ 65,838

Range of discount rate for lease liabilities was as follows:

	June 30, 2019
Buildings	1.31%-8.57%
Transportation equipment	3.49%

c. Other lease information

2019

	For the Three Months Ended June 30, 2019	For the Six Months Ended June 30, 2019
Expenses relating to short-term leases	$ 1,984	$ 2,266
Total cash outflow for leases	$ (39,465)	$ (73,088)

The Group leases certain transportation equipment and buildings which qualify as short-term leases. The Group has elected to apply the recognition exemption and thus, did not recognize right-of-use assets and lease liabilities for these leases.

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

	December 31, 2018	June 30, 2018
Not later than 1 year	$ 93,709	$ 127,402
Later than 1 year and not later than 5 years	8,257	32,696
	$ 101,966	$ 160,098

The lease payments recognized in profit or loss were as follows:

	For the Six Months Ended June 30, 2018
Minimum lease payments	$ 74,987

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2018	$ 155,347
Additions	10,729
Reclassified	8,881
Effects of foreign currency exchange differences	365
Balance at June 30, 2018	$ 175,322
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ (106,500)
Amortization expenses	(13,993)
Effects of foreign currency exchange differences	(360)
Balance at June 30, 2018	$ (120,853)
Carrying amounts at June 30, 2018	$ 54,469
Cost	
Balance at January 1, 2019	$ 203,514
Additions	13,485
Reclassified	2,622
Effects of foreign currency exchange differences	223
Balance at June 30, 2019	$ 291,844
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ (138,119)
Amortization expenses	(19,075)
Effects of foreign currency exchange differences	826
Balance at June 30, 2019	$ (156,368)
Carrying amounts at June 30, 2019	$ 63,476
Carrying amounts at December 31, 2018 and January 1, 2019	$ 65,395

(Concluded)

The above items of intangible asset used by the Group are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	3 years

18. OTHER ASSETS

	June 30, 2019	December 31, 2018	June 30, 2018

	June 30, 2019	December 31, 2018	June 30, 2018
Statutory guarantee deposits	$ 515,907	$ 519,302	$ 572,692
Other deposits	124,150	131,364	97,716
Payment in advance	11,883	1,111,145	15,702
Others	35,428	36,907	60,185
	$ 687,368	$ 1,798,718	$ 746,295

The other assets were not pledged.

19. PAYABLES

	June 30, 2019	December 31, 2018	June 30, 2018
Claims outstanding	$ 406	$ -	$ -
Commissions payable	165,870	115,180	120,096
Due to reinsurers and ceding companies	1,845,877	1,499,224	1,499,064
Other payables	1,115,985	1,008,373	2,229,091
	$ 3,128,138	$ 2,622,777	$ 3,848,251

20. INSURANCE LIABILITIES

	June 30, 2019	December 31, 2018	June 30, 2018
Unearned premium reserve	$ 12,420,018	$ 12,027,482	$ 11,898,024
Claims reserve	8,853,241	8,474,319	8,252,131
Special reserve	3,070,898	3,272,479	3,235,606
Premium deficiency reserve	7,332	11,347	5,466
Liability reserve	51	48	49
	$ 24,351,540	$ 23,785,675	$ 23,391,276

a. Unearned premium reserve

1) Unearned premium reserve and ceded unearned premium reserve

	June 30, 2019			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 2,094,317	$ 142,175	$ 1,287,034	$ 949,458
Marine insurance	162,724	10,280	112,229	60,775
Land and air insurance	5,082,110	(87)	173,742	4,908,281
Liability insurance	724,751	1,129	245,838	480,042
Bonding insurance	66,245	637	45,870	21,012

	June 30, 2019			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Other property insurance	752,383	65,039	467,505	349,917
Accident insurance	1,514,836	5,147	111,910	1,408,073
Health insurance	71,111	2,341	-	73,452
Compulsory auto liability insurance	1,254,496	470,384	752,698	972,182
	$ 11,722,973	$ 697,045	$ 3,196,826	$ 9,223,192

	December 31, 2018			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 1,876,580	$ 202,282	$ 1,131,256	$ 947,606
Marine insurance	160,920	7,893	105,301	63,512
Land and air insurance	4,958,232	1,117	207,212	4,752,137
Liability insurance	741,928	998	266,606	476,320
Bonding insurance	51,296	680	36,484	15,492
Other property insurance	676,105	76,291	387,989	364,407
Accident insurance	1,463,714	5,146	74,007	1,394,853
Health insurance	62,309	9,562	-	71,871
Compulsory auto liability insurance	1,261,457	470,972	756,874	975,555
	$ 11,252,541	$ 774,941	$ 2,965,729	$ 9,061,753

	June 30, 2018			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ 2,030,447	$ 209,467	$ 1,196,954	$ 1,042,960
Marine insurance	170,893	10,117	118,408	62,602
Land and air insurance	4,776,259	633	198,066	4,578,826
Liability insurance	647,792	1,110	193,474	455,428
Bonding insurance	53,395	897	36,980	17,312
Other property insurance	620,389	53,471	422,972	250,888
Accident insurance	1,504,288	3,861	79,418	1,428,731
Health insurance	61,855	5,169	-	67,024
Compulsory auto liability	1,266,765	481,216	760,039	987,942

	June 30, 2018			
	Unearned Premium Reserve		Reserve for Unearned Ceded Premium	
Insurance by Type	**Direct Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
insurance				
	$ 11,132,083	$ 765,941	$ 3,006,311	$ 8,891,713

2) Reconciliation statement of unearned premium reserve and ceded unearned premium reserve

	For the Six Months Ended June 30			
	2019		2018	
	Unearned Premium Reserves	**Reserve for Unearned Ceded Premium**	**Unearned Premium Reserves**	**Reserve for Unearned Ceded Premium**
Balance at January 1	$ 12,027,482	$ 2,965,729	$ 11,502,792	$ 2,889,339
Provision	12,415,081	3,196,750	11,895,346	3,004,847
Release	(12,028,452)	(2,966,272)	(11,502,124)	(2,889,022)
Effect of foreign currency exchange differences	5,907	619	2,010	1,147
Balance at June 30	$ 12,420,018	$ 3,196,826	$ 11,898,024	$ 3,006,311

b. Claims reserve

1) Claims reserve and reserve for ceded claims

	June 30, 2019			
	Claims Reserve		Reserve for Ceded Claims	
Items	**Direct Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Outstanding claims	$ 3,918,636	$ 388,079	$ 1,219,104	$ 3,087,611
IBNR claims	4,091,305	455,221	1,136,177	3,410,349
	$ 8,009,941	$ 843,300	$ 2,355,281	$ 6,497,960

	December 31, 2018			
	Claims Reserve		Reserve for Ceded Claims	
Items	**Direct Business (1)**	**Reinsurance Inward Business (2)**	**Ceded Reinsurance Business (3)**	**Retained Business (4)=(1)+(2)-(3)**
Outstanding claims	$ 3,670,166	$ 330,733	$ 1,231,776	$ 2,769,123
IBNR claims	4,026,955	446,465	1,113,251	3,360,169
	$ 7,697,121	$ 777,198	$ 2,345,027	$ 6,129,292

Items	June 30, 2018			
	Claims Reserve		Reserve for Ceded Claims	
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Outstanding claims	$ 3,434,027	$ 286,747	$ 1,430,673	$ 2,290,101
IBNR claims	4,087,273	444,084	1,141,196	3,390,161
	$ 7,521,300	$ 730,831	$ 2,571,869	$ 5,680,262

2) Changes in claims reserve and reserve for ceded claims

For the six months ended June 30, 2019

Items	Direct Business		Reinsurance Inward Business		Movement of Claims Reserves
	Provision (1)	Release (2)	Provision (3)	Release (4)	(5)=(1)-(2)+ (3)-(4)
Outstanding claims	$ 3,934,420	$ 3,687,249	$ 388,079	$ 330,733	$ 304,517
IBNR claims	4,075,007	4,011,028	455,221	446,465	72,735
	$ 8,009,427	$ 7,698,277	$ 843,300	$ 777,198	$ 377,252

Items	Ceded Reinsurance Business		Movement of Reserve for Ceded Claims
	Provision (6)	Release (7)	(8)=(6)-(7)
Outstanding claims	$ 1,227,207	$ 1,241,014	$ (13,807)
IBNR claims	1,128,004	1,105,134	22,870
	$ 2,355,211	$ 2,346,148	$ 9,063

For the six months ended June 30, 2018

Items	Direct Business		Reinsurance Inward Business		Movement of Claims Reserves
	Provision (1)	Release (2)	Provision (3)	Release (4)	(5)=(1)-(2)+ (3)-(4)
Outstanding claims	$ 3,429,910	$ 3,555,690	$ 286,747	$ 286,595	$ (125,628)
IBNR claims	4,087,026	3,796,188	444,084	442,692	292,230
	$ 7,516,936	$ 7,351,878	$ 730,831	$ 729,287	$ 166,602

	Ceded Reinsurance Business	Movement of Reserve for Ceded Claims

Items	Provision (6)	Release (7)	(8)=(6)-(7)
Outstanding claims	$ 1,426,944	$ 1,340,994	$ 85,950
IBNR claims	1,141,079	1,132,228	8,851
	$ 2,568,023	$ 2,473,222	$ 94,801

3) Liability on policyholders' outstanding claims and incurred but not reported (IBNR) claims

Liability on policyholders' settled claims, outstanding claims and IBNR claims

	June 30, 2019		
	Liability		
Insurance by Type	Outstanding Claims	IBNR	Total
Fire insurance	$ 919,665	$ 17,415	$ 937,080
Marine insurance	244,621	23,414	268,035
Land and air insurance	1,542,570	1,358,865	2,901,435
Liability insurance	531,403	768,728	1,300,131
Bonding insurance	60,097	49,033	109,130
Other property insurance	394,236	156,429	550,665
Accident insurance	99,119	576,713	675,832
Health insurance	3,820	49,140	52,960
Compulsory auto liability insurance	511,184	1,546,789	2,057,973
	$ 4,306,715	$ 4,546,526	$ 8,853,241

	December 31, 2018		
	Liability		
Insurance by Type	Outstanding Claims	IBNR	Total
Fire insurance	$ 801,557	$ 15,818	$ 817,375
Marine insurance	238,811	2,757	241,568
Land and air insurance	1,385,474	1,329,879	2,715,353
Liability insurance	432,229	737,982	1,170,211
Bonding insurance	70,043	67,414	137,457
Other property insurance	414,592	155,267	569,859
Accident insurance	131,876	557,243	689,119
Health insurance	2,058	48,746	50,804
Compulsory auto liability insurance	524,259	1,558,314	2,082,573
	$ 4,000,899	$ 4,473,420	$ 8,474,319

	June 30, 2018		
	Liability		
Insurance by Type	Outstanding Claims	IBNR	Total
Fire insurance	$ 1,082,458	$ 12,737	$ 1,095,195
Marine insurance	258,924	5,141	264,065
Land and air insurance	987,810	1,370,798	2,358,608
Liability insurance	412,472	716,915	1,129,387
Bonding insurance	70,777	105,845	176,622
Other property insurance	377,417	150,503	527,920

Insurance by Type	June 30, 2018		
	Liability		
	Outstanding Claims	IBNR	Total
Accident insurance	75,846	566,490	642,336
Health insurance	4,485	50,801	55,286
Compulsory auto liability insurance	450,585	1,552,127	2,002,712
	$ 3,720,774	$ 4,531,357	$ 8,252,131

4) Reinsurance assets - ceded claim reserves for outstanding claims and IBNR claims

Insurance by Type	June 30, 2019		
	Liability		
	Outstanding Claims	IBNR	Total
Fire insurance	$ 312,511	$ 8,830	$ 321,341
Marine insurance	138,659	15,347	154,006
Land and air insurance	56,540	40,377	96,917
Liability insurance	330,935	279,221	610,156
Bonding insurance	31,074	31,367	62,441
Other property insurance	157,057	49,387	206,444
Accident insurance	6,639	35,163	41,802
Health insurance	-	-	-
Compulsory auto liability insurance	185,689	676,485	862,174
	$ 1,219,104	$ 1,136,177	$ 2,355,281

Insurance by Type	December 31, 2018		
	Liability		
	Outstanding Claims	IBNR	Total
Fire insurance	$ 354,864	$ 7,644	$ 362,508
Marine insurance	146,021	675	146,696
Land and air insurance	75,958	38,139	114,097
Liability insurance	259,524	258,328	517,852
Bonding insurance	32,831	40,365	73,196
Other property insurance	151,157	51,462	202,619
Accident insurance	4,764	34,967	39,731
Health insurance	-	-	-
Compulsory auto liability insurance	206,657	681,671	888,328
	$ 1,231,776	$ 1,113,251	$ 2,345,027

Insurance by Type	June 30, 2018		
	Liability		
	Outstanding Claims	IBNR	Total
Fire insurance	$ 593,215	$ 6,571	$ 599,786
Marine insurance	177,756	1,845	179,601
Land and air insurance	54,728	39,202	93,930
Liability insurance	240,118	240,752	480,870
Bonding insurance	32,817	83,613	116,430

Insurance by Type	June 30, 2018 Liability Outstanding Claims	IBNR	Total
Other property insurance	171,926	49,942	221,868
Accident insurance	5,713	41,533	47,246
Health insurance	-	-	-
Compulsory auto liability insurance	154,400	677,738	832,138
	$ 1,430,673	$ 1,141,196	$ 2,571,869

5) Reconciliation statement of claims reserve and ceded claims reserve

	For the Six Months Ended June 30			
	2019		2018	
	Claims Reserve	Reserve for Ceded Claims	Claims Reserve	Reserve for Ceded Claims
Balance at January 1	$ 8,474,319	$ 2,345,027	$ 8,082,584	$ 2,474,474
Provision	8,852,727	2,355,211	8,247,767	2,568,023
Release	(8,475,475)	(2,346,148)	(8,081,165)	(2,473,222)
Effect of foreign currency exchange differences	1,670	1,191	2,945	2,594
Balance at June 30	$ 8,853,241	$ 2,355,281	$ 8,252,131	$ 2,571,869

c. Special reserve

1) Special reserve - compulsory auto liability insurance

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ 1,478,016	$ 1,575,128
Provision	21,379	5,409
Release	(222,959)	(158,120)
Balance at June 30	$ 1,276,436	$ 1,422,417

2) Special reserve - all lines of business other than compulsory auto liability insurance

	For the Six Months Ended June 30, 2019		
	Liability		
	Catastrophe Reserve	Equalization Reserve	Total
Balance at January 1	$ 449,445	$ 1,345,017	$ 1,794,462
Provision	-	-	-
Release	-	-	-
Balance at June 30	$ 449,445	$ 1,345,017	$ 1,794,462

	For the Six Months Ended June 30, 2018
	Liability

	Catastrophe Reserve	Equalization Reserve	Total
Balance at January 1	$ 468,172	$ 1,345,017	$ 1,813,189
Provision	-	-	-
Release in	-	-	-
Balance at June 30	$ 468,172	$ 1,345,017	$ 1,813,189

If the Group had not adopted the "Notice for the improvement of the reserves of natural disaster insurances (commercial-business earthquake, typhoon and flood insurances) for property insurance enterprises", "Notice for the improvement of the reserves of co-assurance organization" and "Regulations governing the reserves of nuclear energy insurance", there is no material impact on the Group's profit or loss and earnings per share. The Group's special reserve of liabilities and special capital reserve of equity decreased by $1,485,963 thousand and increased by $508,108 thousand, respectively.

d. Premium deficiency reserves

1) Premium deficiency reserve and ceded premium deficiency reserve

	June 30, 2019			
	Premium Deficiency Reserve		Reserve for Ceded Premium Deficiency	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	3,711	311	-	4,022
Land and air insurance	3,203	107	-	3,310
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 6,914	$ 418	$ -	$ 7,332

	December 31, 2018			
	Premium Deficiency Reserve		Reserve for Ceded Premium Deficiency	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	2,253	714	-	2,967
Land and air insurance	7,512	868	-	8,380
Liability insurance	-	-	-	-

	December 31, 2018			
	Premium Deficiency Reserve		Reserve for Ceded Premium Deficiency	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 9,765	$ 1,582	$ -	$ 11,347

	June 30, 2018			
	Premium Deficiency Reserve		Reserve for Ceded Premium Deficiency	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	2,317	170	-	2,487
Land and air insurance	2,537	442	388	2,591
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 4,854	$ 612	$ 388	$ 5,078

2) Net loss recognized for premium deficiency reserve - Net change for premium deficiency reserve and ceded premium deficiency reserve

	For the Six Months Ended June 30, 2019								
	Direct Underwriting Business		Assumed Reinsurance Business		Net Change for Premium Deficiency Reserve	Ceded Reinsurance Business		Net Change for Ceded Premium Deficiency Reserve	Recognized Net Loss (Gain) for Premium Deficiency Reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2)+(3)-(4)	Reserve (6)	Recover (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	3,711	2,253	311	714	1,055				1,055
Land and air insurance	3,203	7,512	107	868	(5,070)				(5,070)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 6,914	$ 9,765	$ 418	$ 1,582	$ (4,015)	$ -	$ -	$ -	$ (4,015)

For the Six Months Ended June 30, 2018

	Direct Underwriting Business		Assumed Reinsurance Business		Net Change for Premium Deficiency Reserve	Ceded Reinsurance Business		Net Change for Ceded Premium Deficiency Reserve	Recognized Net Loss (Gain) for Premium Deficiency Reserve
	Reserve (1)	Recover (2)	Reserve (3)	Recover (4)	(5)=(1)-(2)+(3)-(4)	Reserve (6)	Recover (7)	Reserve (8)=(6)-(7)	Reserve (9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	2,317	1,145	170	102	1,240	-	-	-	1,240
Land and air insurance	2,537	8,446	442	2,932	(8,399)	388	2,578	(2,190)	(6,209)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 4,854	$ 9,591	$ 612	$ 3,034	$ (7,159)	$ 388	$ 2,578	$ (2,190)	$ (4,969)

3) Reconciliation statement for premium deficiency reserve and ceded premium deficiency reserve

	For the Six Months Ended June 30			
	2019		2018	
	Premium Deficiency Reserve	Reserve for Ceded Premium Deficiency	Premium Deficiency Reserve	Reserve for Ceded Premium Deficiency
Balance at January 1	$ 11,347	$ -	$ 12,625	$ 2,578
Provision	7,332	-	5,466	388
Release	(11,347)	-	(12,625)	(2,578)
Balance at June 30	$ 7,332	$ -	$ 5,466	$ 388

4) Effects for the change of estimation and assumption

Premium deficiency reserve is a measurement of present value for future expenditure. The expected final loss ratio referred to the data in the past three years, large-compensation cases and loss trend. The expected operation expense ratio referred to the insurance expense exhibit in the past three years excluding entertainment expense and membership fee. The actual ratio of return on investment may not be the same as the expected ratio due to the uncertainty of estimation and assumption.

e. Liability reserve

1) Liability reserve and liability ceded reserve

June 30, 2019

	Liability Reserve		Liability Ceded Reserve	
Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 51	$ -	$ -	$ 51

December 31, 2018

	Liability Reserve		Liability Ceded Reserve Premium

Insurance by Type	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 48	$ -	$ -	$ 48

June 30, 2018

Insurance by Type	Liability Reserve		Liability Ceded Reserve Premium	
	Direct Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 49	$ -	$ -	$ 49

2) Net change for liability reserve and liability reserve ceded

For the six months ended June 30, 2019

Insurance by Type	Direct Business		Reinsurance Inward Business		Net Change for Liability Reserve
	Provision (1)	Release (2)	Provision (3)	Release (4)	(5)=(1)-(2)+ (3)-(4)
Health insurance	$ 15	$ 12	$ -	$ -	$ 3

Insurance by Type	Ceded Reinsurance Business		Net Change for Liability Reserve Ceded
	Provision (6)	Release (7)	(8)=(6)-(7)
Health insurance	$ -	$ -	$ -

For the six months ended June 30, 2018

Insurance by Type	Direct Business		Reinsurance Inward Business		Net Change for Liability Reserve
	Provision (1)	Release (2)	Provision (3)	Release (4)	(5)=(1)-(2)+ (3)-(4)
Health insurance	$ 3	$ 9	$ -	$ -	$ (6)

Insurance by Type	Ceded Reinsurance Business		Net Change for Liability Reserve Ceded
	Provision (6)	Release (7)	(8)=(6)-(7)
Health insurance	$ -	$ -	$ -

21. PREFERRED STOCK LIABILITIES

In accordance with the resolution of the board of directors' meeting on October 7, 2011, the Company issued 31,250 thousand shares of Class A preferred stocks at the par value of $10 per share through private offerings. The offering was approved by Insurance Bureau of Financial Supervisory Commission, Executive Yuan ("Insurance Bureau") on October 26, 2011. Primary terms and conditions of the privately offered Class A preferred stocks are listed as follows:

a. Issuance period covers from November 11, 2011, the issue date, to November 10, 2018, seven years in total.

b. Dividend yield is 1.86% per year based on the actual issue price of $32 per share. Unpaid dividends will accumulate and shall be paid in full with priority in the year with earnings.

c. The preference shares are not convertible to common stocks. When the shares are mature, the Company shall repurchase the shares at the issue price in compliance with R.O.C. Company Law. If the Company is not able to repurchase all or a portion of the issued preferred stocks due to force majeure, the terms of the preferred stocks remain the same until the Company repurchases all outstanding shares. Dividends will be calculated at the original rate based on the actual extended period. Preferred shareholders' rights shall not be violated.

d. Preferred shareholders do not have rights to require the Company to redeem the shares. Five years after issuance, the Company can redeem the shares with the approval from the governing authorities.

According to the IAS 32 "Financial Instruments: Presentation", the above-mentioned preferred stocks issued shall be reported as "preferred stock liabilities" under financial liabilities.

On March 14, 2018, board of directors resolved in compliance with R.O.C. Company Law Article 158 and the Company's Article of Incorporation, redeeming the shares of Class A in advance in mid-July 2018. The reduction of preferred stocks was approved by the FSC's Insurance bureau on June 11, 2018 and the record date for reduction of share capital on July 12, 2018.

22. RETIREMENT BENEFIT PLANS

a. Defined contribution plan

   The Company of the Group adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Company makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

   Pension benefits for employees of overseas subsidiaries and branches are provided in accordance with the local regulations.

   Pension under the defined contribution plan for the three months ended June 30, 2019 and 2018 were $20,970 thousand and $19,964 thousand, respectively, and were $41,620 thousand and $39,911 thousand for six months ended June 30, 2019 and 2018, respectively.

b. Defined benefit plans

   Pension under the defined benefit plans for the three months ended June 30, 2019 and 2018 were $10,148 thousand and $10,297 thousand, respectively, and were $20,295 thousand and $20,593 thousand for the six months ended June 30, 2019 and 2018, respectively, which were calculated by actuarial determination of retirement cost ratio on December 31, 2018 and 2017, respectively.

23. EQUITY

a. Share capital

	June 30, 2019	December 31, 2018	June 30, 2019
Number of shares authorized (in thousands)	305,705	305,705	305,705
Shares authorized	$ 3,057,052	$ 3,057,052	$ 3,057,052
Number of shares issued and fully paid (in thousands)	305,705	305,705	305,705
Shares issued	$ 3,057,052	$ 3,057,052	$ 3,057,052

b. Capital surplus

The capital surplus from shares issued in excess of par (share premium from issuance of ordinary shares due to combination) and endowments received by the Company may use to offset a deficit. The capital surplus may be distributed by issuing new shares or by cash. However, under Rule No. 10202501991 issued by the FSC, not only the Company's legal reserve should exceed its paid-in capital but also other conditions requested under the Rule should be satisfied; then, the Company can distribute its capital surplus by cash after the authority's approval under the Company Act Article 241.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as a legal reserve 20% of the remaining profit, setting aside or reversing a special reserve in accordance with the laws and regulations, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for the proposing a distribution plan, which should be resolved in the shareholders' meeting for the distribution of dividends and bonuses to shareholders. In formulating its dividend policy, the Company considers both its operating needs and the shareholders' interests. Thus, dividends are distributed after the Company reserves the cash requirement for future capital expenditures. For the policies on the distribution of employees' compensation and remuneration to directors and supervisors before and after the amendment, refer to Note 24.

An appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. However, under Rule No. 10202501991 issued by the FSC, not only the Company's legal reserve should exceed its paid-in capital but also other conditions requested under the Rule should be satisfied; then, the Company can distribute its legal reserve by cash after the authority's approval under the Company Act Article 241.

Under Rule No. 10102508861, Rule No. 10402501001 and Rule No. 10502066461 issued by the FSC and the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs", the Company should appropriate or reverse to a special reserve.

The appropriations of earnings for 2018 and 2017 that were approved by the board of directors, acting on behalf of the shareholders, on May 3, 2019 and April 25, 2018, respectively, were as follows:

	Appropriation of Earnings For the Year Ended December 31		Dividends Per Share (NT$) For the Year Ended December 31	
	2018	2017	2018	2017

	Appropriation of Earnings		Dividends Per Share (NT$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2018	2017	2018	2017
Legal reserve	$ 275,249	$ 371,267		
Special reserve	513,659	(224,239)		
Special reserve (according to regulation for insurance enterprises on the provision of reserves)	468,632	346,625		
Special reserve (FinTech development)	7,549	9,291		
Cash dividends	111,158	1,354,833	$ 0.36	$ 4.43

d. Special reserve

	For the Six Months Ended June 30, 2019				
	Special Reserve				
	Catastrophe Reserve	Equalization Reserve	Others	Others	Total
Balance at January 1, 2019	$ 1,389,937	$ 2,223,681	$ -	$ 320,632	$ 3,934,250
Provision for the year	-	-	-	521,208	521,208
Recovered/reversal for the year	-	-	-	-	-
Balance at June 30, 2019	$ 1,389,937	$ 2,223,681	$ -	$ 841,840	$ 4,455,458

	For the Six Months Ended June 30, 2018				
	Special Reserve				
	Catastrophe Reserve	Equalization Reserve	Others	Others	Total
Balance at January 1, 2018	$ 1,188,322	$ 1,956,644	$ -	$ 535,580	$ 3,680,566
Provision for the year	-	-	-	-	-
Recovered/reversal for the year	-	-	-	(214,948)	(214,948)
Balance at June 30, 2018	$ 1,188,322	$ 1,956,644	$ -	$ 320,632	$ 3,465,618

The newly recognized catastrophe reserve and the equalization reserve began to be reported as part of the special reserve under shareholders' equity at year-end. This portion of retained earnings cannot be used for any purpose. The accumulative recognized amount as of June 30, 2019 and 2018 was $3,613,618 thousand and $3,144,986 thousand, respectively.

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	For the Six Months Ended June 30

	2019	2018
Balance at January 1	$ (228,873)	$ (207,639)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	4,178	6,733
Share from associates accounted for using the equity method	12,074	5,514
Other comprehensive income recognized for the period	16,252	12,247
Balance at June 30	$ (212,621)	$ (195,392)

2) Unrealized gain (loss) on financial assets at FVTOCI

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ (153,280)	$ (116,730)
Recognized for the period		
Unrealized gain (loss) - debt instruments	15,516	(629)
Unrealized gain (loss) - equity instruments	17,400	(35,400)
Adjustments of loss allowance in debt instruments	(77)	26
Shares from associates accounted for using the equity method	15,338	(6,461)
Other comprehensive income recognized for the period	48,177	(42,464)
Balance at June 30	$ (105,103)	$ (159,194)

3) Remeasurement of defined benefit plans

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ (163,649)	$ (159,025)
Effect of change in tax rate	-	5,748
Balance at June 30	$ (163,649)	$ (153,277)

4) Other comprehensive income reclassified under the overlay approach

	For the Six Months Ended June 30	
	2019	2018
Balance at January 1	$ (266,845)	$ 330,185
Recognized for the period	598,214	250,646
Reclassification adjustments		
Disposal of financial instruments	(189,755)	(466,010)
Related income tax	(12,041)	15,991
Other comprehensive income recognized for the period	396,418	(199,373)
Balance at June 30	$ 129,573	$ 130,812

24. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Bank deposits	$ 15,219	$ 22,668	$ 31,750	$ 39,250
Bills purchased under resale agreement	414	247	643	494
Financial instruments at FVTPL	16,284	16,142	25,730	30,101
Investments in debt instruments at FVTOCI	3,055	4,133	6,422	8,218
Financial assets at amortized cost	97,715	96,614	195,121	191,448
Loan	945	925	1,921	1,886
Compulsory insurance	3,825	4,075	7,649	8,151
Other financial assets	31	2	38	6
	$ 137,488	$ 145,106	$ 269,280	$ 279,554

b. Summary statement of employee benefit, depreciation and amortization expenses by function

	For the Three Months Ended June 30, 2019			For the Three Months Ended June 30, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 73,060	$ 506,038	$ 579,098	$ 52,214	$ 492,247	$ 544,461
Labor and health insurance	-	53,243	53,243	-	51,036	51,036
Pension expenses	-	31,117	31,117	-	30,261	30,261
Remuneration of directors	-	1,928	1,928	-	1,719	1,719
Other employee benefits	-	12,375	12,375	-	13,115	13,115
	$ 73,060	$ 604,701	$ 677,761	$ 52,214	$ 588,378	$ 640,592
Depreciation	$ -	$ 43,256	$ 43,256	$ -	$ 5,738	$ 5,738
Amortization	$ -	$ 10,013	$ 10,013	$ -	$ 7,427	$ 7,427

	For the Six Months Ended June 30, 2019			For the Six Months Ended June 30, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 146,939	$ 1,028,647	$ 1,175,586	$ 147,225	$ 969,630	$ 1,116,855
Labor and health insurance	-	114,004	114,004	-	109,779	109,779
Pension expenses	-	61,914	61,914	-	60,504	60,504

	For the Six Months Ended June 30, 2019			For the Six Months Ended June 30, 2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Remuneration of directors	-	12,253	12,253	-	13,270	13,270
Other employee Benefits	-	21,774	21,774	-	22,134	22,134
	$ 146,939	$ 1,238,592	$ 1,385,531	$ 147,225	$ 1,175,317	$ 1,322,542
Depreciation	$ -	$ 84,146	$ 84,146	$ -	$ 11,362	$ 11,362
Amortization	$ -	$ 19,075	$ 19,075	$ -	$ 13,993	$ 13,993

There were 2,247 and 2,181 employees, both of which include 8 directors not serving concurrently as employees, in the Group as of June 30, 2019 and 2018, respectively.

c. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 0.1% and no higher than 1.5%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Six Months Ended June 30	
	2019	2018
Employees' compensation	0.1%	0.1%
Remuneration of directors and supervisors	-	-

Amount

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Employees' compensation	$ 622	$ 809	$ 1,202	$ 1,401
Remuneration of directors and supervisors	$ -	$ -	$ -	$ -

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate.

The appropriation of employees' compensation and remuneration of directors and supervisors for 2018 and 2017 that were resolved by the board of directors on March 20, 2019 and March 14, 2018, respectively, are as shown below:

Amount

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Employees' compensation	$ 1,861	$ 2,157

	For the Year Ended December 31	
	2018	2017
	Cash	Cash
Remuneration of directors and supervisors	4,474	4,500

There is no difference between the actual amounts of employees' compensation and the remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

25. INCOME TAX

a. Major components of income tax expense recognized in profit or loss

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Current tax				
In respect of the current period	$ 96,211	$ 119,226	$ 190,458	$ 156,182
Income tax adjustment for prior periods	101	6,632	101	6,632
	96,312	125,858	190,559	162,814
Deferred tax				
In respect of the current period	10,162	(8,031)	13,494	50,254
Effect of change in tax rate	-	4,451	-	18,203
	10,162	(3,580)	13,494	68,457
Income tax expense recognized in profit or loss	$ 106,474	$ 122,278	$ 204,053	$ 231,271

The Income Tax Act in the R.O.C. was amended in 2018, and the corporate income tax rate was adjusted from 17% to 20%. The effect of the change in tax rate on deferred tax expense to be recognized in profit or loss is recognized in full in the period in which the change in tax rate occurs. In addition, the rate of the corporate surtax applicable to the 2018 unappropriated earnings will be reduced from 10% to 5%.

b. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Deferred tax				
Effect of change in tax rate	$ -	$ -	$ -	$ (4,235)
In respect of the current period:				
Other comprehensive losses or gains reclassification in	(4,036)	(3,098)	12,041	(17,504)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
overlay approach				
Total income tax recognized in other comprehensive income	$ (4,036)	$ (3,098)	$ 12,041	$ (21,739)

c. Income tax assessments

Income tax returns through 2014 of the Company have been assessed by the tax authorities.

26. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares outstanding in the computation of earnings per share were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Earnings used in the computation of basic earnings per share	$ 514,244	$ 685,362	$ 996,329	$ 1,168,109
Effect of potentially dilutive ordinary shares:				
Employees' compensation	-	-	-	-
Earnings used in the computation of diluted earnings per share	$ 514,244	$ 685,362	$ 996,329	$ 1,168,109

The weighted average number of ordinary shares outstanding (in thousands of shares) is as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2019	2018	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	305,705	305,705	305,705	305,705
Effect of potentially dilutive ordinary shares:				
Employees' compensation	30	34	57	66
Weighted average number of ordinary shares used in the computation of diluted earnings per share	305,735	305,739	305,762	305,771

If the Group offered to settle compensation or bonuses paid to employees in cash or shares, the Group assumed the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

27. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

June 30, 2019

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,398,967	$ -	$ 1,398,967	$ -	$ 1,398,967
Foreign corporate bonds	6,980,557	-	7,413,421	-	7,413,421
	$ 8,379,524	$ -	$ 8,812,388	$ -	$ 8,812,388
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 515,907	$ -	$ 515,907	$ -	$ 515,907

December 31, 2018

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,598,964	$ -	$ 1,598,964	$ -	$ 1,598,964
Foreign corporate bonds	6,927,276	-	6,816,380	-	6,816,380
	$ 8,526,240	$ -	$ 8,415,344	$ -	$ 8,415,344
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 519,302	$ -	$ 519,302	$ -	$ 519,302

June 30, 2018

	Carrying Amount	Fair Value Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,747,965	$ -	$ 1,747,965	$ -	$ 1,747,965
Domestic financial bonds	299,915	-	299,915	-	299,915
Foreign corporate bonds	6,903,111	-	6,918,379	-	6,918,379
Foreign certificate of deposit	41,305	-	41,305	-	41,305
	$ 8,992,296	$ -	$ 9,007,564	$ -	$ 9,007,564

Other assets

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Domestic government bonds (statutory guarantee deposits)	$ 572,693	$ -	$ 572,693	$ -	$ 572,693

b. Fair value of financial instruments measured at fair value on a recurring basis

1) Fair value hierarchy

June 30, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 7,858	$ -	$ 7,858
Domestic listed shares	3,952,619	-	-	3,952,619
Foreign listed shares	304,997	-	-	304,997
Mutual funds	1,910,427	-	-	1,910,427
Domestic financial bonds	-	773,952	-	773,952
	$ 6,168,043	$ 781,810	$ -	$ 6,949,853
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 423,000	$ 423,000
Investments in debt instruments				
Domestic government bonds	-	758,078	-	758,078
	$ -	$ 758,078	$ 423,000	$ 1,181,078
Financial liabilities at FVTPL				
Derivatives	$ -	$ 77,241	$ -	$ 77,241

December 31, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 6,280	$ -	$ 6,280
Domestic listed shares	3,187,227	-	-	3,187,227
Foreign listed shares	246,744	-	-	246,744
Mutual funds	1,667,453	-	-	1,667,453
Domestic financial bonds	-	779,680	-	779,680
	$ 5,101,424	$ 785,960	$ -	$ 5,887,384
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 405,600	$ 405,600
Investments in debt instruments				
Domestic government bonds	-	745,593	-	745,593
Domestic financial bonds	-	300,251	-	300,251
	$ -	$ 1,045,844	$ 405,600	$ 1,451,444
Financial liabilities at FVTPL				
Derivatives	$ -	$ 50,041	$ -	$ 50,041

June 30, 2018

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 766	$ -	$ 766
Domestic listed shares	5,038,657	-	-	5,038,657
Foreign listed shares	306,512	-	-	306,512
Mutual funds	2,281,848	-	-	2,281,848
Domestic financial bonds	-	777,339	-	777,339
	$ 7,627,017	$ 778,105	$ -	$ 8,405,122
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 403,200	$ 403,200
Investments in debt instruments				
Domestic government bonds	-	744,833	-	744,833
Domestic financial bonds	-	301,516	-	301,516
	$ -	$ 1,046,349	$ 403,200	$ 1,449,549
Financial liabilities at FVTPL				
Derivatives	$ -	$ 207,418	$ -	$ 207,418

For the six months ended June 30, 2018, the Group's stock measured at fair value on a recurring basis in the amount of $103,292 thousand was transferred from Level 2 to Level 1 due to acquisition of market price.

2) Reconciliation of Level 3 fair value measurements of financial instruments

For the six months ended June 30, 2019

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Balance at January 1, 2019	$ 405,600
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	17,400
Balance at June 30, 2019	$ 423,000

For the six months ended June 30, 2018

Financial Assets	Financial Assets at FVTOCI Equity Instrument
Balance at January 1, 2018	$ 438,600
Recognized in other comprehensive income (included in unrealized gain on financial assets at FVTOCI)	(35,400)
Balance at June 30, 2018	$ 403,200

3) Valuation techniques and inputs applied for Level 2 fair value measurement

Financial Instrument	Valuation Technique and Inputs
Derivatives-foreign exchanges swaps	Discounted cash flow. Future cash flows are estimated based on observable forward exchange rates at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.
Domestic government bonds	Quotation by Taipei Exchange
Domestic listed bonds	Quotation by Taipei Exchange
Foreign listed bonds	Reference to quotation by the investment system

4) Valuation techniques and inputs applied for Level 3 fair value measurement

The Group's Risk Management Department is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Department analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies at each reporting date.

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

	June 30, 2019			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability, the lower the fair value of the stocks

	December 31, 2018			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	29%	The higher the discount for lack of marketability, the lower the fair value of the stocks

	June 30, 2018			
Financial Assets	**Valuation Techniques**	**Significant Unobservable Inputs**	**Weighted Average Number**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTOCI	Market approach	Discount for lack of marketability	30%	The higher the discount for lack of marketability, the lower the fair value of the stocks

c. Categories of financial instruments

	June 30, 2019	December 31, 2018	June 30, 2018
Financial assets			

	June 30, 2019	December 31, 2018	June 30, 2018
FVTPL			
Mandatorily classified as at FVTPL	$ 6,949,853	$ 5,887,384	$ 8,405,122
Financial assets at amortized cost (1)	23,032,964	21,958,423	21,847,952
Financial assets at FVTOCI			
Equity instruments	423,000	405,600	403,200
Debt instruments	758,078	1,045,844	1,046,349
Financial liabilities			
FVTPL			
Mandatorily classified as at FVTPL	77,241	50,041	207,418
Amortized cost (2)	3,128,138	2,622,777	4,848,251

1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, receivables, loan and refundable deposits.

2) The balances include financial liabilities measured at amortized cost, which comprise payables and preferred stock liability.

d. Financial risk management objectives and policies

The Group's major financial instruments include equity and debt investments, derivatives, receivables, payables and bonds payable. The major risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Market risk analysis

Market risk is the risk of potential revenue and portfolio value reduction due to the fluctuations of market risk factors, such as exchange rates, commodity prices, interest rates, credit spreads, and stock prices.

The Group continues to use market risk management tools such as value-at-risk and stress testing to completely and effetely measure, monitor and manage market risk.

a) Value-at-risk

Value-at-risk is used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level when the market risk factors changes. The Group estimates value at risk on the next day (week or two weeks) with a 99% level of confidence.

The value-at-risk model must reasonably, completely and accurately measure the maximum potential risk to be used as the Group's risk management model. The risk management model must conduct back testing on an ongoing basis to ensure the model can effectively measure the maximum potential risk of a financial instrument or a portfolio.

b) Stress testing

In addition to the value-at-risk model, the Group periodically uses stress testing to assess the potential risk of extreme incidents. Stress testing is used to evaluate the potential impact on portfolio values when a series of financial variables undergo extreme changes.

The Group conducts stress testing regularly on positions by simple sensitivity analysis and scenario analysis. The stress testing contains changes of various risk factors in all historical scenarios that may cause losses in an investment portfolio.

i. Simple sensitivity

Simple sensitivity mainly measures changes in value of portfolio caused by specific risk factor.

ii Scenario analysis

Scenario analysis measures the change in the total value of a portfolio under a stressful event. The measures include:

i) Historical scenarios

The measure selects from historical data of a certain period and adds the volatility of the risk factors selected to a given portfolio, and then calculates the amount of loss.

ii) Hypothetical scenarios

Hypothetical scenario makes reasonable hypothesis with respect to possible extreme market changes and includes the risk factors related to the changes in the current portfolio to estimate the amount of loss that may incur.

The risk management department conducts stress testing regularly under historical scenario and hypothetical scenario for the Group to perform risk analysis, risk alert and business management based on the stress test report.

Stress Testing				
Risk Factors	**Variation (+/-)**	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Equity price risk (index)	-10%	$ (411,370)	$ (339,393)	$ (609,900)
Interest rate risk (yield curve)	+20bps	(158,815)	(145,145)	(159,568)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(85,204)	(109,381)	(108,015)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is already considered.

Note 3: The test result after taking subsidiaries would not be disclosed, since the effect is immaterial.

i) Foreign currency risk

The Group has foreign currency-denominated assets and liability, which expose the Group to foreign currency risk.

The carrying amounts of the Group’s foreign currency-denominated monetary assets and monetary liabilities and of the derivatives exposed to foreign currency risk at the end of the reporting period are set out in Note 30.

ii) Interest rate risk

The Group is exposed to interest rate risk because entities in the Group hold debt instrument at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate debt instrument.

iii) Price risk

The Group was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed within approved policy parameters by utilizing forward futures contracts. That hedged positions of forward futures contracts does not exceed the hedged item.

iv) Sensitivity analysis

	June 30, 2019		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 21,137	$ 946
	CNY appreciates 1 %	2,561	-
	HKD appreciates 1 %	2,298	4,066
	EUR appreciates 1 %	92	273
	VND appreciates 1 %	6,296	-
Interest rate risk	Yield curve (USD): upward parallel shift by 1bp	(5,463)	-
sensitivity	Yield curve (CNY): upward parallel shift by 1bp	(83)	-
	Yield curve (NTD): upward parallel shift by 1bp	(1,516)	(952)
Equity securities price sensitivity	Increases 1% in equity price	-	41,137

	December 31, 2018		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 34,043	$ 5,143
	CNY appreciates 1 %	8,888	-
	HKD appreciates 1 %	901	3,538
	EUR appreciates 1 %	318	295
	VND appreciates 1 %	6,138	-
Interest rate risk	Yield curve (USD): upward parallel shift by 1bp	(4,935)	-
sensitivity	Yield curve (CNY): upward parallel shift by 1bp	(92)	-
	Yield curve (NTD): upward parallel shift by 1bp	(1,354)	(946)
Equity securities price sensitivity	Increases 1% in equity price	-	33,939

	June 30, 2018		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1 %	$ 38,811	$ 7,121
	CNY appreciates 1 %	15,366	-

Risk Factors	Variation (+/-)	June 30, 2018 Effect on Profit and Loss	Effect on Equity
	HKD appreciates 1 %	820	4,233
	EUR appreciates 1 %	209	550
	VND appreciates 1 %	5,965	-
Interest rate risk sensitivity	Yield curve (USD): upward parallel shift by 1bp	(5,569)	-
	Yield curve (CNY): upward parallel shift by 1bp	(105)	-
	Yield curve (NTD): upward parallel shift by 1bp	(1,198)	(1,032)
Equity securities price sensitivity	Increases 1% in equity price	-	60,990

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is already considered.

Note 3: The changes in equity is not considered in effect on profit and loss.

Note 4: The sensitivity test does not take the fluctuation of the reserve for changes in foreign exchange valuation into consideration.

Note 5: The test result after taking subsidiaries would not be disclosed, since the effect is immaterial.

2) Credit risk

a) The Group's credit risk exposure of financial transactions include: Issuer risk, counterparty risk and the credit risk of underlying assets.

i. Issuer risk is the risk that the issuer of the debt instrument held by the Group or banks with which the Group maintain deposits fail to deliver in accordance with the agreement due to default, bankruptcy or settlement, and the Group incur financial losses as a result.

ii. Counterparty risk is the risk that a counterparty of the Group fail to deliver as obligated before the settlement date which then causes losses to the Company.

iii. Credit risk of the underlying assets is the risk of loss due to weakened credit quality, increase in credit premium, credit rating downgrade or default of underling assets linked to a financial instrument.

b) Credit concentration risk analysis

- The amounts of credit risk exposure of the Group's financial assets are as follows:

June 30, 2019

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,944,858	$ -	$ -	$ -	$ 228,550	$ 11,173,408
Financial assets at FVTPL	781,810	-	-	-	-	781,810
Financial assets at FVTOCI	758,078	-	-	-	-	758,078
Financial assets at	1,914,874	359,954	1,508,706	3,293,061	1,818,836	8,895,431

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
amortized cost						
Total	$ 14,399,620	$ 359,954	$ 1,508,706	$ 3,293,061	$ 2,047,386	$ 21,608,727
Proportion	66.64%	1.67%	0.98%	15.24%	9.47%	100.00%

December 31, 2018

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,026,154	$ -	$ -	$ -	$ 140,839	$ 10,166,993
Financial assets at FVTPL	785,960	-	-	-	-	785,960
Financial assets at FVTOCI	1,045,844	-	-	-	-	1,045,844
Financial assets at amortized cost	2,118,265	356,861	1,493,025	3,275,261	1,802,130	9,045,542
Total	$ 13,976,224	$ 356,861	$ 1,493,025	$ 3,275,261	$ 1,942,969	$ 21,044,339
Proportion	66.41%	1.70%	7.10%	15.56%	9.23%	100.00%

June 30, 2018

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 9,059,658	$ -	$ -	$ -	$ 152,786	$ 9,212,444
Financial assets at FVTPL	778,105	-	-	-	-	778,105
Financial assets at FVTOCI	1,046,349	-	-	-	-	1,046,349
Financial assets at amortized cost	2,620,573	354,966	1,482,205	3,282,406	1,824,839	9,564,989
Total	$ 13,504,685	$ 354,966	$ 1,482,205	$ 3,282,406	$ 1,977,625	$ 20,601,887
Proportion	65.56%	1.72%	7.19%	15.93%	9.60%	100.00%

c) Determinants for whether the credit risk has increased significantly since initial recognition

i. The Group assesses, at each reporting date, whether the credit risk of a financial instrument in the scope of impairment requirements under IFRS 9 has increased significantly since initial recognition. To make this assessment, the Group considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due information, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii. If the credit risk at the reporting date is determined to be low, an entity can assume that the credit risk of the financial instrument has not increased significantly since initial recognition.

d) Definitions of a default occurring on a financial asset and a credit-impaired financial asset

The definition of a default occurring on financial assets of the Group is the same as a credit-impaired financial asset. If one or more of the criteria below are met, a default occurs and a financial asset is credit-impaired:

i. Quantitative factor: when contractual payments are more than 90 days past due, a default occurs and a financial asset is credit-impaired.

ii. Qualitative factor: an evidence indicates that the issuers or borrowers cannot pay the contractual payments or that they have significant financial difficulties, for example:

i) The issuers and borrowers have entered bankruptcy or are probable to enter bankruptcy or financial reorganization.

ii) The borrowers fail to make interest or principal payments based on original terms and conditions.

iii) The collaterals of the borrowers are seized provisionally or enforced.

iv) The borrowers claim for a change of credit conditions due to financial difficulties.

iii. The above-mentioned definitions of a default occurring on a financial asset and a credit impairment are applicable to all financial assets held by the Group, and are align with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

e) Measurement of expected credit losses

i. Methods and assumptions adopted

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company measures loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments on which the credit risk has increased significantly since initial recognition or are credit-impaired, the Company measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, the Company multiplies exposure at default by 12-month and the lifetime probability of default of the issuers, guarantee agencies and borrowers and loss given default. The Company also considers the effect of the time value of money to calculate 12-month expected credit losses and the lifetime expected credit losses respectively.

Default rate is the rate that a default occurs on issuers, guarantee agencies and borrowers. Loss given default is the loss rate resulted from the default of issuers, guarantee agencies and borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (gross domestic product and economic growth rate, for example) with adjustments of historic data. Exposure at default is measured at the amortized cost and interest receivables of the financial assets.

ii. Consideration of forward-looking information

The Company takes forward-looking information into consideration while measuring expected credit losses of the financial assets.

f) Gross carrying amount of maximum credit risk exposure and category of credit quality

i. Financial assets of the Company

	June 30, 2019					
			Stage 3			
	Stage 1	Stage 2		Purchased or Originated		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 758,078	$ -	$ -	$ -	$ -	$ 758,078
Financial assets	8,899,544	-	-	-	(4,113)	8,895,431

	June 30, 2019					
			Stage 3			
	Stage 1	Stage 2		Purchased or Originated		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
measured at amortized cost						

	December 31, 2018					
			Stage 3			
	Stage 1	Stage 2		Purchased or Originated		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 1,045,844	$ -	$ -	$ -	$ -	$ 1,045,844
Financial assets measured at amortized cost	8,539,903	-	-	-	(3,587)	8,536,316

	June 30, 2018					
			Stage 3			
	Stage 1	Stage 2		Purchased or Originated		
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 1,046,349	$ -	$ -	$ -	$ -	$ 1,046,349
Financial assets measured at amortized cost	9,419,414	-	-	-	(3,390)	9,416,024
Non-investment grade						
Financial assets measured at amortized cost	150,000	-	-	-	(1,035)	148,965

Note: Investment grade assets refer to those with credit rating of at least BBB- (granted by a credit rating agency); non-investment grade assets are those with credit rating lower than BBB- (granted by a credit rating agency).

ii. Loans

	June 30, 2019					
			Stage 3			
	Stage 1	Stage 2				
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Loans	$ 228,066	$ -	$ -	$ -	$ (2,722)	$ 225,344

	December 31, 2018					
			Stage 3			
	Stage 1	Stage 2				
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Loans	$ 239,071	$ -	$ -	$ -	$ (2,885)	$ 236,816

	June 30, 2018					
			Stage 3			
	Stage 1	Stage 2				
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount

	June 30, 2018					
	Stage 1	Stage 2	Stage 3			
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Loans	$ 231,103	$ -	$ -	$ -	$ (2,773)	$ 228,330

g) Movement of loss allowance is summarized below:

i. Debt instrument investments at FVTOCI

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 148	$ -	$ -	$ -	$ 148
Changes in models/risk parameters	(78)	-	-	-	(78)
June 30, 2019	$ 70	$ -	$ -	$ -	$ 70
January 1, 2018	$ 150	$ -	$ -	$ -	$ 150
Changes in models/risk parameters	26	-	-	-	26
June 30, 2018	$ 176	$ -	$ -	$ -	$ 176

ii. Financial assets measured at amortized cost

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 3,542	$ -	$ -	$ -	$ 3,542
Changes in models/risk parameters	518	-	-	-	518
June 30, 2019	$ 4,060	$ -	$ -	$ -	$ 4,060
January 1, 2018	$ 3,571	$ -	$ -	$ -	$ 3,571
Changes in models/risk parameters	778	-	-	-	778
June 30, 2018	$ 4,349	$ -	$ -	$ -	$ 4,349

iii. Other assets

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 45	$ -	$ -	$ -	$ 45
Changes in models/risk parameters	8	-	-	-	8
June 30, 2019	$ 53	$ -	$ -	$ -	$ 53
January 1, 2018	$ 68	$ -	$ -	$ -	$ 68
Changes in models/risk parameters	8	-	-	-	8
June 30, 2018	$ 76	$ -	$ -	$ -	$ 76

iv. Loans

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2019	$ 53	$ -	$ -	$ -	$ 53	$ 2,832	$ 2,885
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	3	-	-	-	3	(166)	(163)
June 30, 2019	$ 56	$ -	$ -	$ -	$ 56	$ 2,666	$ 2,722
January 1, 2018	$ 45	$ -	$ -	$ -	$ 45	$ 3,079	$ 3,124
Financial assets that have been derecognized during the period	6	-	-	-	6	-	6
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(357)	(357)
June 30, 2018	$ 51	$ -	$ -	$ -	$ 51	$ 2,722	$ 2,773

The change in carrying amount of the financial assets would not have material impact on the expected credit loss.

h) Receivable credit risk exposure and expected credit loss

The Company applies the simplified approach to providing for expected credit loss prescribed by IFRS 9, and the estimation of lifetime credit loss was as follows:

June 30, 2019	**Due**	**Over Due**	**Total**
Carrying amount	$ 2,139,244	$ 231,602	$ 2,370,846
Expected loss rate	1.00%	15.48%	-
Lifetime expected credit losses	21,326	35,840	57,166

December 31, 2018	**Due**	**Over Due**	**Total**
Carrying amount	$ 1,766,984	$ 228,874	$ 1,995,858
Expected loss rate	1.00%	26.95%	-
Lifetime expected credit losses	17,640	61,684	79,324

June 30, 2018	**Due**	**Over Due**	**Total**
Carrying amount	$ 1,902,362	$ 223,577	$ 2,125,939
Expected loss rate	1.00%	27.10%	-
Lifetime expected credit losses	18,953	60,589	79,542

3) Liquidity risk

a) Sources of liquidity risk

Liquidity risks of the financial instruments are classified as "funding liquidity risk" and "market liquidity risk". Funding liquidity risk represents the default risk that the Company is unable to turn assets into cash or obtain sufficient funds. Market liquidity risk represents the risk of significant changes in fair value that the Company faces when it sells or offsets its assets during market disorder.

b) Liquidity risk management

The Company established a capital liquidity management mechanism based on the business features and short-term cash flow. Considering the trading volume and holing position, the Company carefully manages the market liquidity risk.

Depending on the actual management need or special situation, the Company uses models to assess cash flow risk, such as cash flow model or stress testing model. Moreover, the Company has drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The following table details the Group's remaining contractual maturity for its financial liability. The amount disclosed may not be consistent with the consolidated financial statement since the table was based on contractual cash flow.

Other non-derivative and derivative financial liability analysis was based on the earliest date on which the Group can be required to pay.

June 30, 2019

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 3,072,475	$ 45,130	$ 3,483	$ 7,050	$ -
Lease liabilities	33,970	15,918	12,176	4,726	-
Derivative financial liabilities					
Foreign exchange swaps	77,241	-	-	-	-

December 31, 2018

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 2,607,649	$ 5,053	$ 4,379	$ 5,696	$ -
Derivative financial liabilities					
Foreign exchange swaps	50,041	-	-	-	-

June 30, 2018

	Less than 6 Month	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 3,828,113	$ 9,276	$ 5,548	$ 5,314	$ -
Preferred stock liabilities	1,000,000				
Derivative financial liabilities					
Foreign exchange swaps	186,186	21,232	-	-	-

28. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed as follows.

a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings Co., Ltd.	The Group's parent
Cathay Insurance Co., Ltd. (China)	Fellow subsidiary
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Indovina Bank Ltd.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Cathay Futures Co., Ltd.	Fellow subsidiary
Funds issued from Cathay Securities Investment Trust Co., Ltd.	Other related parties
San Ching Engineering Co., Ltd.	Other related parties
Symphox Information Co., Ltd.	Other related parties
Others	Other related parties

b. Trading transactions

		For the Three Months Ended June 30		For the Six Months Ended June 30	
Line Item	Related Party Category/Name	2019	2018	2019	2018
Net premium income	Fellow subsidiary	$ 45,152	$ 44,088	$ 177,777	$ 164,711
	Other related parties	2,531	2,523	5,363	5,537
		$ 47,683	$ 46,611	$ 183,140	$ 170,248
Operating cost					
Marketing cost	Fellow subsidiary				
	Cathay Life Insurance Co., Ltd.	$ 173,275	$ 135,722	$ 316,468	$ 270,075
Commission cost	Fellow subsidiary				
	Cathay United Bank Co., Ltd.	7,264	6,494	14,339	13,123
		$ 180,539	$ 142,216	$ 330,807	$ 283,198
Non-operating expenses	The Group's parent				
	Cathay Financial Holdings Co., Ltd.	$ -	$ 4,638	$ -	$ 9,224
Insurance reimbursement	Fellow subsidiary	$ 1	$ 2	$ 1	$ 16,324
	Other related	-	-	-	5,500

Line Item	Related Party Category/Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
		2019	2018	2019	2018
	parties				
		$ 1	$ 2	$ 1	$ 21,824
Operating expenses					
Other equipment expenses	Fellow subsidiary Cathay Life Insurance Co., Ltd.	$ 697	$ 6,897	$ 697	$ 6,902
Group insurance expenses	Fellow subsidiary Cathay Life Insurance Co., Ltd.	5,049	4,924	8,451	9,898
Building management fee	Fellow subsidiary Cathay Life Insurance Co., Ltd.	4,019	2,777	4,019	4,164
Marketing expenses	Fellow subsidiary Cathay United Bank Co., Ltd.	30,540	31,959	59,681	71,604
Management fee	Fellow subsidiary	1,720	1,517	3,051	2,537
Other expenses	Other related parties Symphox Information Co., Ltd.	23,452	9,952	42,808	21,208
	Fellow subsidiary Cathay Life Insurance Co., Ltd.	181	469	181	637
		$ 65,658	$ 58,495	$ 118,888	$ 116,950

c. Receivables from related parties

Line Item	Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Premiums receivable	Fellow subsidiary	$ 19,722	$ 58,833	$ 21,782

The outstanding receivables from related parties are unsecured. For the six months ended June 30, 2019 and 2018, no impairment losses were recognized for receivables from related parties.

d. Payable to related parties

Line Item	Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Other payable	The Group's parent Cathay Financial Holdings Co., Ltd.	$ 291,780	$ 64,901	$ 1,533,341

Line Item	Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
	Fellow subsidiary			
	Cathay Life Insurance Co., Ltd.	81,069	60,661	75,050
	Other related parties	4,006	-	5,085
		$ 376,855	$ 125,562	$ 1,613,476

The outstanding payables from related parties are unsecured and will be settled in cash.

e. Cash in bank

Line Item	Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Checking deposits and demand deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	$ 1,412,018	$ 2,100,993	$ 1,172,886
	Indovina Bank Ltd.	38,027	3,018	26,558
Time deposits	Fellow subsidiary			
	Cathay United Bank Co., Ltd.	618,200	623,200	618,200
	Indovina Bank Ltd.	186,300	144,687	168,587
		$ 2,254,545	$ 2,871,898	$ 1,986,231

As of June 30, 2019, December 31, 2018 and June 30, 2018, time deposits pledged recognized in guarantee deposits were $23,157 thousand, $28,108 thousand and $23,132 thousand, respectively.

f. Interest revenue

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Party Category/Name	2019	2018	2019	2018
Fellow subsidiary	$ 3,515	$ 3,663	$ 8,293	$ 6,804

g. Financial asset at FVTPL (mutual funds)

Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Other related parties	$ 392,697	$ 359,128	$ 413,642

h. Discretionary account management balance

Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Fellow subsidiary			
Cathay Securities Investment Trust Co., Ltd.	$ 926,872	$ 848,925	$ 987,035

i. Guarantee deposits

Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Fellow subsidiary	$ 72,402	$ 77,347	$ 57,733

j. Prepayments for Investment

Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Fellow subsidiary			
Cathay Insurance Co., Ltd. (China)	$ -	$ 1,100,050	$ -

The board of directors of the Company approved in participating in the capital increase with the amount of CNY245,000 thousand in Cathay Insurance Company Ltd. (China) on September 17, 2018. The Company's payment was approved by the Investment Commission, Ministry of Economic Affairs on November 23, 2018 and was authorized by China Banking and Insurance Regulatory Commission on January 23, 2019.

k. Preferred stock liabilities

Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
The Group's parent			
Cathay Financial Holdings Co., Ltd.	$ -	$ -	$ 1,000,000

l. Loans

	For the Six Months Ended June 30, 2019			
Related Party Category/Name	Maximum amount	Ending Balance	Interest rate	Interest income
Other related parties	$ 24,273	$ 23,817	1.53-1.60%	$ 187

	For the Six Months Ended June 30, 2018			
Related Party Category/Name	Maximum amount	Ending Balance	Interest rate	Interest income
Other related parties	$ 33,501	$ 26,490	1.53-1.60%	$ 216

m. Lease arrangements - Group is lessee

Line Item	Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Lease liabilities	Associate			
	Cathay Life Insurance Co., Ltd.	$ 23,769	$ -	$ -

	For the Three Months Ended June 30		For the Six Months Ended June 30	
Related Party Category/Name	2019	2018	2019	2018
Interest expense				

Related Party Category/Name	For the Three Months Ended June 30 2019	For the Three Months Ended June 30 2018	For the Six Months Ended June 30 2019	For the Six Months Ended June 30 2018
Fellow subsidiary				
Cathay Life Insurance Co., Ltd.	$ 109	$ -	$ 313	$ -
Lease expense				
Fellow subsidiary				
Cathay Life Insurance Co., Ltd.	$ 114	$ 27,032	$ 114	$ 54,307
Cathay United Bank Co., Ltd.	254	2,282	254	4,541
	$ 368	$ 29,314	$ 368	$ 58,848

n. Foreign exchange swaps

As of June 30, 2019, December 31, 2018 and June 30, 2018, the nominal amount of the derivative financial instruments transaction with related parties is listed below:

Related Party Category/Name	June 30, 2019	December 31, 2018	June 30, 2018
Fellow subsidiary			
Cathay United Bank Co., Ltd.	US$ 84,700	US$ 88,700	US$ 88,700
	EUR 750	EUR 750	EUR 1,850

o. Compensation of key management personnel

Related Party Category/Name	For the Three Months Ended June 30 2019	For the Three Months Ended June 30 2018	For the Six Months Ended June 30 2019	For the Six Months Ended June 30 2018
Short-term employee benefits	$ 10,842	$ 9,986	$ 44,644	$ 43,219
Post-employment benefits	1,630	1,691	3,260	3,383
	$ 12,472	$ 11,677	$ 47,904	$ 46,602

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

29. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

a. The Company

	June 30, 2019	December 31, 2018	June 30, 2018
Guarantee deposits paid - government bonds	$ 515,907	$ 519,302	$ 572,693
Guarantee deposits paid - time deposits	15,000	20,000	15,000
	$ 530,907	$ 539,302	$ 587,693

As of June 30, 2019, December 31, 2018 and June 30, 2018, the Company provided government bonds amounting to $515,960 thousand, $519,347 thousand and $572,769 thousand as the "Guaranteed Depository Insurance" in accordance with the Insurance Act, respectively. The pledged assets are stated at book value. Loss allowance amounted to $53 thousand, $45 thousand and $76 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

b. Cathay Insurance (Vietnam)

	June 30, 2019	December 31, 2018	June 30, 2018
Government deposits paid - time deposits	$ 8,157	$ 8,108	$ 8,132

According to the Insurance Act of Vietnam, Cathy Insurance (Vietnam) should deposit guarantee deposits at an amount equal to 2% of its paid-in capital. The guaranteed deposits of Cathay Insurance (Vietnam) are time deposits. The pledged assets are stated at book value.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group's significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

June 30, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 218,808	31.0720 (USD:NTD)	$ 6,798,686
EUR	4,857	35.3817 (EUR:NTD)	171,336
JPY	127,374	0.2890 (JPY:NTD)	36,763
HKD	3,581	3.9803 (HKD:NTD)	14,263
SGD	10	22.9684 (SGD:NTD)	236
CNY	60,334	4.5241 (CNY:NTD)	273,109
Non-monetary items			
USD	9,556	31.0720 (USD:NTD)	296,927
EUR	2,421	35.3817 (EUR:NTD)	85,672
HKD	102,146	3.9803 (HKD:NTD)	406,574
Investments accounted for using the equity method			
CNY	480,738	4.5241 (CNY:NTD)	2,174,860
Derivative instruments (Note)			
USD	30,500	31.0720 (USD:NTD)	7,858
Financial liabilities			
Monetary items			
USD	4,744	31.0720 (USD:NTD)	148,949
EUR	344	35.3817 (EUR:NTD)	12,174
JPY	208	0.2890 (JPY:NTD)	59
HKD	1,061	3.9803 (HKD:NTD)	4,267

	Foreign Currency	Exchange Rate	Carrying Amount
CNY	1,767	4.5241 (CNY:NTD)	7,929
Non-monetary items			
Derivative instruments (Note)			
USD	148,600	31.0720 (USD:NTD)	76,385
EUR	2,750	35.3817 (EUR:NTD)	856

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 238,026	30.7330 (USD:NTD)	$ 7,315,576
EUR	6,542	35.2050 (EUR:NTD)	230,659
VND	489,306,891	0.0013 (VND:NTD)	648,316
JPY	170,353	0.2797 (JPY:NTD)	47,618
HKD	27,888	3.9064 (HKD:NTD)	108,986
SGD	2,996	22.4843 (SGD:NTD)	67,367
CNY	195,659	4.4641 (CNY:NTD)	873,531
Non-monetary items			
USD	195,664	30.7330 (USD:NTD)	6,012,735
EUR	5,038	35.2050 (EUR:NTD)	177,381
HKD	90,138	3.9064 (HKD:NTD)	353,758
SGD	1,311	22.4843 (SGD:NTD)	29,488
Investments accounted for using the equity method			
CNY	239,875	4.4641 (CNY:NTD)	1,070,814
Derivative instruments			
USD	100,300	30.7330 (USD:NTD)	5,978
EUR	750	35.2050 (EUR:NTD)	302
Financial liabilities			
Monetary items			
USD	8,556	30.7330 (USD:NTD)	265,898
EUR	401	35.2050 (EUR:NTD)	14,229
JPY	878	0.2797 (JPY:NTD)	244
HKD	742	3.9064 (HKD:NTD)	2,908
CNY	1,072	4.4641 (CNY:NTD)	4,790
Non-monetary items			
Derivatives (Note)			
USD	86,300	30.7330 (USD:NTD)	49,476
EUR	2,000	35.2050 (EUR:NTD)	565

June 30, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 221,399	30.5000 (USD:NTD)	$ 6,751,390
EUR	4,968	35.4471 (EUR:NTD)	176,266
VND	513,895,322	0.0013 (VND:NTD)	682,961
JPY	129,994	0.2745 (JPY:NTD)	35,701
SEK	1,162	3.4038 (SEK:NTD)	3,957
HKD	21,282	3.8857 (HKD:NTD)	82,691
SGD	149	22.3657 (SGD:NTD)	3,346
DKK	629	4.7489 (DKK:NTD)	2,988
CNY	335,981	4.6055 (CNY:NTD)	1,547,680
Non-monetary items			
USD	209,457	30.5000 (USD:NTD)	6,388,450
EUR	8,273	35.4471 (EUR:NTD)	293,246
HKD	108,941	3.8857 (HKD:NTD)	423,311
SGD	3,828	22.3657 (SGD:NTD)	85,617
Equity instruments investment			
CNY	241,411	4.6055 (CNY:NTD)	1,111,819
Derivative instruments			
EUR	1,100	35.4471 (EUR:NTD)	767
Financial liabilities			
Monetary items			
USD	3,767	30.5000 (USD:NTD)	114,089
EUR	805	35.4471 (EUR:NTD)	28,710
JPY	110	0.2745 (JPY:NTD)	30
HKD	113	3.8857 (HKD:NTD)	428
CNY	419	4.6055 (CNY:NTD)	1,956
VND	5,890	0.0013 (VND:NTD)	7
Non-monetary items			
Derivatives (Note)			
USD	195,600	30.5000 (USD:NTD)	206,395
EUR	2,750	35.4471 (EUR:NTD)	1,022

Note: The foreign currency amount of the derivatives is the nominal amount of the contract.

For the six months ended June 30, 2019 and 2018, (realized and unrealized) net foreign exchange losses were $96,905 and $122,438, respectively. It is impractical to disclose net foreign exchange losses by each significant foreign currency due to the variety of the foreign currency transactions.

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

1) Acquisition of individual real estate at costs of at least NT$100 million or 20% of the paid-in capital: None

2) Disposal of individual real estate at prices of at least NT$100 million or 20% of the paid-in capital: None

3) Total purchases from or sales to related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

4) Receivables from related parties amounting to at least NT$100 million or 20% of the paid-in capital: None

5) Trading in derivative instruments (Note 7)

6) Intercompany relationships and significant intercompany transactions (Table 3)

7) Information on investees (Table 4)

b. Information on investments in mainland China

1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 5)

2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None

a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period

b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period

c) The amount of property transactions and the amount of the resultant gains or losses

d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes

e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to the financing of funds

f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services

32. SEGMENT INFORMATION

The Group operates property insurance in accordance with the Insurance Act. In accordance with IFRS 8, the Group only provides insurance contracts products and it has no different channel, client type and supervision environment. The supervisor of the Group also allocates resources on an overall basis and therefore considers the Group as a single operating segment.

33. INSURANCE CONTRACT RESERVES

a. Earned retained premium

For the three months ended June 30, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Movement of for Unearned Ceded Premium Reserve (5)	Movement of Unearned Premium Reserve (6)=(4)-(5)
Fire insurance	$ 1,228,910	$ 128,793	$ 826,526	$ 531,177	$ 86,477	$ 444,700
Marine insurance	172,661	10,480	127,504	55,637	(8,342)	63,979
Land and air insurance	2,331,409	17	77,502	2,253,924	52,427	2,201,497
Liability insurance	342,534	1,169	106,813	236,890	(13,932)	250,822
Bonding insurance	29,993	255	20,626	9,622	1,912	7,710
Other property insurance	192,882	77,469	129,325	141,026	(22,369)	163,395
Accident insurance	865,382	3,372	51,370	817,384	32,329	785,055
Health insurance	105,081	5,270	-	110,351	2,791	107,560
Compulsory auto liability insurance	719,448	174,272	300,704	593,016	(1,474)	594,490
	$ 5,988,300	$ 401,097	$ 1,640,370	$ 4,749,027	$ 129,819	$ 4,619,208

For the three months ended June 30, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Movement of for Unearned Ceded Premium Reserve (5)	Movement of Unearned Premium Reserve (6)=(4)-(5)
Fire insurance	$ 1,141,943	$ 117,074	$ 748,054	$ 510,963	$ 176,813	$ 334,150
Marine insurance	190,430	7,164	141,658	55,936	4,667	51,269
Land and air insurance	2,187,874	40	82,024	2,105,890	37,684	2,068,206
Liability insurance	314,106	354	80,288	234,172	6,017	228,155
Bonding insurance	25,656	306	15,585	10,377	(912)	11,289
Other property insurance	205,997	23,913	133,811	96,099	(51,198)	147,297
Accident insurance	795,028	2,826	49,595	748,259	4,951	743,308
Health insurance	89,586	5,464	-	95,050	5,895	89,155
Compulsory auto liability insurance	723,234	175,162	301,601	596,795	(7,168)	603,963
	$ 5,673,854	$ 332,303	$ 1,552,616	$ 4,453,541	$ 176,749	$ 4,276,792

For the six months ended June 30, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Movement of for Unearned Ceded Premium Reserve (5)	Movement of Unearned Premium Reserve (6)=(4)-(5)
Fire insurance	$ 1,919,739	$ 246,690	$ 1,266,791	$ 899,638	$ 1,349	$ 898,289
Marine insurance	334,127	25,903	236,341	123,689	(3,033)	126,722
Land and air insurance	4,665,306	57	149,336	4,516,027	151,234	4,364,793
Liability insurance	712,541	1,602	229,207	484,936	3,715	481,221
Bonding insurance	71,675	785	50,323	22,137	5,520	16,617
Other property insurance	432,374	120,838	294,971	258,241	(14,495)	272,736
Accident insurance	1,648,790	6,915	119,614	1,536,091	13,653	1,522,438
Health insurance	196,311	5,270	-	201,581	1,581	200,000
Compulsory auto liability insurance	1,407,881	367,643	586,358	1,189,166	(3,373)	1,192,539
	$ 11,388,744	$ 775,703	$ 2,932,941	$ 9,231,506	$ 156,151	$ 9,075,355

For the six months ended June 30, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Movement of for Unearned Ceded Premium Reserve (5)	Movement of Unearned Premium Reserve (6)=(4)-(5)
Fire insurance	$ 1,709,931	$ 206,782	$ 1,076,695	$ 840,018	$ 116,800	$ 723,218
Marine insurance	347,874	15,991	241,264	122,601	5,276	117,325
Land and air insurance	4,412,202	45	160,774	4,251,473	154,060	4,097,413
Liability insurance	633,255	1,082	188,517	445,820	21,785	424,035
Bonding insurance	70,448	763	49,211	22,000	1,853	20,147
Other property insurance	378,080	46,699	228,680	196,099	(56,746)	252,845
Accident insurance	1,566,338	5,731	122,578	1,449,491	29,853	1,419,638
Health insurance	167,753	5,464	-	173,217	9,508	163,709
Compulsory auto liability insurance	1,432,419	369,201	595,089	1,206,531	(4,992)	1,211,523
	$ 10,718,300	$ 651,758	$ 2,662,808	$ 8,707,250	$ 277,397	$ 8,429,853

Information on compulsory insurance and non-compulsory insurance of earned retained premium:

For the six months ended June 30, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 1,407,881	$ 367,643	$ 586,358	$ 1,189,166
Non-compulsory insurance	9,980,863	408,060	2,346,583	8,042,340
	$ 11,388,744	$ 775,703	$ 2,932,941	$ 9,231,506

Insurance by Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Movement of Unearned Premium Reserve
	Provision (5)	Release (6)	Provision (7)	Release (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,254,496	$ 1,261,457	$ 470,384	$ 470,972	$ (7,549)
Non-compulsory insurance	10,463,540	9,992,054	226,661	303,969	394,178
	$ 11,718,036	$ 11,253,511	$ 697,045	$ 774,941	$ 386,629

Insurance by Type	Unearned Premium Reserves under Ceded Reinsurance Business		Movement of for Unearned Ceded Premium Reserve	Retained Premium 13)=(4)-(9)+(12)
	Provision (10)	Release (11)	(12)=(10)-(11)	
Compulsory insurance	$ 752,698	$ 756,874	$ (4,176)	$ 1,192,539
Non-compulsory insurance	2,444,052	2,209,398	234,654	7,882,816
	$ 3,196,750	$ 2,966,272	$ 230,478	$ 9,075,355

For the six months ended June 30, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 1,432,419	$ 369,201	$ 595,089	$ 1,206,531
Non-compulsory insurance	9,285,881	282,557	2,067,719	7,500,719
	$ 10,718,300	$ 651,758	$ 2,662,808	$ 8,707,250

Insurance by Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Movement of Unearned Premium Reserve
	Provision (5)	Release (6)	Provision (7)	Release (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,266,765	$ 1,270,317	$ 481,216	$ 484,820	$ (7,156)
Non-compulsory insurance	9,862,640	9,507,929	284,725	239,058	400,378
	$ 11,129,405	$ 10,778,246	$ 765,941	$ 723,878	$ 393,222

Insurance by Type	Unearned Premium Reserves under Ceded Reinsurance Business		Movement of for Unearned Ceded Premium Reserve	Retained Premium 13)=(4)-(9)+(12)
	Provision (10)	Release (11)	(12)=(10)-(11)	
Compulsory insurance	$ 760,039	$ 762,203	$ (2,164)	$ 1,211,523
Non-compulsory insurance	2,244,808	2,126,819	117,989	7,218,330
	$ 3,004,847	$ 2,889,022	$ 115,825	$ 8,429,853

b. Retained claims

Insurance by Type	For the Three Months Ended June 30, 2019			
	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Fire insurance	$ 151,214	$ 64,998	$ 106,714	$ 109,498
Marine insurance	75,892	9,450	57,393	27,949
Land and air insurance	1,399,437	(1,395)	45,121	1,352,921
Liability insurance	157,988	15	55,711	102,292
Bonding insurance	23,118	49	20,399	2,768
Other property insurance	39,932	76,838	13,451	103,319
Accident insurance	291,872	655	14,708	277,819
Health insurance	32,445	8,939	-	41,384
Compulsory auto liability insurance	773,103	253,719	435,219	591,603
	$ 2,945,001	$ 413,268	$ 748,716	$ 2,609,553

Insurance by Type	For the Three Months Ended June 30, 2018 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Fire insurance	$ 183,996	$ 27,726	$ 69,633	$ 142,089
Marine insurance	63,352	8,576	31,362	40,566
Land and air insurance	1,276,426	33	44,848	1,231,611
Liability insurance	114,627	4	34,142	80,489
Bonding insurance	358	1,087	(513)	1,958
Other property insurance	133,043	2,922	50,053	85,912
Accident insurance	259,022	502	14,334	245,190
Health insurance	26,440	6,877	-	33,317
Compulsory auto liability insurance	494,665	232,146	291,286	435,525
	$ 2,551,929	$ 279,873	$ 535,145	$ 2,296,657

Insurance by Type	For the Six Months Ended June 30, 2019 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Fire insurance	$ 325,034	$ 132,557	$ 191,723	$ 265,868
Marine insurance	140,451	20,978	113,903	47,526
Land and air insurance	2,676,961	4	99,460	2,577,505
Liability insurance	315,313	29	112,615	202,727
Bonding insurance	25,218	601	22,410	3,409
Other property insurance	120,662	93,817	49,817	164,662
Accident insurance	647,978	1,248	36,205	613,021
Health insurance	45,313	8,939	-	54,252
Compulsory auto liability insurance	1,188,882	462,090	681,374	969,598
	$ 5,485,812	$ 720,263	$ 1,307,507	$ 4,898,568

Insurance by Type	For the Six Months Ended June 30, 2018 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Fire insurance	$ 391,760	$ 74,632	$ 129,978	$ 336,414
Marine insurance	122,700	17,149	71,142	68,707
Land and air insurance	2,575,298	42	98,885	2,476,455
Liability insurance	242,783	265	67,951	175,097
Bonding insurance	8,652	1,725	4,628	5,749
Other property insurance	208,472	29,521	68,427	169,566
Accident insurance	517,647	974	28,310	490,311
Health insurance	45,117	6,877	-	51,994

Insurance by Type	For the Six Months Ended June 30, 2018 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Compulsory auto liability insurance	917,615	551,147	535,897	932,865
	$ 5,030,044	$ 682,332	$ 1,005,218	$ 4,707,158

Retained claims of compulsory insurance and non-compulsory insurance:

Insurance by Type	For the Six Months Ended June 30, 2019 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Compulsory insurance	$ 1,188,882	$ 462,090	$ 681,374	$ 969,598
Non-compulsory insurance	4,296,930	258,173	626,133	3,928,970
	$ 5,485,812	$ 720,263	$ 1,307,507	$ 4,898,568

Insurance by Type	For the Six Months Ended June 30, 2018 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Claims Retained (4)=(1)+(2)-(3)
Compulsory insurance	$ 917,615	$ 551,147	$ 535,897	$ 932,865
Non-compulsory insurance	4,112,429	131,185	469,321	3,774,293
	$ 5,030,044	$ 682,332	$ 1,005,218	$ 4,707,158

c. Liability on policyholders' outstanding claims and incurred but not reported (IBNR) claims

Liability on policyholders' settled claims

Insurance by Type	The Settled Claim June 30, 2019	December 31, 2019	June 30, 2018
Fire insurance	$ 19,181	$ 44,225	$ 49,142
Marine insurance	31,064	12,631	30,038
Land and air insurance	41,228	46,598	44,837
Liability insurance	38,695	53,431	32,947
Bonding insurance	281	188	147
Other property insurance	14,657	19,525	50,960
Accident insurance	12,652	18,497	11,909
Health insurance	-	-	-
Compulsory auto liability insurance	170,305	154,031	232,445
	328,063	349,126	452,475
Less: Allowance for impairment loss	(3,281)	(3,491)	(4,524)

Insurance by Type	The Settled Claim June 30, 2019	December 31, 2019	June 30, 2018
Net amount	$ 324,782	$ 345,635	$ 447,951

d. Accounts receivable and accounts payable under insurance contracts

Accounts receivable

Insurance by Type	Premiums Receivable June 30, 2019	December 31, 2018	June 30, 2018
Fire insurance	$ 1,093,337	$ 683,291	$ 876,887
Marine insurance	268,745	280,529	273,995
Land and air insurance	142,074	161,746	85,688
Liability insurance	186,646	209,834	162,770
Bonding insurance	48,269	30,796	36,907
Other property insurance	245,544	253,298	259,838
Accident insurance	138,748	113,629	162,046
Health insurance	9,407	7,979	10,194
Compulsory auto liability insurance	27,351	19,090	17,727
	2,160,121	1,760,192	1,886,052
Less: Allowance for impairment loss	(50,377)	(74,252)	(76,305)
Net amount	$ 2,109,744	$ 1,685,940	$ 1,809,747

Aging analysis of account receivables:

	June 30, 2019	December 31, 2018	June 30, 2018
Less than 90 days	$ 1,933,248	$ 1,533,285	$ 1,662,740
Over 90 days	226,873	226,907	223,312
	$ 2,160,121	$ 1,760,192	$ 1,886,052

The overdue amounts as of June 30, 2019, December 31, 2018 and June 30, 2018 in the above premiums receivable were $226,874 thousand, $226,131 thousand and $222,730 thousand, respectively, and their allowances for doubtful accounts were $31,112 thousand, $58,942 thousand and $59,742 thousand, respectively.

Accounts payable

Insurance by Type	June 30, 2019 Commission Payable and Fee	Accrued Expense	Total
Fire insurance	$ 33,185	$ 12,823	$ 46,008
Marine insurance	7,081	17,414	24,495
Land and air insurance	55,233	91,233	146,466
Liability insurance	15,614	20,514	36,128
Bonding insurance	6,583	444	7,027
Other property insurance	6,087	9,331	15,418

	June 30, 2019		
Insurance by Type	Commission Payable and Fee	Accrued Expense	Total
Accident insurance	10,837	37,608	48,445
Health insurance	2,875	5,232	8,107
Compulsory auto liability insurance	28,375	-	28,375
	$ 165,870	$ 194,599	$ 360,469

	December 31, 2018		
Insurance by Type	Commission Payable and Fee	Accrued Expense	Total
Fire insurance	$ 24,649	$ 12,551	$ 37,200
Marine insurance	7,297	16,492	23,789
Land and air insurance	26,313	91,261	117,574
Liability insurance	12,332	23,479	35,811
Bonding insurance	3,787	491	4,278
Other property insurance	4,734	12,983	17,717
Accident insurance	8,661	28,501	37,162
Health insurance	2,590	2,564	5,154
Compulsory auto liability insurance	24,817	-	24,817
	$ 115,180	$ 188,322	$ 303,502

	June 30, 2018		
Insurance by Type	Commission Payable and Fee	Accrued Expense	Total
Fire insurance	$ 27,337	$ 13,788	$ 41,125
Marine insurance	7,546	14,576	22,122
Land and air insurance	22,507	86,226	108,733
Liability insurance	13,067	18,484	31,551
Bonding insurance	3,591	833	4,424
Other property insurance	4,544	9,467	14,011
Accident insurance	10,513	31,787	42,300
Health insurance	2,898	4,029	6,927
Compulsory auto liability insurance	28,093	-	28,093
	$ 120,096	$ 179,190	$ 299,286

Due from (to) reinsurers and ceding companies - reinsurance

	June 30, 2019	
	Due from Reinsurers and Ceding Companies - Reinsurance	Due to Reinsurers and Ceding Companies - Reinsurance
Non-Life Insurance Association of the R.O.C.	$ 135,817	$ 336,053
AON	66,063	42,212
Willis	46,691	45,476

	June 30, 2019	
	Due from Reinsurers and Ceding Companies - Reinsurance	Due to Reinsurers and Ceding Companies - Reinsurance
Central Re	42,594	135,699
ERIF	34,000	14,218
TMR AG	33,560	45,695
Others	286,755	1,226,524
	645,480	1,845,877
Less: Allowance for impairment loss	(40,350)	-
Net amount	$ 605,130	$ 1,845,877

	December 31, 2018	
	Due from Reinsurers and Ceding Companies - Reinsurance	Due to Reinsurers and Ceding Companies - Reinsurance
Non-Life Insurance Association of the R.O.C.	$ 135,160	$ 351,019
AON	29,292	65,670
Cathay (China)	36,346	796
Central Re	6,555	78,273
EverApex	859	78,547
FP Marine Risks	33,838	8,187
Guy Carpenter	33,344	18,508
Marsh	12,879	225,517
Willis	32,241	45,542
Others	145,710	627,165
	466,224	1,499,224
Less: Allowance for impairment loss	(17,818)	-
Net amount	$ 448,406	$ 1,499,224

	June 30, 2018	
	Due from Reinsurers and Ceding Companies - Reinsurance	Due to Reinsurers and Ceding Companies - Reinsurance
Non-Life Insurance Association of the R.O.C.	$ 137,421	$ 346,298
AON	31,516	171,164
SOMPO	35,376	16,573
Marsh	14,179	135,850
Central Re	6,670	89,303
EverApex	-	92,023
Others	189,764	647,853
	414,926	1,499,064
Less: Allowance for impairment loss	(17,281)	-
Net amount	$ 397,645	$ 1,499,064

The overdue amounts as of June 30, 2019, December 31, 2018 and June 30, 2018 in the above due from (to) reinsurers and ceding companies reinsurance were $14,229 thousand, $13,169 thousand and $13,231 thousand, respectively, and their allowances for doubtful accounts were $14,229 thousand, $13,169 thousand and $13,231 thousand, respectively.

The due from the reinsurers and ceding companies and the due to the reinsurers and ceding companies cannot be offset against each other, except for those receivables that are subject to the provisions of IAS 32 - Note 42.

e. Reserve required for specific assets

The accounting of the compulsory auto liability insurance held by the Group were recorded based on the Regulations for the Accounting Treatment and the Financial Information Reported of Compulsory Automobile Liability Insurance, which was legislated according to the Compulsory Automobile Liability Insurance Act.

Under the Article 5 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance ("CAL Insurance"), special reserve held by an insurer should be deposited in a financial institution in the form of time deposits.

Under the approval of relevant authorities, the Group may buy the following domestic securities using the special reserve portion exceeding 30% of the retained earned pure premiums:

1) Government bonds but not exchangeable government bonds;

2) Financial bonds (ordinary type only), negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.

The amount of the foregoing Article 5 treasury bills invested and time deposits to be placed in financial institutions should not be less than 30% of the total amount of the Group's retained earned pure premiums for this insurance in the most recent period, as audited or reviewed by a certified public accountant. The authorities may raise this percentage to a level it deems appropriate on the basis of the Group's operating status.

If the balance of the Group's special reserve becomes less than the 30% of its most recent retained earned pure premiums, as audited or reviewed by an independent certified public accountant, the full amount of the special reserve should be invested in treasury bills or placed in a financial institution.

Under Article 6 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, funds, except for special reserve mentioned above, held by an insurer for this insurance (various reserve, payables and temporary receivable) should be deposited in a financial institution as special reserve in the form of demand deposits and time deposits.

1) Treasury bills.

2) Negotiable certificates of deposit, banker's acceptances, and commercial paper guaranteed by a financial institution.

3) Government bonds under repurchase agreement.

The term "funds" in the preceding paragraph refers to all types of reserves, payables, temporary credits and amounts to be carried forward.

The amount of demand deposits placed in financial institutions, which are mentioned in the preceding paragraph, should not be less than (a) 45% of the remaining balance of the funds after subtracting the special reserves from the funds held by the Group due to the operation of CAL Insurance, or less than

(b) 30% of the retained earned pure premiums for the most recent period as audited or reviewed by an independent certified public accountant. The relevant authorities may raise the percentage of demand deposits required for the Group to a level they deem appropriate on the basis of the Group's operating status.

If the total amount of unearned premium reserve and claim reserve of the Group for the CAL Insurance is less than 30% of the retained earned pure premiums of this insurance for the most recent period as audited or reviewed by an independent certified public accountant, the funds held by the Group through its provision of this insurance should be deposited in full in a financial institution in the form of demand deposits.

Under Article 11 of the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the various reserves for this insurance should be transferred to the various reserves set aside for handling of this insurance by the other insurer another property and casualty insurance company if the Group suspends its business operations or ceases to provide this type of insurance.

The various reserves for this insurance should be transferred to the Motor Vehicle Accident Compensation Fund if (a) the Group has been duly ordered to suspend business and undergo rehabilitation or ordered to dissolve, or (b) its permission to operate this insurance business has been revoked, and no other insurance company can sustain this insurance business.

f. Acquisition cost - insurance contract

	For the Three Months Ended June 30, 2019				
Insurance by Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 46,958	$ 4,566	$ 18,392	$ 3,889	$ 73,805
Marine insurance	16,822	164	2,238	355	19,579
Land and air insurance	256,856	-	-	107,961	364,817
Liability insurance	41,173	13	32	5,126	46,344
Bonding insurance	3,709	3	43	-	3,755
Other property insurance	17,572	1,883	13,174	833	33,462
Accident insurance	107,539	23	302	30,742	138,606
Health insurance	18,297	132	147	4,395	22,971
Compulsory auto liability insurance	-	98,150	-	-	98,150
	$ 508,926	$ 104,934	$ 34,328	$ 153,301	$ 801,489

	For the Three Months Ended June 30, 2018				
Insurance by Type	**Commission Expenses**	**Service and Handling Charge**	**Reinsurance Commission Expenses**	**Other**	**Total**
Fire insurance	$ 42,839	$ 2,737	$ 25,385	$ 3,194	$ 74,155
Marine insurance	14,064	269	1,558	305	16,196
Land and air insurance	230,790	-	6	81,788	312,584
Liability insurance	35,742	20	46	3,063	38,871
Bonding insurance	2,553	2	44	-	2,599
Other property insurance	13,977	512	5,391	532	20,412
Accident insurance	92,672	26	136	23,161	115,995
Health insurance	14,946	137	1,024	3,081	19,188
Compulsory auto liability insurance	-	88,225	-	-	88,225
	$ 447,583	$ 91,928	$ 33,590	$ 115,124	$ 688,225

Insurance by Type	For the Six Months Ended June 30, 2019 Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 89,491	$ 7,697	$ 39,583	$ 7,614	$ 144,385
Marine insurance	34,322	620	6,553	677	42,172
Land and air insurance	516,225	1	3	199,220	715,449
Liability insurance	81,668	47	64	7,790	89,569
Bonding insurance	8,201	4	58	-	8,263
Other property insurance	38,035	2,915	22,287	1,495	64,732
Accident insurance	202,301	137	445	53,791	256,674
Health insurance	33,930	132	147	7,596	41,805
Compulsory auto liability insurance	-	192,020	-	-	192,020
	$ 1,004,173	$ 203,573	$ 69,140	$ 278,183	$ 1,555,069

Insurance by Type	For the Six Months Ended June 30, 2018 Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 86,170	$ 4,501	$ 42,704	$ 6,021	$ 139,396
Marine insurance	31,115	517	3,628	597	35,857
Land and air insurance	490,163	-	19	165,543	655,725
Liability insurance	76,868	44	284	5,548	82,744
Bonding insurance	7,762	3	55	-	7,820
Other property insurance	34,476	972	10,454	1,139	47,041
Accident insurance	188,752	185	226	44,779	233,942
Health insurance	29,192	137	1,024	5,673	36,026
Compulsory auto liability insurance	-	189,873	-	-	189,873
	$ 944,498	$ 196,232	$ 58,394	$ 229,300	$ 1,428,424

Acquisition costs for the insurance contracts were recognized as incurred.

g. Profit and loss analysis of the insurance business

<u>Direct business</u>

Insurance by Type	For the Three Months Ended June 30, 2019 Premium Revenues	Movement of Unearned Premium Reserves	Acquisition Cost of Insurance Contract	Clams (Claim Expense Included)	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 1,228,910	$ 370,193	$ 55,414	$ 151,214	$ 90,053	$ 562,036
Marine insurance	172,661	8,798	17,341	75,892	(6,231)	76,861
Land and air insurance	2,331,409	39,872	364,817	1,399,438	3,442	523,840
Liability insurance	342,534	(35,066)	46,311	157,988	73,110	100,191
Bonding insurance	29,993	1,750	3,712	23,118	(42,209)	43,622
Other property insurance	192,882	(50,679)	20,288	39,931	46,796	136,546
Accident insurance	865,382	33,916	138,304	291,872	9,875	391,415
Health insurance	105,081	5,641	22,824	32,445	1,362	42,809
Compulsory auto liability insurance	719,448	(588)	98,150	773,103	(32,754)	(118,463)
	$ 5,988,300	$ 373,837	$ 767,161	$ 2,945,001	$ 143,444	$ 1,758,857

Insurance by Type	For the Three Months Ended June 30, 2018 Premium Revenues	Movement of Unearned Premium Reserves	Acquisition Cost of Insurance Contract	Clams (Claim Expense Included)	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 1,141,943	$ 338,005	$ 48,770	$ 183,996	$ 39,546	$ 531,626
Marine insurance	190,430	23,413	14,638	63,352	(18,693)	107,720
Land and air insurance	2,187,874	21,081	312,578	1,276,426	92,846	484,943
Liability insurance	314,106	(22,687)	38,825	114,627	109,317	74,024
Bonding insurance	25,656	(3,810)	2,555	358	18,322	8,231
Other property insurance	205,997	12,981	15,021	133,043	(39,278)	84,230
Accident insurance	795,028	1,081	115,859	259,022	14,263	404,803
Health insurance	89,586	3,024	18,164	26,440	6,886	35,072
Compulsory auto liability insurance	723,234	(603)	88,225	494,665	45,532	95,415
	$ 5,673,854	$ 372,485	$ 654,635	$ 2,551,929	$ 268,741	$ 1,826,064

Insurance by Type	For the Six Months Ended June 30, 2019 Premium Revenues	Movement of Unearned Premium Reserves	Acquisition Cost of Insurance Contract	Clams (Claim Expense Included)	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 1,919,739	$ 212,088	$ 104,803	$ 325,034	$ 51,901	$ 1,225,913
Marine insurance	334,127	875	35,619	140,451	32,710	124,472
Land and air insurance	4,665,306	118,967	715,446	2,676,962	185,465	968,466
Liability insurance	712,541	(17,184)	89,504	315,313	129,281	195,627
Bonding insurance	71,675	14,948	8,205	25,218	(27,428)	50,732
Other property insurance	432,374	76,260	42,445	120,661	(4,193)	197,201
Accident insurance	1,648,790	51,554	256,229	647,978	(13,876)	706,905
Health insurance	196,311	8,802	41,658	45,313	1,849	98,689
Compulsory auto liability insurance	1,407,881	(6,961)	192,020	1,188,882	(44,559)	78,499
	$ 11,388,744	$ 459,349	$ 1,485,929	$ 5,485,812	$ 311,150	$ 3,646,504

Insurance by Type	For the Six Months Ended June 30, 2018 Premium Revenues	Movement of Unearned Premium Reserves	Acquisition Cost of Insurance Contract	Clams (Claim Expense Included)	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 1,709,931	$ 129,777	$ 96,692	$ 391,760	$ (114,429)	$ 1,206,131
Marine insurance	347,874	31,165	32,229	122,700	(30,380)	192,160
Land and air insurance	4,412,202	127,435	655,706	2,575,298	108,573	945,190
Liability insurance	633,255	(1,801)	82,460	242,783	100,992	208,821
Bonding insurance	70,448	7,841	7,765	8,652	31,491	14,699
Other property insurance	378,080	(3,292)	36,587	208,472	16,568	119,745
Accident insurance	1,566,338	53,904	233,716	517,647	48,103	712,968
Health insurance	167,753	9,682	35,002	45,117	5,085	72,867
Compulsory auto liability insurance	1,432,419	(3,552)	189,873	917,615	(945)	329,428
	$ 10,718,300	$ 351,159	$ 1,370,030	$ 5,030,044	$ 165,058	$ 3,802,009

Reinsurance inward business

Insurance by Type	For the Three Months Ended June 30, 2019 Reinsurance Premium Inward	Movement of Unearned Premium Reserves	Reinsurance Commission Expense	Reinsurance Claim	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 128,793	$ (28,049)	$ 18,392	$ 64,998	$ 9,900	$ 63,552
Marine insurance	10,480	(2,458)	2,238	9,450	(10,559)	11,809
Land and air insurance	17	(621)	-	(1,395)	(2,523)	4,556
Liability insurance	1,169	415	32	15	171	536
Bonding insurance	255	(174)	43	49	(2,022)	2,359
Other property insurance	77,469	1,240	13,174	76,838	9,109	(22,892)
Accident insurance	3,372	(176)	302	655	350	2,241
Health insurance	5,270	(2,850)	147	8,939	195	(1,161)
Compulsory auto liability	174,272	(1,238)	-	253,719	(9,916)	(68,293)

Insurance by Type	For the Three Months Ended June 30, 2019					
	Reinsurance Premium Inward	Movement of Unearned Premium Reserves	Reinsurance Commission Expense	Reinsurance Claim	Movement of Claims Reserve	Profit (Loss)
insurance						
	$ 401,097	$ (33,911)	$ 34,328	$ 413,268	$ (5,295)	$ (7,293)

Insurance by Type	For the Three Months Ended June 30, 2018					
	Reinsurance Premium Inward	Movement of Unearned Premium Reserves	Reinsurance Commission Expense	Reinsurance Claim	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 117,074	$ 37,110	$ 25,385	$ 27,726	$ (17,791)	$ 44,644
Marine insurance	7,164	(866)	1,558	8,576	9,094	(11,198)
Land and air insurance	40	(1,020)	6	33	(19)	1,040
Liability insurance	354	(274)	46	4	496	82
Bonding insurance	306	149	44	1,087	1,250	(2,224)
Other property insurance	23,913	(5,102)	5,391	2,922	7,986	12,716
Accident insurance	2,826	203	136	502	566	1,419
Health insurance	5,464	2,871	1,024	6,877	326	(5,634)
Compulsory auto liability insurance	175,162	(6,929)	-	232,146	2,791	(52,846)
	$ 332,303	$ 26,142	$ 33,590	$ 279,873	$ 4,699	$ (12,001)

Insurance by Type	For the Six Months Ended June 30, 2019					
	Reinsurance Premium Inward	Movement of Unearned Premium Reserves	Reinsurance Commission Expense	Reinsurance Claim	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 246,690	$ (60,108)	$ 39,583	$ 132,557	$ 66,701	$ 67,957
Marine insurance	25,904	2,387	6,553	20,978	(6,282)	2,268
Land and air insurance	56	(1,204)	3	4	284	969
Liability insurance	1,602	131	64	29	639	739
Bonding insurance	785	(43)	58	601	(899)	1,068
Other property insurance	120,838	(11,252)	22,287	93,817	(15,196)	31,182
Accident insurance	6,915	2	445	1,248	588	4,632
Health insurance	5,270	(7,221)	147	8,939	306	3,099
Compulsory auto liability insurance	367,643	(588)	-	462,090	19,959	(113,818)
	$ 775,703	$ (77,896)	$ 69,140	$ 720,263	$ 66,100	$ (1,904)

Insurance by Type	For the Six Months Ended June 30, 2018					
	Reinsurance Premium Inward	Movement of Unearned Premium Reserves	Reinsurance Commission Expense	Reinsurance Claim	Movement of Claims Reserve	Profit (Loss)
Fire insurance	$ 206,782	$ 53,660	$ 42,704	$ 74,632	-$ 18,743	$ 54,529
Marine insurance	15,991	2,960	3,628	17,149	8,781	(16,527)
Land and air insurance	45	(2,029)	19	42	(822)	2,835
Liability insurance	1,082	(80)	284	265	618	(5)
Bonding insurance	763	17	55	1,725	1,664	(2,698)
Other property insurance	46,699	(9,261)	10,454	29,521	8,322	7,663
Accident insurance	5,731	574	226	974	663	3,294
Health insurance	5,464	(174)	1,024	6,877	267	(2,530)
Compulsory auto liability insurance	369,201	(3,604)	-	551,147	794	(179,136)
	$ 651,758	$ 42,063	$ 58,394	$ 682,332	$ 1,544	$ (132,575)

Ceded reinsurance business

Insurance by Type	For the Three Months Ended June 30, 2019					
	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)

Insurance by Type	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)
	For the Three Months Ended June 30, 2019					
Fire insurance	$ 826,526	$ 255,667	$ 37,107	$ 106,714	$ (32,271)	$ 459,309
Marine insurance	127,504	14,682	17,145	57,393	(5,029)	43,313
Land and air insurance	77,502	(13,176)	21,558	45,121	(13,769)	37,768
Liability insurance	106,813	(20,719)	22,404	55,711	77,216	(27,799)
Bonding insurance	20,626	(336)	4,068	20,399	(16,234)	12,729
Other property insurance	129,325	(27,070)	18,383	13,451	27,557	97,004
Accident insurance	51,370	1,411	15,636	14,708	(4,094)	23,709
Health insurance	-	-	-	-	-	-
Compulsory auto liability insurance	300,704	(352)	-	435,219	(19,043)	(115,120)
	$ 1,640,370	$ 210,107	$ 136,301	$ 748,716	$ 14,333	$ 530,913

Insurance by Type	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)
	For the Three Months Ended June 30, 2018					
Fire insurance	$ 748,054	$ 198,302	$ 37,774	$ 69,633	$ 87,237	$ 355,108
Marine insurance	141,658	17,880	15,876	31,362	(5,082)	81,622
Land and air insurance	82,024	(17,623)	23,504	44,848	(5,141)	36,436
Liability insurance	80,288	(28,978)	18,295	34,142	48,341	8,488
Bonding insurance	15,585	(2,749)	2,747	(513)	10,067	6,033
Other property insurance	133,811	59,077	18,442	50,053	(1,705)	7,944
Accident insurance	49,595	(3,667)	14,172	14,334	2,679	22,077
Health insurance	-	-	-	-	-	-
Compulsory auto liability insurance	301,601	(364)	-	291,286	27,992	(17,313)
	$ 1,552,616	$ 221,878	$ 130,810	$ 535,145	$ 164,388	$ 500,395

Insurance by Type	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)
	For the Six Months Ended June 30, 2019					
Fire insurance	$ 1,266,791	$ 150,631	$ 87,168	$ 191,723	$ (42,151)	$ 879,420
Marine insurance	236,341	6,295	33,010	113,903	7,294	75,839
Land and air insurance	149,336	(33,471)	43,055	99,460	(17,180)	57,472
Liability insurance	229,207	(20,768)	48,705	112,615	92,304	(3,649)
Bonding insurance	50,323	9,385	10,179	22,410	(10,756)	19,105
Other property insurance	294,971	79,503	45,082	49,817	3,635	116,934
Accident insurance	119,614	37,903	30,624	36,205	2,071	12,811
Health insurance	-	-	-	-	-	-
Compulsory auto liability insurance	586,358	(4,176)	-	681,374	(26,154)	(64,686)
	$ 2,932,941	$ 225,302	$ 297,823	$ 1,307,507	$ 9,063	$ 1,093,246

Insurance by Type	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)
	For the Six Months Ended June 30, 2018					
Fire insurance	$ 1,076,695	$ 66,637	$ 76,478	$ 129,978	$ 41,538	$ 762,064
Marine insurance	241,264	28,849	29,797	71,142	(11,689)	123,165
Land and air insurance	160,774	(28,654)	48,668	98,885	(44,122)	85,997
Liability insurance	188,517	(23,666)	41,485	67,951	32,000	70,747
Bonding insurance	49,211	6,005	9,095	4,628	8,939	20,544
Other property insurance	228,680	44,193	36,717	68,427	60,981	18,362
Accident insurance	122,578	24,625	29,453	28,310	6,545	33,645
Health insurance	-	-	-	-	(324)	324
Compulsory auto liability insurance	595,089	(2,164)	-	535,897	933	60,423

Insurance by Type	For the Six Months Ended June 30, 2018					
	Reinsurance Premium Outward	Movement of Reserves Unearned Ceding Revenues	Reinsurance Commission Revenue	Claims Recovered from Reinsurers	Movement of Ceding Claims Reserve	Profit (Loss)
	$ 2,662,808	$ 115,825	$ 271,693	$ 1,005,218	$ 94,801	$ 1,175,271

h. Insurance contract categories

Insurance contract refers to the insurer accepting the insurance policyholder's transfer of significant insurance risk, and agrees to the uncertain future of a particular event (insured event) and the contract will compensate the policyholder for any damages occurred. The Group's definition of a significant insurance risk refers to any insured event that occurs and causes the Group to pay additional significant fees.

Insurance contract with features of financial instruments are contracts that transfer the financial risk. The definition of a financial risk refers to one or more specific interest rate, prices of financial instruments, product prices, exchange rates, price index, rate index, credit ratings and indicators, and other variables that faces risk of possible future changes. If the above variables are not considered as a financial variable, then the variables exist in both sides under the contract.

When the original judgment meet the criteria of the policy under the insurance contract, before the right of ownership and obligations expired or extinguished, 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 Group, the Group will reclassify the contract as an insurance contract.

i. Insurance premium revenues and the acquisition costs

Direct premiums are recognized on the date when the policies became effective. Policy related expenses are recognized when incurred. Reinsurance premiums and reinsurance commission expenses are recognized upon the assumption of reinsurance. Claim expenses for assumed reinsurance policies are recognized upon notification that claim payments are due.

The reserve for unearned premiums represents the portion of premiums written related to the unexpired terms of coverage, which shall be set aside based on each unexpired underlying risk.

The amount of unearned premium reserve for compulsory automobile liability insurance is set aside pursuant to "Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance".

The amount of unearned premium reserve for the residential earthquake insurance is set aside pursuant to "Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance".

The amount of unearned premium reserve for the nuclear insurance is set aside pursuant to "Regulations for the Management of the Various Reserves for the Nuclear Insurance".

Calculation of unearned premium reserve is determined by actuaries based on characteristics of insurances and cannot be changed without the authority's approval unless otherwise regulated by law. The amount of unearned premium reserve should be audited by a certified actuary.

Taxes related to the insurance premium revenues are recognized pursuant to "Value-added and Non-value-added Business Tax Act" and "Stamp Tax Act" on an accrual basis.

j. Salvage and subrogation

Salvage legally acquired from the claim procedure for direct written business shell be valued and recognized at its fair value. Subrogation legally acquired shall be recognized when the actual recovery is definite (the inflow of the economic benefits in the future is more likely than not), and its amount can be reliably measured.

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

The Group and all the members approved by the competent authority set the "Co-insurance Contract of Compulsory Automobile Liability Insurance" agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance team. The business is calculated on the basis of pure premiums and in accordance with the agreed portion. In addition to the liquidation or went out of business, the members shall not withdraw. If the members stop to operate the compulsory automobile liability insurance, it should drop out from the co-insurance organization at the same time and the responsibility of unearned premiums applies natural expiry.

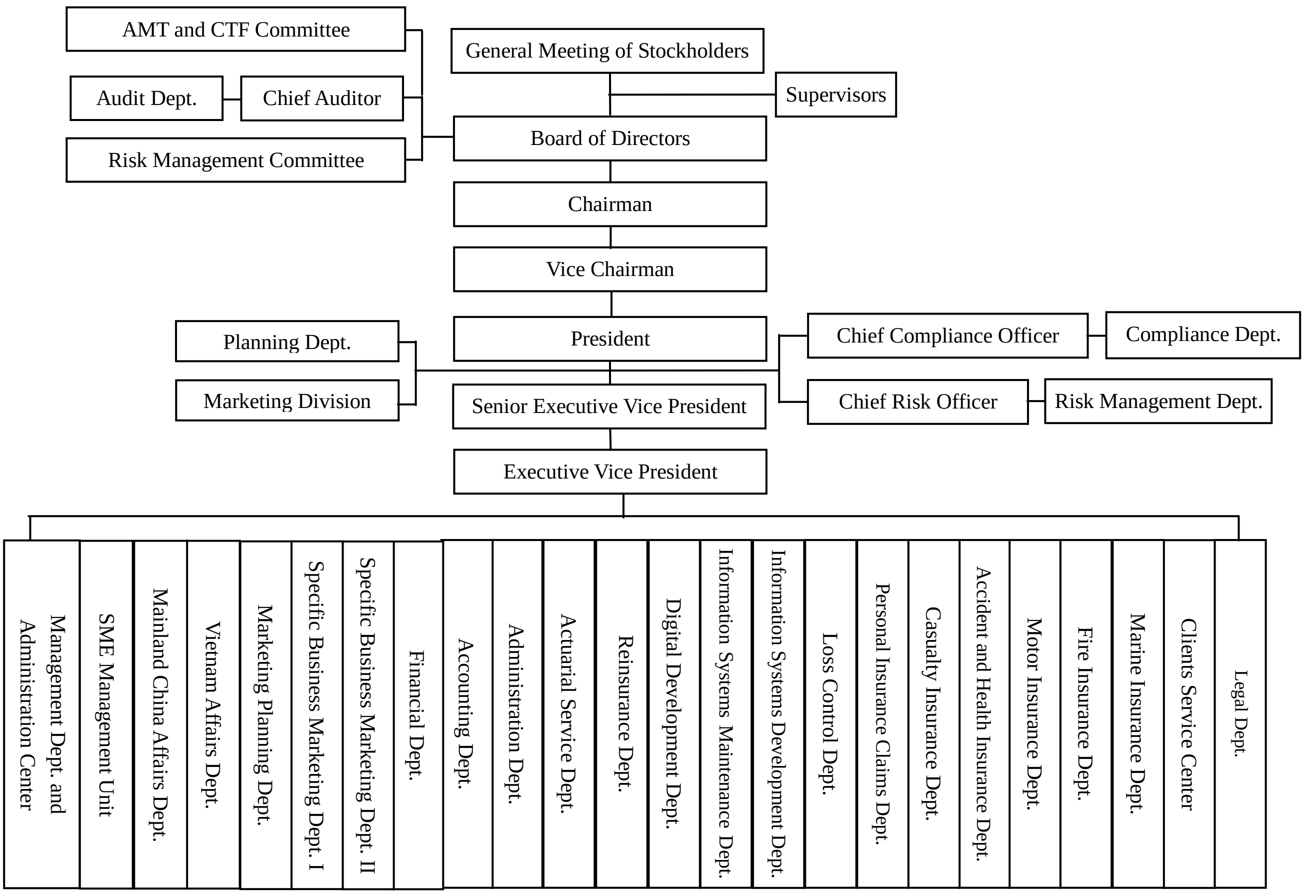
The Group, the property insurance company with order for traveling industry performance guarantee insurance and the reinsurance company set the "Co-insurance Contract of Traveling Industry Performance Guarantee Insurance" agreed that the business should be fully included in the co-insurance, violators have to pay liquidated damages and agreed to be inspected by co-insurance organization. The business is calculated on the basis of co-insurance premium and in accordance with the agreed proportion. Members shall notice in writing when going to withdraw from co-insurance before following year began three months ago. The original undertaken responsibility will cease to exist at the end of the year and the member company which drops out from the co-insurance organization will be held responsible for the unfinished part of the responsibility until its natural expiry.

l. Contribution to the stabilization funds

Since July 1, 2014, according to the "Interpretations No. 10302503181 Financial-Supervisory-Property-Insurance-Corporate" issued by FSC, the Group has changed its way of contribution to rate discrimination depositing in "Property Insurance Stabilization Fund Committees". It is reported as "Contribution to the Stabilization funds" in the income statement.

m. Organization chart and responsibilities of risk management

1) Organization chart of risk management



2) Responsibility of each department:

<u>Board of directors</u>

a) Should understand the various risks that the insurance business faces, ensure the effectiveness of risk management and assume responsibility for the entire risk management.

b) Should establish an adequate risk management mechanism and risk management culture, approve an appropriate risk management policy and allocate resources effectively.

c) Should not only follow up the risks that each substantial segment of the business faces but also consider the effect of the aggregated risks of each segment; should also follow the legal capital requirement and the relevant financial or business operating regulations that affect capital allocation.

Risk management department

a) Risk management committee

i. To formulate risk management policies, frameworks, and organizations; to build quantitative and qualitative management standards, regularly report to board of directors, reflect timely the execution of risk management and propose necessary steps for improvement.

ii. To execute risk management decisions from board of directors and review development, establishment and effectiveness of risk management mechanism for the Group as a whole on a regular basis.

iii. To assist and supervise various departments in risk management activities.

iv. To adjust risk category, allotment, and attribution in response to changes in the environment.

v. To coordinate the interaction and communication of risk management function across departments.

b) Chief risk officer

The Chief Risk Officer's appointment and removal are approved by the board of directors, which maintain the independence, and he could not concurrently play a business and financial role, and has the right to acquire any overview data that may affect the Group's risk profile.

i. Overall management of the Group's overall risk management related business.

ii. Discuss important company decisions and risk management point of view to give appropriate recommendations.

iii. Take part in risk management committee.

c) Risk management department

i. Risk management department is established independent of sales function to take charge of tasks such as the supervision and evaluation of various major risks.

ii. Responsibility of risk management division:

i) To assist in drafting risk management policies and the execution when approved by the board of directors.

ii) To assist in setting up risk limits according to the risk appetite.

iii) To compile risk information from various departments, coordinate and communicate with them to execute policies and limits.

iv) To propose risk management related reports on a regular basis.

v) To supervise risk limit and its use in each business unit on a regular basis.

vi) To assist in stress tests and conduct back-testing when necessary.

vii) To conduct other risk management related tasks.

Business unit

a) The responsibilities of business's risk management are as follows:

   i. To supervise the daily risk management and report of the responsible unit and take necessary responsive actions.

   ii. To oversee the sharing of risk management information to risk management department on a regular basis.

b) The business unit's responsibilities for risk management are as follows:

   i. To identify risk and report risk exposure.

   ii. To evaluate (quantitative or qualitative) the degree of influence when risks occur and pass the risk information in a timely and correct manner.

   iii. To review each risk item and its limit on a regular basis to insure the effective execution of risk limit within business unit.

   iv. To oversee risk exposure and report when over-limit occur, including measures taken against it.

   v. To assist in development of risk model to insure the evaluation of risk, use of model, and its assumption are conducted on a reasonable basis and is consistent with actual practice.

   vi. To assure effective execution of internal control within business unit to comply with relevant regulations and risk management policies of the Group.

   vii. To assist in collecting information regarding operation risk.

Audit department

Audit the execution of risk management of each unit in the Group according to the existing relevant regulations.

n. Scope and nature of risk reporting and evaluation system of property insurance

   1) Risks reporting

      a) Each business unit within the Group should pass risk information to risk management department for overseeing purpose, and propose over-limit report and responding measures when risk exposure is over limit.

      b) Risk management department compiles risk information from each department, examines and tracks the use of major risk limit, submits a monthly risk management report to the general manager, and makes quarterly report to the risk management committee and board of director to oversee risks on a regular basis.

2) Scope and nature of risk evaluation system

The risk management department of the Group and that of its parent company's, Cathay Financial Holdings, collaborate in building market risk management system. The structure will consider functionality, source of information, completeness of uploaded information, and the safety of the environment in which the system operates. Function-wise, risk management system focuses on the need of middle office to quantify risk, and it would only be authorized to risk management personnel.

o. Processes to undertake, evaluate, supervise and control insurance risk of property insurance business. Policy in underwriting to assure proper risk categorization and fee standard.

In the Group, risk management department takes responsibilities in monitoring risks, integrating insurance risk of the Group as a whole, and setting up risk indicators, risk limit, and managing mechanism. Each related department is the execution unit of insurance risk control. They report execution process to risk management department every month based on regulation, internal rules, and professional knowledge and experience of their respective field. Risk management department then proposes insurance risk management report to the board of directors each quarter.

p. Evaluate risk from the perspective of enterprise as a whole and the scope in managing insurance risk

Scope of insurance risk management of the Group includes product design and pricing, underwriting, reinsurance, risks related to catastrophe, claim, and provision. Proper management mechanisms are set up and executed thoroughly.

q. Methods with which property insurance business limit insurance risk exposure and improper risk concentration

Before a business is introduced, the underwriting personnel will evaluate the quality of the business based on the underwriting guideline of each insurance to decide whether to undertake the business. Risk is properly hedged and controlled to reduce exposure.

In addition, as the Group undertakes reinsurance business, risk management mechanism is set up in accordance with "Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms" and the ability to undertake risk is taken into account for the establishment of reinsurance risk management plan which execution is based upon. Accumulated risk with the portfolio of direct written premiums and other inward-insurance business is conducted before an individual case of outward/inward reinsurance is executed. When the cumulative insurance amount exceeds contract limit or self-retain limit, risk is diversified through facultative reinsurance.

According to the Group's risk management mechanism for reinsurance business, the maximum for the retained risk per risk unit is calculated at 10% of the summary amount of shareholder's equities and special reserves (excluding compulsory automobile insurance). The following table summarizes the underlying retention for each risk unit by types of insurance:

	December 31	
Insurance by Type	**2019**	**2018**
Fire insurance	$ 1,182,000	$ 1,233,000
Marine insurance	1,182,000	1,233,000
Engineering insurance	1,182,000	1,233,000
Liability insurance	1,182,000	1,233,000
Healthy and Accident insurance	1,182,000	1,233,000
Automobile insurance	50,000	1,233,000
Accident insurance	250,000	1,233,000

r. Asset-liability management strategy

1) Asset-liability coordinate with risk identification and measurement

Financial, Accounting and Actuarial Service Department should identify the possible market risk, liquidity risk and insurance risk that may occur during the process of operation. Measure whether the cash flows in assets are sufficient to cover the cash flow in liabilities by cash flow test method (but not limited), that is, whether the Company's asset allocation has reasonable liquidity to pay for debt expenditure in future years.

2) Asset-liability coordinate with risk response

When market risk, liquidity risk and insurance risk events occur, Financial, Accounting and Actuarial Service Department should take appropriate measures to face asset-liability risk and take appropriate response to the events, and report to Risk Management Department and Risk Management Committee for examination.

s. Management, supervision, control process when additional liability or commitment to equity contribution is required for the property insurance business

The Group has established a management mechanism for capital adequacy, which includes capital adequacy indicators for regular review, and every six month a capital adequacy management report will be compiled to implement capital adequacy management.

If capital adequacy ratio exceeds control standard (risk limit) or in the case of unusual events, related departments will meet together to study counter-measures and report to the parent company, Cathay Financial Holdings, to review the impact on the Group's capital adequacy ratio.

t. Sensitivity to insurance risk

1) The Company

			Impact on the Income Statement of a Five Percent Change in Rate of Expected Loss	
Insurance by Type	**Premium Revenue**	**Rate of Expected Loss**	**Before Reinsurance**	**After Reinsurance**
Fire insurance	$ 1,802,801	43.05%	$ (90,140)	$ (75,759)
Marine insurance	329,748	40.27%	(16,487)	(7,060)
Land and air insurance	4,609,352	64.34%	(230,468)	(222,195)
Liability insurance	711,806	53.26%	(35,590)	(24,387)
Bonding insurance	71,675	186.38%	(3,584)	(2,352)
Other property insurance	431,029	66.43%	(21,551)	(16,236)
Accident insurance	1,634,621	42.73%	(81,731)	(76,759)
Health insurance	196,311	41.38%	(9,816)	(9,802)
Compulsory auto liability insurance	1,407,881	Not applicable	Not applicable	Not applicable
	$ 11,195,224		$ (489,367)	$ (434,550)

The chart above shows that with every 5% increase of the expected loss ratio of every insurance contract of the Company, revenue may be impacted; however, the impact has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

2) Cathay Insurance (Vietnam)

Insurance by Type	Premium Revenue	Rate of Expected Loss	Impact on the Income Statement of a Five Percent Change in Rate of Expected Loss: Before Reinsurance	After Reinsurance
Automobile insurance	$ 55,954	35.74%	$ (2,798)	$ (857)
Marine insurance	4,379	24.55%	(219)	(44)
Fire insurance	116,938	38.17%	(5,847)	(5,378)
Engineering insurance	1,345	-	(67)	(24)
Accident insurance	14,169	33.12%	(708)	(247)
Liability insurance	735	-	(37)	(1)
	$ 193,520		$ (9,676)	$ (6,551)

The chart above shows that with every 5% increase of the expected loss ratio of every insurance contract of Cathay Insurance (Vietnam), revenue may be impacted; however, the impact has been mitigated through the arrangement of reinsurance to obtain the effect of risk diversification.

u. Risk concentration

1) The Company

a) Situations that might cause concentration of insurance risk

i. Single insurance contract or few related contracts

For the six months ended June 30, 2019, the Company will undertake a business with infrequent but enormous losses only if all risks are evaluated by the underwriting department based on underwriting guidelines, or are discussed by an ad hoc meeting.

ii. Exposure to unanticipated change in trend

For the six months ended June 30, 2019, the loss rates of the rest insurance categories are still within reasonable range.

iii. Material lawsuit or legal risks that could lead to huge losses in a single contract or have a broad effect on several contracts.

"Regulations for Assisting Lawsuit Cases of Cathay Century Insurance" is set up to safeguard the rights of the Company and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each compliance department of the Company will appoint staff to be responsible of compliance matters, so that possible legal risk is minimized. For the six months ended June 30, 2019, no material lawsuit or legal risks has taken place.

iv. Correlation and mutual influence between different risks

In case of a catastrophe, beside huge sum of claim of the insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of the Company being severely endangered by these derived risks, the Company has established "Operation standards under crisis" that set up crisis team in reaction to the event. The team will execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to guard financial order. For the six months ended June 30, 2019, there is no catastrophe has taken place.

v. When a certain key variable has approached a significantly non-linear relationship with future cash flow which could dramatically influence its performance

Since the 3rd stage of liberalization of property insurance fee took into effect, the Company has conducted regular fee reviews on car insurance, fire insurance, and residential fire insurance in accordance with regulation. Fee will be raised when actual loss rate exceeds expected loss rate by a certain percentage to avoid worsening of further losses. In addition, from time to time related departments would observe the change in trend for loss rates of different product categories and adjust pricing and coverage in a timely manner to effectively lower insurance risk.

In addition, investment in financial instruments in part, on a regular basis to monitor changes in the value of the site and the risk of cash flow analysis, and supplemented by stress testing, to control and management affecting fluctuations of major risk factors.

In addition, the implementation of stress tests for overall business every year, the impact assessment of the assets and the insurance risk of extreme financial position of the Company's situation, understand the major risk factors to adjust the response in advance.

vi. Concentration risks in geographic regions and operating segments

The Company's catastrophe insurance for earthquakes and floods are centralized in the areas of Taipei, Taoyuan, Hsinchu, Chiayi, Tainan, Kaohsiung and Pingtung.

b) Following table summarizes the concentration risk of the Company before and after reinsurance by types of insurance for the six months ended June 30, 2019:

Insurance Type	For the Three Months Ended June 30, 2019				
	Direct Premium Income	Reinsurance Premium Income	Premiums Ceded To Reinsurers	Net Premium Income	%
Fire insurance	$ 1,185,945	$ 130,073	$ 789,040	$ 526,978	11.20
Marine insurance	169,779	10,481	125,415	54,845	1.17
Land and air insurance	2,299,511	(1)	77,488	2,222,022	47.23
Liability insurance	342,485	1,169	106,783	236,871	5.04
Bonding insurance	29,992	255	20,625	9,622	0.20
Other property insurance	192,458	77,470	129,071	140,857	2.98
Accident insurance	857,914	3,372	51,370	809,916	17.22
Health insurance	105,081	5,270	-	110,351	2.35
Compulsory automobile liability insurance	719,448	174,272	300,704	593,016	12.61
Total	$ 5,902,613	$ 402,361	$ 1,600,496	$ 4,704,478	100.00

Insurance Type	For the Six Months Ended June 30, 2019				
	Direct Premium Income	Reinsurance Premium Income	Premiums Ceded To Reinsurers	Net Premium Income	%
Fire insurance	$ 1,802,801	$ 247,463	$ 1,159,153	$ 891,111	9.74
Marine insurance	329,748	25,904	233,240	122,412	1.34
Land and air insurance	4,609,352	40	149,298	4,460,094	48.74
Liability insurance	711,806	1,602	228,727	484,681	5.30
Bonding insurance	71,675	785	50,323	22,137	0.24
Other property insurance	431,029	120,839	294,164	257,704	2.81
Accident insurance	1,634,621	6,915	119,614	1,521,922	16.63
Health insurance	196,311	5,270	-	201,581	2.20
Compulsory automobile liability insurance	1,407,881	367,643	586,358	1,189,166	13.00
Total	$ 11,195,224	$ 776,461	$ 2,820,877	$ 9,150,808	100.00

c) Disclosure the prior management performance in the risk, which had huge effect but relative low occurrence frequency, to help financial statement user to evaluate the uncertainty of this risk related cash flow.

Catastrophes such as earthquake, typhoon, and flood, will bring tremendous insurance risk to property insurance business.

To control infrequent risk that impacts significantly, the Company assesses risk of natural disasters and specially covered item (e.g., independent power producer and abutment project). The Company also holds loss prevention seminars regularly to help customers reduce the incidence rate of disasters.

2) Cathay Insurance Co., Ltd (Vietnam) Ltd.

a) Situations that might cause concentration of insurance risk:

i. Single insurance contract or few related contracts

For the six months ended June 30, 2019, Cathay Insurance Co., Ltd (Vietnam) will undertake a business with infrequent but enormous losses only if all risks are evaluated by the underwriting department based on underwriting guidelines, or are discussed by an ad hoc meeting.

ii. Exposure to unanticipated change in trend

For the six months ended June 30, 2019, the loss rates of the rest insurance categories are still within reasonable range.

iii. Material lawsuit or legal risks that could lead to huge losses in a single contract or have a broad effect on several contracts.

“The Procedure for Subrogation” and “The Proceedings of the Court” are set up to safeguard the rights of Cathay Insurance Co., Ltd (Vietnam) and the insured and to implement process control of lawsuit cases of insurance claim. In addition, each compliance department of Cathay Insurance Co., Ltd (Vietnam) will appoint staff to be responsible of compliance matters, so that possible legal risk is minimized. For the six months ended June 30, 2019, no material lawsuit or legal risks has taken place.

iv. Correlation and mutual influence between different risks

In case of a catastrophe, beside huge sum of claim of the insured case, other risks such as market risk, credit risk, liquidity risk, can also be derived. To avoid the operation of Cathay Insurance Co., Ltd (Vietnam) being severely endangered by these derived risks, Cathay Insurance Co., Ltd (Vietnam) has established "Points for Handling Major Events of Cathay Insurance Co., Ltd (Vietnam)" that set up crisis team in reaction to the event. The team will execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and Cathay Insurance Co., Ltd (Vietnam) and to guard financial order. For the six months ended June 30, 2019, there is no catastrophe has taken place.

v. Concentration risks in geographic regions and operating segments

Cathay Insurance Co., Ltd (Vietnam)'s catastrophe insurance for earthquakes and floods are centralized in the areas of Ho Chi Minh City, Tinh Dong Nai and Tinh Ha Tinh.

b) The disclosure of the concentration of insurance risk comprises both before and after reinsurance; to provide a better understanding of the mutual traits of the concentration of insurance risk and the related risk exposure index.

Following table summarizes the concentration risk of Cathay Insurance Co., Ltd (Vietnam) before and after reinsurance by types of insurance for the six months ended June 30, 2019:

Insurance Type	For the Three Months Ended June 30, 2019				
	Direct Premium Income	**Reinsurance Premium Income**	**Premiums Ceded to Reinsurers**	**Net Premium Income**	**%**
Automobile insurance	$ 31,899	$ 17	$ 15	$ 31,900	71.61
Flood insurance	2,882	-	2,089	793	1.78
Fire insurance	42,964	220	38,987	4,197	9.42
Engineering insurance	424	-	255	169	0.38
Accident insurance	7,468	-	-	7,468	16.77
Liability insurance	50	-	30	20	0.04
Total	$ 85,686	$ 237	$ 41,376	$ 44,547	100.00

Insurance Type	For the Six Months Ended June 30, 2019				
	Direct Premium Income	**Reinsurance Premium Income**	**Premiums Ceded to Reinsurers**	**Net Premium Income**	**%**
Automobile insurance	$ 55,954	$ 17	$ 38	$ 55,933	69.30
Flood insurance	4,379	-	3,101	1,278	1.58
Fire insurance	116,938	726	109,138	8,526	10.57
Engineering insurance	1,345	-	807	538	0.67
Accident insurance	14,169	-	-	14,169	17.56
Liability insurance	735	-	480	255	0.32
Total	$ 193,520	$ 743	$ 113,564	$ 80,699	100.00

3) Disclose the prior management performance in the risk, which had huge effect but relative low occurrence frequency, to help financial statement user to evaluate the uncertainty of this risk related cash flow.

Catastrophes such as typhoon and flood, will bring tremendous insurance risk to property insurance business. To control infrequent risk that impacts significantly, Cathay Insurance Co., Ltd (Vietnam) assesses risk of natural disasters and specially covered item. Cathay Insurance Co., Ltd (Vietnam) also holds loss prevention seminars regularly to help customers reduce the incidence rate of disasters.

v. Development trend of claims

1) The Company

Accident Year	2013Q2	2013Q3-2014Q2	2014Q3-2015Q2	2015Q3-2016Q2	2016Q3-2017Q2	2017Q3-2018Q2	2018Q3-2019Q2	Total
Accumulated estimated claim payment								
End of the accident year	$ 15,836,410	$ 6,483,154	$ 7,170,324	$ 10,927,997	$ 8,351,788	$ 8,563,452	$ 9,186,812	
After the first year	17,075,656	6,675,204	7,441,579	11,188,856	8,026,850	8,325,438	-	
After the second year	17,297,430	6,617,395	7,353,789	11,209,255	7,945,756	-	-	
After the third year	17,277,491	6,566,833	7,419,731	11,076,759	-	-	-	
After the fourth year	17,327,532	6,567,427	7,301,127	-	-	-	-	
After the fifth year	17,310,317	6,544,686	-	-	-	-	-	
After the sixth year	17,716,702	-	-	-	-	-	-	
Final estimated claim payment	17,716,702	6,544,686	7,301,127	11,076,759	7,945,756	8,325,438	9,186,812	
Accumulated claim disbursed	17,171,867	6,483,936	7,042,947	10,817,133	7,596,595	7,508,119	5,172,954	
	544,835	60,750	258,180	259,626	349,161	817,319	4,013,858	$ 6,303,729
Adjustment	-	-	-	-	-	-	145,635	145,635
Amount recognized in balance sheet	$ 544,835	$ 60,750	$ 258,180	$ 259,626	$ 349,161	$ 817,319	$ 4,159,493	$ 6,449,364

Note: The upper part of table illustrates the accumulated annual estimates. The lower part of table shows the estimated number after the accumulated actual claims disbursements were reconciled to the balance sheet.

The upper table excludes direct claim reserve of compulsory insurance of $1,438,485 thousand and claim reserve of assumed reinsurance of $843,300 thousand.

2) Cathay Insurance Co., Ltd (Vietnam)

As Cathay Century Co., Ltd (Vietnam) is still at the initial stage, there is no historical data for loss trends. Cathay Century Co., Ltd (Vietnam) has adopted the suggestion from Vietnamese Ministry of Finance 2842/BTC/QLBH for loss reserving method with incurred but not reported claims, which is calculated at a rate of 5% of its annual retained premium.

w. The following details the portfolios managed

1) The Company

	June 30, 2019	
	Carrying Amount	**Fair Value**
Listed stocks	$ 793,698	$ 793,698
Repurchase agreements collateralized by bonds	500,000	500,000
Bank deposit	346,837	346,837
Future margins	2,010	2,010
	$ 1,642,545	$ 1,642,545

	December 31, 2018	
	Carrying Amount	**Fair Value**
Listed stocks	$ 736,041	$ 736,041
Repurchase agreements collateralized by bonds	150,000	150,000
Bank deposit	640,437	640,437
Future margins	2,009	2,009

	December 31, 2018	
	Carrying Amount	Fair Value
	$ 1,528,487	$ 1,528,487

	June 30, 2018	
	Carrying Amount	Fair Value
Listed stocks	$ 1,265,961	$ 1,265,961
Repurchase agreements collateralized by bonds	380,115	380,115
Bank deposit	231,444	231,444
Future margins	2,009	2,009
	$ 1,879,529	$ 1,879,529

2) As of June 30, 2019, December 31, 2018 and June 30, 2018 the Group entered into discretionary account management contracts in the amount of $1,200,000 thousand.

x. Interests in unconsolidated structured entities

1) Unconsolidated structured entities

The Group does not provide financial support or other support to the unconsolidated structured entities. The Group's maximum exposure to loss from its interests in the unconsolidated structured entities is limited to the carrying amount of assets the Group recognized. The information of the recognized unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	Nature and Purpose	Interests Owned
Securitization vehicle	Investment in asset-backed security to receive returns	Investment in securitization vehicles issued by the entity

2) Details of the carrying amount of assets recognized by the Group relating to its interests in unconsolidated structured entities as of June 30, 2019, December 31, 2018 and June 30, 2018, are as follows:

	June 30, 2019	December 31, 2018	June 30, 2018
Securitization vehicle			
Financial assets at FVTPL	$ 70,097	$ 96,907	$ 148,772
Financial assets at amortized cost	628,838	640,847	662,635
	$ 698,935	$ 737,754	$ 811,407

y. Credit risk of insurance contract

The main source of credit risk of insurance contract is reinsurance business. The Group arranges its reinsurance business under the Regulations Governing Insurance Enterprises, and it is engaged in operating reinsurance and other risk-diversification mechanisms. Most of the insurance enterprises chose to have a certain level of credit rating and are qualified for reinsurance business. The Group regularly monitors the movement of the credit rating of these enterprises. The Group discloses its transactions with unqualified ceded reinsurer as follows, based on Regulations for the Management of the Reserve for Unqualified Reinsurance.

1) The major unqualified reinsurance counterparties are listed below:

June 30, 2019

Name	Type
Tugu Insurance Company HK	Facultative reinsurance of marine and fire insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Emirates Re	Treaty reinsurance of fire insurance
Trust International Insurance and Reinsurance Company BSC	Treaty reinsurance of marine, fire and accident insurance and Facultative reinsurance of marine, fire and miscellaneous insurance
Arab Insurance Group (B.S.C)	Facultative reinsurance of fire insurance

December 31, 2018

Name	Type
Best RE (L) Limited	Treaty reinsurance of liability insurance
Tugu Insurance Company HK	Facultative reinsurance of marine and fire insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Emirates Re	Treaty reinsurance of fire insurance
Trust International Insurance and Reinsurance Company BSC	Treaty reinsurance of marine and fire insurance and Facultative reinsurance of marine, fire and liability insurance

June 30, 2018

Name	Type
Best RE (L) Limited	Treaty reinsurance of miscellaneous, insurance and Facultative reinsurance of marine and fire insurance
Tugu Insurance Company HK	Facultative reinsurance of marine and fire insurance
Cathay Insurance Co., Ltd. (China)	Facultative reinsurance of marine insurance
Emirates Re	Treaty reinsurance of fire insurance

2) For the six months ended June 30, 2019 and 2018, the unqualified ceded reinsurance expense is $27,110 thousand and $14,572 thousand, respectively.

3) The reserve for unauthorized reinsurance and the components of this account include:

	June 30, 2019	December 31, 2018	June 30, 2018
Unearned premium reserve	$ 13,555	$ 17,949	$ 7,286
Claims recoverable from reinsurers of paid claims overdue in nine month	67,297	60,165	14,395
Claims recoverable from reinsurers which were reported but unpaid	2,207	5,003	48,265
	$ 83,059	$ 83,117	$ 69,946

<u>**TABLE 1**</u>

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

BALANCE SHEET OF COMPULSORY AUTOMOBILE LIABILITY INSURANCE
(In Thousands of New Taiwan Dollars)

Items	Amount			Items	Amount		
Asset	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**	**Liabilities**	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Cash and bank deposit	$ 2,593,509	$ 2,530,596	$ 2,385,926	Notes payable	$ -	$ -	$ -
Notes receivable	13,283	11,554	13,699	Claims payable	-	-	-
Premiums receivable	6,524	9,924	7,684	Reinsurance indemnity payable	-	-	-
Claim recoverable from reinsures	170,305	154,031	232,445	Due to reinsurers and ceding companies	234,821	242,711	247,446
Due from reinsurers and ceding companies	125,729	125,994	128,430	Unearned premium reserves	1,724,880	1,732,429	1,747,981
Other receivables	-	-	-	Claims reserves	2,057,973	2,082,573	2,002,712
FVTOCI financial assets	758,078	1,045,844	1,046,349	Special reserves	1,276,436	1,478,016	1,422,417
Reserve - ceded unearned premiums	752,698	756,874	760,039	Temporary receivable	-	-	-
Reserve - ceded claim	862,174	888,328	832,138	Other liabilities	-	-	-
Temporary payments	11,810	12,584	13,846				
Other assets	-		-				
Total assets	$ 5,294,110	$ 5,535,729	$ 5,420,556	Total liabilities	$ 5,294,110	$ 5,535,729	$ 5,420,556

TABLE 2

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

OPERATING REVENUE AND COST OF COMPULSORY AUTOMOBILE LIABILITY
(In Thousands of New Taiwan Dollars)

Item	For the Six Months Ended June 30	
	2019	**2018**
Operating revenues	$ 769,571	$ 779,070
Direct insurance premium revenues	997,264	991,815
Reinsurance premium inward	367,643	369,021
Premiums revenues	1,344,907	1,361,016
Less: Reinsurance premium outward	586,358	595,089
Net change in unearned premium reserve	(3,373)	(4,992)
Retained earned premium	761,922	770,919
Interest income	7,649	8,151
Operating costs	769,571	779,070
Retained claims	1,188,882	917,615
Reinsurance claims incurred	462,090	551,147
Less: Claim recoverable from reinsurers	681,374	535,897
Retained claims	969,598	932,865
Net change in claim reserve	1,554	(1,084)
Net change in special reserve	(201,581)	(152,711)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets (Note 3)
0	Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd (Vietnam)	1	Due from reinsurers and ceding companies, net	$ 1,501	Based on agreement	-
				Claims incurred	7,033	Based on agreement	-

Note 1: The parent company and subsidiaries are numbered as follows:

a. Parent company: 0.
b. Subsidiaries are numbered sequentially from 1.

Note 2: Transaction flows are as follows:

a. From parent company to subsidiary;
b. From subsidiary to parent company; and
c. Between subsidiaries.

Note 3: For calculating the percentages, asset or liability account is divided by the total consolidated assets and the revenue or expense account is divided by the total consolidated net revenue of the same period.

Note 4: Information disclosed in this Table includes balances and transactions that have been eliminated on consolidation between the Group and its subsidiaries.

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2019	December 12, 2018	Number of Shares	%	Carrying Amount			
Cathay Century Insurance Co., Ltd.	Cathay Insurance Co., Ltd (Vietnam)	Vietnam	Property insurance businesses	$ 845,585	$ 845,585	-	100	$ 629,558	$ 11,555	$ 11,555	Note 1

Note 1: Calculated based on financial statements which have not been audited during the same period.

TABLE 5

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment (Note 2)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of June 30, 2019	Accumulated Repatriation of Investment Income as of June 30, 2019
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	$ 12,196,844 (CNY 2,632,653 thousand)	(1)	$ 2,964,730	$ -	$ -	$ 2,964,730	$ (95,573)	24.5%	$ (23,415)	$ 2,174,860	$ -

Accumulated Outward Remittance for Investments in Mainland China as of June 30, 2019	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on the Amount of Investments Stipulated by the Investment Commission, MOEA (Note 4)
$ 2,964,730 (CNY645,000 thousand)	$ 2,964,730 (CNY645,000 thousand)	$ 6,822,656

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on June 30, 2019.

Note 2: Investment type is as follows:

a. The Company made the investment directly.
b. The Company made the investment through a company registered in a third region.
c. Others.

Note 3: The calculation was based on unaudited financial statement.

Note 4: The limit is up to 60% of the investor's net worth as stated in the Principles Governing the Review of Investment or Technical Corporation in Mainland China, which was issued on August 29, 2008 by the Investment Commission of the MOEA.

Note 5: On December 31, 2006, the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company USD$28,963 thousand to establish an insurance subsidiary, engaging in the business of property insurance business. On October 8, 2007, China Insurance Regulatory Commission (CIRC) authorized the Company to establish a property insurance company in the form of joint venture with Cathay Life Insurance. The joint venture company named Cathay Insurance Company Ltd. (China) established in Shanghai and has acquired a business license of an enterprise as a legal person on August 26, 2008. On May 28, 2013, the MOEAIC authorized the Company CNY$200,000 thousand to establish an insurance subsidiary. On June 13, 2013 and March 18, 2014, each amount of Cathay Century Insurance Company's remittance was CNY$100,000 thousand and was authorized by CIRC. On November 23, 2018, the MOEAIC authorized the Company CNY$245,000 thousand to establish an insurance subsidiary. As of June 30, 2019, the Company has remitted USD$97,292 thousand in total.