Cathay Century Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2019 and 2018 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying consolidated balance sheet of Cathay Century Insurance Co., Ltd. and its subsidiaries (collectively referred to as the "Group") as of December 31, 2019, the related consolidated statements of comprehensive income for the year ended December 31, 2019, the consolidated statements of changes in equity and cash flows for the years then ended, and the related 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 December 31, 2019, and its consolidated financial performance for the year ended December 31, 2019, and it's consolidated cash flows for the year ended December 31, 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise, and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 year ended December 31, 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 year ended December 31, 2019 is described as follows:

Adequacy of Loss Reserves

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

Loss reserve is a major component of the Group's liability. As of December 31, 2019, the balance of loss reserves was NT$9,357,750 thousand, representing 22% of the total assets of the Group.

Loss reserves include losses filed but not yet paid and losses not yet filed. The losses filed but not yet paid refers to the estimates of unpaid losses evaluated by the claims department, third-party adjusters, or independent adjusters for known and filed losses only. The adjusters analyze the specific details of the insured event to generate an independent estimate of the losses filed. The losses not yet filed include estimates of the unpaid losses and unpaid unallocated loss adjustment expenses (ULAE). The actuaries estimate unpaid losses 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 type of insurance and applied to gross as well as ceded losses.

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

We obtained an understanding of the design and implementation, and we tested the operating effectiveness of the internal control relevant to the estimation of loss 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 losses incurred and determined that Cathay Century Insurance Co., Ltd. accrued appropriate amount of the losses filed but not yet paid 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 loss 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 losses not yet filed.

Other Matter

The consolidated financial statements of the Group for the year ended December 31, 2018, were audited by another auditor who expressed an unmodified opinion on those statements with emphasis of matter paragraph on March 20, 2019.

Cathay Century Insurance Co., Ltd. has prepared parent company only financial statements of the Company for the year ended December 31, 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 IFRS, IAS, IFRIC and SIC endorsed and issued into effect by Financial Supervisory Commission of the Republic of China, 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 year ended December 31, 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

March 10, 2020

Notice to Readers

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
DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019		2018	
ASSETS	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 28)	$ 10,685,599	25	$ 10,185,921	27
RECEIVABLES (Notes 4, 11, 28 and 33)	2,776,216	6	2,358,780	6
INVESTMENTS				
Financial assets at fair value through profit or loss (Notes 4, 7 and 28)	9,697,413	23	5,887,384	15
Financial assets at fair value through other comprehensive income (Notes 4, 5 and 8)	1,343,814	3	1,451,444	4
Financial assets at amortized cost (Notes 4, 5 and 9)	8,182,199	19	8,526,240	22
Investments accounted for using the equity method, net (Notes 4 and 14)	2,122,476	5	1,070,814	3
Loans (Notes 4, 10 and 28)	229,849	-	236,816	1
REINSURANCE CONTRACT ASSET (Notes 4, 12, 20 and 33)	6,714,726	16	6,104,797	16
PROPERTY AND EQUIPMENT (Notes 4 and 15)	172,082	-	122,185	-
RIGHT-OF-USE ASSETS (Notes 3, 4, 16 and 28)	209,498	1	-	-
INTANGIBLE ASSETS (Notes 4 and 17)	67,307	-	65,395	-
DEFERRED INCOME TAX ASSETS (Notes 4 and 25)	134,204	-	147,546	1
OTHER ASSETS (Notes 18, 28 and 29)	672,669	2	1,798,718	5
TOTAL	$ 43,008,052	100	$ 37,956,040	100
LIABILITIES AND EQUITY				
PAYABLES (Notes 4, 19, 28 and 33)	$ 3,403,811	8	$ 2,622,777	7
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 7 and 28)	367	-	50,041	-
LEASE LIABILITIES (Notes 3, 4, 16 and 28)	210,153	1	-	-
INSURANCE LIABILITIES (Notes 4, 5 and 20)	24,994,781	58	23,785,675	63
OTHER LIABILITIES	1,008,702	2	733,341	2
PROVISIONS (Notes 4 and 22)	432,909	1	440,082	1
DEFERRED INCOME TAX LIABILITIES (Notes 4 and 25)	300,872	1	299,048	1
Total liabilities	30,351,595	71	27,930,964	74
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Ordinary shares				
Ordinary shares	3,057,052	7	3,057,052	8
Capital surplus				
Capital surplus - additional paid-in capital	518,326	1	502,500	1
Retained earnings				
Legal reserve	2,711,555	6	2,436,306	7
Special reserve	4,993,030	12	3,934,250	10
Unappropriated earnings	1,568,714	4	907,615	2
Total retained earnings	9,273,299	22	7,278,171	19
Other equity	(192,220)	(1)	(812,647)	(2)
Total equity attributable to owners of the Company	12,656,457	29	10,025,076	26
Total equity	12,656,457	29	10,025,076	26
TOTAL	$ 43,008,052	100	$ 37,956,040	100

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

(With Deloitte & Touche auditors’ report dated March 10, 2020)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING REVENUES				
Retained earned premium (Note 33)				
Direct insurance premium revenues (Notes 4 and 28)	$ 23,455,505	113	$ 21,808,037	117
Reinsurance premium inward	1,887,946	9	1,378,184	8
Premium revenues	25,343,451	122	23,186,221	125
Less: Reinsurance premium outward (Notes 4 and 33)	5,793,571	28	5,389,012	29
Less: Net change in unearned premium reserves (Notes 4, 20 and 33)	473,136	2	447,722	3
Total retained earned premium	19,076,744	92	17,349,487	93
Reinsurance commission earned (Note 33)	572,238	3	555,924	3
Handling fees earned	42,475	-	42,969	-
Net gains on investments				
Interest income (Notes 24 and 28)	555,093	3	558,966	3
Foreign exchange losses (Note 4)	(118,531)	(1)	138,195	1
Gains (losses) on valuation of financial assets and liabilities at fair value through profit or loss (Note 4)	1,068,964	5	(646,035)	(3)
Excluding net gain on financial assets measured at amortized cost (Notes 4 and 9)	570	-	15,668	-
Share of (loss) profit of associates and joint ventures accounted for using the equity method (Note 4)	(2,470)	-	(47,260)	-
Expected credit impairment losses and reversal on investment	(240)	-	54	-
Income or loss reclassified under the overlay approach (Note 7)	(482,999)	(2)	620,547	3
Total net gains on investments	1,020,387	5	640,135	4
Total operating revenues	20,711,844	100	18,588,515	100
OPERATING COSTS				
Retained claims (Notes 4, 28 and 33)				
Claims incurred	12,809,769	62	11,511,332	62
Less: Claims recovered from reinsurers (Note 33)	2,488,415	12	2,103,178	11
Total retained claims	10,321,354	50	9,408,154	51
Other net change in insurance liabilities (Note 20)	395,043	2	406,370	2
Commission expenses (Notes 4, 24, 28 and 33)	3,339,517	16	2,998,619	16
Other operating costs	68,988	-	44,714	-
Total operating costs	14,124,902	68	12,857,857	69
GROSS PROFIT	6,586,942	32	5,730,658	31

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
OPERATING EXPENSES (Notes 24 and 28)				
Operating	$ 3,367,708	16	$ 3,116,362	17
Administrative	716,322	4	713,154	4
Training	13,265	-	18,514	-
Total operating expenses	4,097,295	20	3,848,030	21
OPERATING INCOME	2,489,647	12	1,882,628	10
NON-OPERATING INCOME AND EXPENSES (Note 28)	5,352	-	(23,780)	-
PROFIT BEFORE INCOME TAX	2,494,999	12	1,858,848	10
INCOME TAX (Notes 4 and 25)	(388,713)	(2)	(349,012)	(2)
NET PROFIT	2,106,286	10	1,509,836	8
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurement of defined benefit plans (Notes 4 and 22)	6,143	-	(12,964)	-
Unrealized gain (loss) on investments in equity instruments at fair value through other comprehensive income (Notes 4 and 23)	184,200	1	(33,000)	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 25)	1,229	-	(8,340)	-
	189,114	1	(37,624)	-
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translating the financial statements of foreign operations (Notes 4 and 23)	(12,486)	-	5,052	-
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 (Notes 4 and 23)	(45,918)	-	(32,039)	-
Unrealized gain (loss) on investments in debt instruments at fair value through other comprehensive income (loss) (Notes 4 and 23)	14,761	-	2,203	-

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2019		2018	
	Amount	**%**	**Amount**	**%**
Other comprehensive income (loss) reclassified under the overlay approach (Notes 4 and 23)	$ 482,999	2	$ (620,547)	(3)
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 25)	(8,043)	-	23,517	-
	431,313	2	(621,814)	(3)
Other comprehensive income (loss), net of income tax	620,427	3	(659,438)	(3)
TOTAL COMPREHENSIVE INCOME	$ 2,726,713	13	$ 850,398	5
NET PROFIT ATTRIBUTABLE TO:				
Owner of the Company	$ 2,106,286	10	$ 1,509,836	8
Non-controlling interests	-	-	-	-
	$ 2,106,286	10	$ 1,509,836	8
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owner of the Company	$ 2,726,713	13	$ 850,398	5
Non-controlling interests	-	-	-	-
	$ 2,726,713	13	$ 850,398	5
EARNINGS PER SHARE (Note 26)				
Basic	$ 6.89		$ 4.94	
Diluted	$ 6.89		$ 4.94	

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

(With Deloitte & Touche auditors' report dated March 10, 2020) (Concluded)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company											
				Retained Earnings (Note 23)			Other Equity(Notes 4 and 23)					
	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	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Financial Assets Measured at Fair Value Through Other Comprehensive Profit or Loss with Unrealized Interest	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)	-	-	-	-	-	-
Reverse special reserve	-	-	-	-	(214,948)	214,948	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(1,354,833)	-	-	-	-	-	(1,354,833)
Special reserve	-	-	-	-	468,632	(468,632)	-	-	-	-	-	-
Net profit for the year ended December 31, 2018	-	-	-	-	-	1,509,836	-	-	-	-	-	1,509,836
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(21,234)	-	(36,550)	(4,624)	(597,030)	(659,438)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	1,509,836	(21,234)	-	(36,550)	(4,624)	(597,030)	850,398
BALANCE AT DECEMBER 31, 2018	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)	-	-	-	-	-	-
Reverse special reserve	-	-	-	-	521,208	(521,208)	-	-	-	-	-	-
Cash dividends distributed by the Company	-	-	-	-	-	(111,158)	-	-	-	-	-	(111,158)
Special reserve	-	-	-	-	525,126	(525,126)	-	-	-	-	-	-
Recognition of employee share options by the parent company	-	-	15,826	-	-	-	-	-	-	-	-	15,826
Net profit for the year ended December 31, 2019	-	-	-	-	-	2,106,286	-	-	-	-	-	2,106,286
Other comprehensive income for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(91,118)	-	231,675	4,914	474,956	620,427
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	2,106,286	(91,118)	-	231,675	4,914	474,956	2,726,713
BALANCE AT DECEMBER 31, 2019	305,705	$ 3,057,052	$ 518,326	$ 2,711,555	$ 4,980,584	$ 1,581,160	$ (319,991)	$ -	$ 78,395	$ (158,735)	$ 208,111	$ 12,656,457

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

(With Deloitte & Touche auditors' report dated March 10, 2020)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income before income tax	$ 2,494,999	$ 1,858,848
Adjustments for:		
Depreciation expenses	167,984	23,768
Amortization expenses	40,975	31,357
Compensation costs of employee share options	15,826	-
Net gain (loss) on valuation of financial assets and liabilities at fair value through profit or loss	(1,068,964)	646,035
Interest expense	2,332	-
Net gain on disposal of financial assets measured at amortized cost	(570)	(15,668)
Interest income	(555,093)	(558,966)
Net change in insurance liabilities	1,209,106	796,282
Expected credit impairment losses on investment	240	(54)
Share of loss of associates and joint ventures accounted for using the equity method	2,470	47,260
Income or loss reclassified under the overlay approach	482,999	(620,547)
Loss on disposal of property, plant and equipment	2	-
Changes in operating assets and liabilities		
Decrease in notes receivable	38,833	19,592
(Increase) decrease in premiums receivable	(463,483)	(20,431)
Increase in other receivables	(26,387)	(195,223)
(Increase) decrease in financial instruments at fair value through profit or loss	(2,963,207)	2,948,949
Decrease in financial assets at fair value through other comprehensive income	306,673	-
Decrease in financial assets at amortized cost	344,295	150,676
(Increase) decrease in reinsurance contract asset	(609,929)	376,067
Decrease (increase) in other assets	25,993	(1,089,512)
Increase in claims outstanding	406	-
Increase (decrease) in commissions payable and fees	65,916	(1,570)
Decrease in due to reinsurers and ceding companies	273,667	155,372
Increase (decrease) in other payables	142,037	(272,523)
(Decrease) increase in provisions	(1,030)	672
Increase in other liabilities	275,361	113,330
Cash generated from operations	201,451	4,393,714
Interest received	588,694	553,071
Dividend received	172,468	193,721
Interest paid	(2,332)	(29,548)
Income tax paid	(83,807)	(17,816)
Net cash generated from operating activities	876,474	5,093,142

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CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property and equipment	$ (93,601)	$ (87,804)
Payments for intangible assets	(28,423)	(29,487)
Decrease in loans	6,967	14,954
Net cash used in investing activities	(115,057)	(102,337)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of the principal portion of lease liabilities	(137,452)	-
Cash dividends paid	(111,158)	(1,354,833)
Repayment of preferred stock lability	-	(1,000,000)
Net cash used in financing activities	(248,610)	(2,354,833)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(13,129)	1,614
NET INCREASE IN CASH AND CASH EQUIVALENTS	499,678	2,637,586
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	$ 10,685,599	$ 10,185,921

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

(With Deloitte & Touche auditors' report dated March 10, 2020) (Concluded)

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 June 28, 2002, the Company changed its name under letter No. 0910706108 issued by the Ministry of Finance from “Tong-Tai Insurance Co., Ltd.” to “Cathay Century Insurance Co., Ltd.” And officially changed its name on August 2, 2002. 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 March 10, 2020.

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”):

   IFRS 16 “Leases”

   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.

Definition of a lease

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.

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 IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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 retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: 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)
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
Amendments to IAS 1 “Classification of Liabilities as Current or Non-current”	January 1, 2022

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

<u>IFRS 17 "Insurance Contracts"</u>

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

<u>Level of aggregation for insurance contracts</u>

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.

<u>Recognition</u>

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.

<u>Measurement</u>

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 consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprise and IFRSs as endorsed and issued into effect by the FSC.

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 5 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 originally, 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.

A financial asset is credit impaired when one or more of the following events have occurred:

i) Significant financial difficulty of the issuer or the borrower;

ii) Breach of contract, such as a default;

iii) It is becoming probable that the borrower will enter bankruptcy or undergo a financial reorganization; or

iv) The disappearance of an active market for that financial asset because of financial difficulties.

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.

For internal credit risk management purposes, the Group determines that the following situations indicate that a financial asset is in default without taking into account any collateral held by the Group:

i. Internal or external information show that the debtor is unlikely to pay its creditors.

ii. When a financial asset is more than 90 days past due unless the Group has reasonable and corroborative information to support a more lagged default criterion.

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 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:

Financial liabilities at FVTPL

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 loss reserve, and ceding premium deficiency reserve under various insurance provisions and related reinsurance regulations.

l. Reserves for liabilities

Insurance reserves provided for insurance contracts should be audited by the actuaries certified by the FSC and should also conform to the 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 an in-force contract with a remaining policy period or an unterminated insured risk, the calculation and the provision of unearned premium reserve are based on the unexpired risk of each insurance.

Unearned premium reserve for the compulsory insurance contract is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Unearned premium reserve for the policy-related residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Unearned premium reserve for nuclear energy insurance contracts is provided in conformity with the Regulations for the Reserves of Nuclear Energy Insurance.

Except as otherwise provided by regulations, the manners of provisions for unearned premium reserve are decided by actuaries according to the characteristics of each insurance, which can not be changed without permission by the authorities, and the year-end balance of unearned premium reserve should be audited by actuaries at the end of the year.

2) Loss reserve

Loss reserve is provided for losses filed but not yet paid and losses not yet filed by insurance type based on the past experiences of actual claims and expenses in line with the actuarial principles. The reserve for losses filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type.

Loss reserve for the compulsory insurance contracts is provided in conformity with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance.

Loss reserve for policy-related residential earthquake insurance contracts is provided in conformity with the Enforcement Rules for the Risk Spreading Mechanism of Residential Earthquake Insurance.

Loss reserve for nuclear energy insurance contracts is provided in conformity with the Regulations for the Reserves for Nuclear Energy Insurance.

3) Special reserve

Special reserves are comprised of special reserves for catastrophic event, special reserves for fluctuation of risk and special reserves for other special purpose.

In accordance with the Regulations for the Management of the Various Reserves for Compulsory Automobile Liability Insurance, the Group shall set aside the special reserves as liabilities which is calculated based on the sum of retained earned pure premiums, recovery of loss reserve and the interest accrued of the beginning balance of the special reserve, minus the retained claims and the provision of loss reserve; if the sum of retained earned pure premiums, recovery of loss reserve and the interest accrued of the beginning balance of the special reserve in the preceding fiscal year is less than the sum of the retained claims and the provision of loss reserve, the deficit shall be amended with the cumulative recovery of the special reserve in the previous years. If any deficit remains, the balance shall be recorded as a memorandum entry and amended with the recovery of the special reserves in the subsequent years.

Furthermore, according to the Notice for the improvement of the reserves of natural disaster insurances (commercial-business earthquake, typhoon and flood insurances enterprises) issued by the Financial Supervisory Commission on November 9, 2012, except for those special reserves of compulsory automobile insurances, nuclear energy insurances, residential earthquake insurances, commercial-business earthquake insurances and typhoon and flood insurances, the special reserves recognized as liabilities before December 31, 2012 were used to compensate the deficiencies of commercial-business earthquake insurances and typhoon and flood insurances to the required level and recognized as liabilities. The remaining special reserves were reclassified as equity, net of tax according to IAS 12 starting from January 1, 2013. The write off and recovery of special reserves for catastrophic event and fluctuation of risk that provided under liabilities should be in conformity with the notice mentioned above.

a) Special reserves for catastrophic event

Special reserves for catastrophic event is provided at the rates for each insurance type required by the authorities.

As a single event which meets the government’s definition of major accident, special reserves for catastrophic event can be reversed if the total retained claims for each insurance type of an individual company reach $30 million and the total claims for each insurance type of all non-life insurance companies reach $2,000 million.

Special reserves for catastrophic event that have been provided for more than 15 years may be reversed in the recovery manner prescribed by the appointed actuary, which should be filed with the authorities. In addition, such reserve for commercial-businesses earthquake insurance and typhoon and flood insurance may be reversed only if they have been provided for more than 30 years.

b) Special reserves for fluctuation of risk

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic events are lower than the expected claims, the 15% of the differences should be provided as special reserves for fluctuation of risk. For commercial-business earthquake insurance and typhoon and flood insurance, the provision rate is 75% of the differences.

For retained business of each insurance, when actual claims net of the debit amounts to special reserves for catastrophic event are higher than the expected claims, the differences may be debited to the existing special reserves for fluctuation of risk. If the special reserves for fluctuation of risk for an insurance type are insufficient to cover the difference, the shortfall may be debited to the special reserves for fluctuation of risk of other insurance type. The insurance type and debit amounts for covering the shortfall should be filed with the authorities.

For each type of insurance, when the accumulated provisions of the special reserves for fluctuation of risk exceed 60% (30% for accident insurance and health insurance) of the retained earned premiums for the current year, the excess should be recovered. For commercial-business earthquake insurances and typhoon and flood insurances, if the accumulated provisions of special reserves for fluctuation of risk exceed 18 times and 8 times, respectively, of the retained earned premiums for the current year, the excess should be recovered as income.

4) Premium deficiency reserve

For unexpired in-force contracts or unterminated incurred risks of each insurance, if the estimated amounts of the future claims and expenses exceed the sum of the unearned premium reserves and the expected future premium income, the deficiencies should be set aside as premium deficiency reserve.

5) Policy reserve

The minimum provision for policy reserve for health insurance with policy periods longer than one year is determined by the full preliminary term method. However, the method of provision for health insurance with a special nature is regulated by the authorities.

6) Liability adequacy reserve

When performing the liability adequacy test requested by IFRS 4, the future cash flows are estimated based on current information on recognized liabilities as of each reporting date. If the test result is inadequate, the shortfall should be recognized as a liability adequacy reserve.

m. Premiums, commission expenses and processing fees

Direct premiums are recognized for all insurance policies underwritten and issued in current periods. Ceded reinsurance premiums are usually recognized as the billing statements delivered, and, on the balance sheet date, reinsurance premiums not yet received are accrued in a reasonable and systematic manner. Related acquisition costs are recognized in the same periods, including commission expenses, agency fees, service fees and reinsurance commission expenses.

n. Insurance claims

Claims and payments (including claim expenses) filed and paid pertaining to the direct insurance business are recognized as paid claims in current periods. For claims filed but not yet paid with determined amounts and those without determined amounts are recognized as net changes in loss reserve based on relevant information of each case by insurance type.

For direct insurance and ceding reinsurance, claims not yet filed are estimated based on past experience according to actuarial principles and recognized as net changes in loss reserve.

For claims to be recovered from the reinsurer under the reinsurance contract, claims and payments (including claim expenses) recoverable from reinsurers are recognized as claims recovered from reinsurers. For those of filed but not yet paid and not yet filed cases, claims and payments (including claim expenses) are recognized as net changes in loss reserve.

Provision for loss reserve is undiscounted.

o. Liability adequacy test

At the end of each reporting period, each type of insurance is subjected to be tested by the expected cost method to assess the adequacy of insurance liabilities. The expected cost method requests the Group to estimate future cash flows of insurance contracts 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

2019

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 other equity 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. Share-based payment arrangements

Employee share options granted to employees and others providing similar services.

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of the parent company's issued ordinary shares for cash which are reserved for employees is the date on which the board of directors approves the transaction.

s. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

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.

Key Sources of Estimation Uncertainty

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. The Group estimates and compares contractual cash flows receivable (carrying amount) and expected cash flows receivable (after forward looking estimates considered) and recognizes the difference as credit losses. 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 loss reserve

Loss reserves are estimated for possible claims of both filed but not yet paid and not yet filed of all insurance contracts. Such estimates are made based on historical data, actuarial analysis, financing modeling and other analytical techniques and are adjusted when necessary; however, the actual results may differ from these estimates.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2019	**2018**
Cash on hand	$ 18,324	$ 18,928
Checking accounts and demand deposits	2,362,830	2,641,308
Cash equivalents (investments with original maturities of less than 3 months)		
Time deposits	6,149,864	6,186,918
Short-term transactions instruments	2,154,581	1,338,767
	$ 10,685,599	$ 10,185,921

7. FINANCIAL INSTRUMENTS AT FVTPL

	December 31 2019	December 31 2018
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets (not under hedge accounting)		
Foreign exchange swaps	$ 105,561	$ 6,280
Non-derivative financial assets		
Listed shares	5,764,616	3,433,971
Mutual funds	3,059,041	1,667,453
Financial bonds	768,195	779,680
	$ 9,697,413	$ 5,887,384
Financial liabilities mandatorily classified as at FVTPL		
Derivative financial liabilities (not under hedge accounting)		
Foreign exchange swaps	$ 367	$ 50,041

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)
December 31, 2019			
Sell	USD/NTD	2020.01.13-2020.11.23	US$ 179,100
	EUR/NTD	2020.02.24-2020.06.05	EUR 2,750
December 31, 2018			
Sell	USD/NTD	2019.01.09-2019.05.29	US$ 186,600
	EUR/NTD	2019.01.22-2019.03.05	EUR 2,750

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:

	December 31 2019	December 31 2018
Financial assets mandatorily measured at FVTPL		
Listed shares	$ 5,764,616	$ 3,433,971
Mutual funds	3,059,041	1,667,453
Financial bonds	768,195	779,680

For the years ended December 31, 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 years ended December 31, 2019 and 2018 were as follows:

	For the Year Ended December 31	
	2019	2018
(Gains) loss due to applying IFRS 9 to profit or loss	$ (1,087,142)	$ 492,005
Less: Gains if applying IAS 39 to profit or loss	604,143	128,542
(Loss) gains from reclassification using the overlay approach	$ (482,999)	$ 620,547

According to the adjustment by applying the overlay approach, gains (losses) from consolidated financial assets at FVTPL decreased from $1,068,964 thousand to $585,965 thousand and decreased from $(646,035) thousand to $(25,488) thousand for the years ended December 31, 2019 and 2018, respectively.

8. FINANCIAL ASSETS AT FVTOCI

	December 31	
	2019	2018
Investments in equity instruments at FVTOCI	$ 589,800	$ 405,600
Investments in debt instruments at FVTOCI	754,014	1,045,844
	$ 1,343,814	$ 1,451,444

a. Investments in equity instruments at FVTOCI

	December 31	
	2019	2018
Domestic investments		
Unlisted shares	$ 589,800	$ 405,600

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 years ended December 31, 2019 and 2018. There was no derecognition either.

b. Investments in debt instruments at FVTOCI

	December 31	
	2019	**2018**
Domestic investments		
Government bonds	$ 754,014	$ 745,593
Corporate bonds	-	300,251
	$ 754,014	$ 1,045,844

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

	December 31	
	2019	**2018**
Domestic investments		
Corporate bonds	$ 1,399,988	$ 1,599,988
Government bonds	512,940	519,346
Foreign investments		
Corporate bonds	6,786,070	6,929,795
	8,698,998	9,049,129
Less: Loss allowance	(3,909)	(3,587)
Less: Statutory guarantee deposits	(512,890)	(519,302)
	$ 8,182,199	$ 8,526,240

The Group’s gains on disposal of bonds from repayments due for the years ended December 31, 2019 and 2018 were $570 thousand and $15,668 thousand, 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

	December 31	
	2019	**2018**
Secured loans	$ 232,652	$ 239,701
Less: Loss allowance	(2,803)	(2,885)
	$ 229,849	$ 236,816

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 years ended December 31, 2019 and 2018.

11. RECEIVABLES

	December 31	
	2019	2018
Notes receivable	$ 196,787	$ 235,666
Premiums receivables	2,182,531	1,760,192
Other receivables	436,252	442,246
	2,815,570	2,438,104
Less: Loss allowance	(39,354)	(79,324)
	$ 2,776,216	$ 2,358,780

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

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 79,324	$ 66,827
Impairment losses recognized (reversed) on receivables	(39,970)	12,497
Ending balance	$ 39,354	$ 79,324

12. REINSURANCE ASSETS

	December 31	
	2019	2018
Claims recoverable from reinsurers, net	$ 321,227	$ 345,635
Due from reinsurers and ceding companies, net	744,223	448,406
Reinsurance reserve assets		
Ceded unearned premium reserve	3,199,204	2,965,729
Ceded loss reserve	2,450,072	2,345,027
	$ 6,714,726	$ 6,104,797

Reinsurance assets held by the Group were not impaired.

a. Claims recoverable from reinsurers

	December 31	
	2019	2018
Claims recoverable from reinsurers		
Gross carrying amount	$ 338,134	$ 349,126
Less: Loss allowance	(16,907)	(3,491)
	$ 321,227	$ 345,635

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

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 3,491	$ 5,453
Impairment losses recognized (reversed) on receivables	13,416	(1,962)
Ending balance	$ 16,907	$ 3,491

b. Due from reinsurers and ceding companies

	December 31	
	2019	2018
Due from reinsurers and ceding companies		
Gross carrying amount	$ 788,609	$ 466,224
Less: Loss allowance	(44,386)	(17,818)
	$ 744,223	$ 448,406

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

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ 17,818	$ 28,716
Impairment losses recognized (reversed) on receivables	26,568	(10,898)
Ending balance	$ 44,386	$ 17,818

13. SUBSIDIARIES

Subsidiaries included in the consolidated financial statements:

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

Remarks:

* The share of profit or loss that the Company investment for Cathay Insurance Co., Ltd. (Vietnam) were calculated based on financial statements which have not been audited. Management believes there is no material adjustment on the financial statements of the subsidiary which have not been audited.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	December 31	
	2019	2018
Investments in associates	$ 2,122,476	$ 1,070,814

Aggregate information of associates that are not individually material

	For the Year Ended December 31	
	2019	2018
The Group's share of:		
Loss from continuing operations	$ (2,470)	$ (47,260)
Other comprehensive income (loss)	(45,918)	(32,039)
Total comprehensive income (loss) for the period	$ (48,388)	$ (79,299)

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	24,262	3,329	61,576	89,167
Disposals	(45)	(1)	-	(46)
Reclassified	13,190	-	(31,602)	(18,412)
Foreign exchange	-	574	-	574
Balance at December 31, 2018	$ 388,165	$ 177,041	$ 45,038	$ 610,244
Accumulated depreciation and impairment				
Balance at January 1, 2018	$ 315,353	$ 148,464	$ -	$ 463,817
Disposals	(45)	(1)	-	(46)
Depreciation expenses	15,697	8,071	-	23,768
Foreign exchange	-	520	-	520
Balance at December 31, 2018	$ 331,005	$ 157,054	$ -	$ 488,059
Carrying amounts at December 31, 2018	$ 57,160	$ 19,987	$ 45,038	$ 122,185
Cost				
Balance at January 1, 2019	$ 388,165	$ 177,041	$ 45,038	$ 610,244
Additions	8,906	4,810	79,885	93,601
Disposals	(45)	(442)	-	(487)
Reclassified	11,700	-	(26,296)	(14,596)
Foreign exchange	-	(1,371)	-	(1,371)
Balance at December 31, 2019	$ 408,726	$ 180,038	$ 98,627	$ 687,391

(Continued)

	Computer Equipment	Other Equipment	Prepayments for Equipment	Total
Accumulated depreciation and impairment				
Balance at January 1, 2019	$ 331,005	$ 157,054	$ -	$ 488,059
Disposals	(45)	(440)	-	(485)
Depreciation expenses	21,844	8,028	-	29,872
Foreign exchange	-	(2,137)	-	(2,137)
Balance at December 31, 2019	$ 352,804	$ 162,505	$ -	$ 515,309
Carrying amounts at December 31, 2019	$ 55,922	$ 17,533	$ 98,627	$ 172,082

(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

	December 31, 2019
Carrying amounts	
Buildings	$ 201,691
Transportation equipment	7,807
	$ 209,498

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 227,137
Depreciation charge for right-of-use assets	
Buildings	$ 134,300
Transportation equipment	3,812
	$ 138,112

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	$ 210,153

Range of discount rate for lease liabilities was as follows:

	December 31, 2019
Buildings	1.31%-8.57%
Transportation equipment	3.49%

c. Other lease information

2019

	For the Year Ended December 31, 2019
Expenses relating to short-term leases	$ 5,601
Total cash outflow for leases	$ (144,809)

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
Not later than 1 year	$ 93,709
Later than 1 year and not later than 5 years	8,257
	$ 101,966

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

	For the Year Ended December 31, 2018
Minimum lease payments	$ 154,830

17. INTANGIBLE ASSETS

	Computer Software
Cost	
Balance at January 1, 2018	$ 155,347
Additions	29,487
Reclassified	18,412
Foreign exchange	268
Balance at December 31, 2018	$ 203,514
Accumulated depreciation and impairment	
Balance at January 1, 2018	$ 106,500
Amortization expenses	31,357
Foreign exchange	262
Balance at December 31, 2018	$ 138,119
Carrying amounts at December 31, 2018	$ 65,395
Cost	
Balance at January 1, 2019	$ 203,514
Additions	28,423
Reclassified	14,596
Foreign exchange	(918)
Balance at December 31, 2019	$ 245,615
Accumulated depreciation and impairment	
Balance at January 1, 2019	$ 138,119
Amortization expenses	40,975
Foreign exchange	(786)
Balance at December 31, 2019	$ 178,308
Carrying amounts at December 31, 2019	$ 67,307

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

	December 31	
	2019	2018
Statutory guarantee deposits (Note 29)	$ 512,890	$ 519,302
Other deposits	99,103	131,364
Payment in advance	14,568	1,111,145
Others	46,108	36,907
	$ 672,669	$ 1,798,718

The other assets were not pledged.

19. PAYABLES

	December 31	
	2019	2018
Claims outstanding	$ 406	$ -
Commissions payable	181,096	115,180
Due to reinsurers and ceding companies	1,772,891	1,499,224
Other payables	1,449,418	1,008,373
	$ 3,403,811	$ 2,622,777

20. INSURANCE LIABILITIES

	December 31	
	2019	2018
Unearned premium reserve	$ 12,736,870	$ 12,027,482
Loss reserve	9,357,750	8,474,319
Special reserve	2,898,057	3,272,479
Premium deficiency reserve	2,025	11,347
Policy reserve	79	48
	$ 24,994,781	$ 23,785,675

a. Unearned premium reserve

1) Details of unearned premium reserve and ceded unearned premium reserve

	December 31, 2019			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	1,810,023	140,335	996,120	954,238
Marine insurance	159,082	12,788	108,487	63,383
Land and air insurance	5,316,571	7,769	185,167	5,139,173
Liability insurance	799,822	684	257,398	543,108
Bonding insurance	42,170	2,579	25,346	19,403
Other property insurance	1,074,161	47,203	795,157	326,207
Accident insurance	1,519,503	7,657	79,478	1,447,682
Health insurance	72,356	1,345	-	73,701
Compulsory auto liability insurance	1,253,418	469,404	752,051	970,771
	$ 12,047,106	$ 689,764	$ 3,199,204	$ 9,537,666

	December 31, 2018			
	Unearned Premium Reserve		Ceded Unearned Premium Reserve	
Insurance by Type	Direct Underwriting 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

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

	For the Year Ended December 31			
	2019		2018	
	Unearned Premium Reserves	Ceded Unearned Premium Reserve	Unearned Premium Reserves	Ceded Unearned Premium Reserve
Beginning balance	$ 12,027,482	$ 2,965,729	$ 11,502,792	$ 2,889,339
Provision	12,738,608	3,202,866	12,026,512	2,965,186
Recovery	(12,029,422)	(2,966,816)	(11,503,079)	(2,889,475)
Foreign exchange	202	(2,575)	1,257	679
Ending balance	$ 12,736,870	$ 3,199,204	$ 12,027,482	$ 2,965,729

b. Loss reserve

1) Loss reserve and ceded loss reserve

	December 31, 2019			
	Loss Reserve		Ceded Loss Reserve	
Items	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 4,097,036	$ 680,547	$ 1,241,241	$ 3,530,342
Not yet filed	4,122,117	458,050	1,208,831	3,371,336
	$ 8,219,153	$ 1,138,597	$ 2,450,072	$ 6,907,678

	December 31, 2018			
	Loss Reserve		Ceded Loss Reserve	
Items	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Filed but not yet paid	$ 3,670,166	$ 330,733	$ 1,231,776	$ 2,769,123
Not yet filed	4,026,955	446,465	1,113,251	3,360,169
	$ 7,697,121	$ 777,198	$ 2,345,027	$ 6,129,292

2) Net changes in loss reserve and ceded loss reserve

For the year ended December 31, 2019

Items	Direct Underwriting Business Provision (1)	Direct Underwriting Business Recovery (2)	Reinsurance Inward Business Provision (3)	Reinsurance Inward Business Recovery (4)	Net Changes in Loss Reserves (5)=(1)-(2)+(3)-(4)
Filed but not yet paid	$ 4,114,894	$ 3,688,405	$ 680,547	$ 330,733	$ 776,303
Not yet filed	4,106,345	4,011,028	458,050	446,465	106,902
	$ 8,221,239	$ 7,699,433	$ 1,138,597	$ 777,198	$ 883,205

Items	Ceded Reinsurance Business Provision (6)	Ceded Reinsurance Business Recovery (7)	Net Changes in Ceded Loss Reserves (8)=(6)-(7)
Filed but not yet paid	$ 1,250,626	$ 1,241,976	$ 8,650
Not yet filed	1,200,933	1,105,134	95,799
	$ 2,451,559	$ 2,347,110	$ 104,449

For the year ended December 31, 2018

Items	Direct Underwriting Business Provision (1)	Direct Underwriting Business Recovery (2)	Reinsurance Inward Business Provision (3)	Reinsurance Inward Business Recovery (4)	Net Changes in Loss Reserves (5)=(1)-(2)+(3)-(4)
Filed but not yet paid	$ 3,669,107	$ 3,557,618	$ 330,733	$ 286,595	$ 155,627
Not yet filed	4,026,858	3,796,287	446,465	442,692	234,344
	$ 7,695,965	$ 7,353,905	$ 777,198	$ 729,287	$ 389,971

Items	Ceded Reinsurance Business Provision (6)	Ceded Reinsurance Business Recovery (7)	Net Changes in Ceded Loss Reserves (8)=(6)-(7)
Filed but not yet paid	$ 1,230,864	$ 1,342,737	$ (111,873)
Not yet filed	1,113,202	1,132,273	(19,071)
	$ 2,344,066	$ 2,475,010	$ (130,944)

3) Details of liability for claims filed but not yet paid and claims not yet filed of policyholders

Insurance by Type	December 31, 2019		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 1,154,505	$ 22,971	$ 1,177,476
Marine insurance	220,538	36,835	257,373
Land and air insurance	1,657,568	1,362,640	3,020,208
Liability insurance	536,470	702,702	1,239,172
Bonding insurance	69,074	53,566	122,640
Other property insurance	507,124	127,213	634,337
Accident insurance	111,467	537,695	649,162
Health insurance	3,125	60,533	63,658
Compulsory auto liability insurance	517,712	1,676,012	2,193,724
	$ 4,777,583	$ 4,580,167	$ 9,357,750

Insurance by Type	December 31, 2018		
	Filed But Not Yet Paid	Not Yet Filed	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

4) Details of ceded loss reserve for claims filed but not yet paid and claims not yet filed of policyholders

Insurance by Type	December 31, 2019		
	Filed But Not Yet Paid	Not Yet Filed	Total
Fire insurance	$ 268,711	$ 9,362	$ 278,073
Marine insurance	110,945	19,978	130,923
Land and air insurance	51,712	39,188	90,900
Liability insurance	345,774	271,171	616,945
Bonding insurance	31,591	24,672	56,263
Other property insurance	236,296	51,775	288,071
Accident insurance	7,878	35,908	43,786
Health insurance	-	-	-
Compulsory auto liability insurance	188,334	756,777	945,111
	$ 1,241,241	$ 1,208,831	$ 2,450,072

Insurance by Type	December 31, 2018 Filed But Not Yet Paid	Not Yet Filed	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

5) Reconciliation of loss reserve and ceded loss reserve

	For the Year Ended December 31 2019 Loss Reserve	2019 Ceded Loss Reserve	2018 Loss Reserve	2018 Ceded Loss Reserve
Beginning balance	$ 8,474,319	$ 2,345,027	$ 8,082,584	$ 2,474,474
Provision	9,359,836	2,451,559	8,473,163	2,344,066
Recovery	(8,476,631)	(2,347,110)	(8,083,192)	(2,475,010)
Foreign exchange	226	596	1,764	1,497
Ending balance	$ 9,357,750	$ 2,450,072	$ 8,474,319	$ 2,345,027

c. Special reserve

1) Special reserve for compulsory automobile liability insurance

	For the Year Ended December 31 2019	2018
Beginning balance	$ 1,478,016	$ 1,575,128
Provision	47,322	116,093
Recovery	(403,017)	(213,205)
Ending balance	$ 1,122,321	$ 1,478,016

2) Special reserve for all insurances other than compulsory automobile liability insurance

	For the Year Ended December 31, 2019 Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	$ 449,446	$ 1,345,017	$ 1,794,463
Provision	-	-	-
Recovery	(18,727)	-	(18,727)
Ending balance	$ 430,719	$ 1,345,017	$ 1,775,736

	For the Year Ended December 31, 2018		
	Catastrophic Event	Fluctuation of Risk	Total
Beginning balance	$ 468,172	$ 1,345,017	$ 1,813,189
Provision	-	-	-
Recovery	(18,726)	-	(18,726)
Ending balance	$ 449,446	$ 1,345,017	$ 1,794,463

If 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 enhancing the reserves of residential earthquake insurance pool members and Regulations governing the reserves of nuclear energy insurance were not applied, there is impact on the Group's pre-tax income/loss and the special reserve under liabilities and equity would decrease by $18,727 thousand and $18,726 thousand, decrease by $1,467,236 thousand and $1,485,963 thousand and increase by $439,872 thousand and $508,108 thousand for the years ended December 31, 2019 and 2018, respectively. Earnings per share for the years ended December 31, 2019 and 2018 were both decrease of $0.06 when the Group does not apply to the Notice.

d. Premium deficiency reserves

1) Details of premium deficiency reserve and ceded premium deficiency reserve

	December 31, 2019			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Fire insurance	$ -	$ -	$ -	$ -
Marine insurance	12	613	-	625
Land and air insurance	-	1,400	-	1,400
Liability insurance	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 12	$ 2,013	$ -	$ 2,025

	December 31, 2018			
	Premium Deficiency Reserve		Ceded Premium Deficiency Reserve	
Insurance by Type	Direct Underwriting 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	-	-	-	-
Bonding insurance	-	-	-	-
Other property insurance	-	-	-	-
Accident insurance	-	-	-	-
Health insurance	-	-	-	-
Compulsory auto liability insurance	-	-	-	-
	$ 9,765	$ 1,582	$ -	$ 11,347

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

	For the Year Ended December 31, 2019								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	12	2,253	613	714	(2,342)	-	-	-	(2,342)
Land and air insurance	-	7,512	1,400	868	(6,980)	-	-	-	(6,980)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 12	$ 9,765	$ 2,013	$ 1,582	$ (9,322)	$ -	$ -	$ -	$ (9,322)

	For the Year Ended December 31, 2018								
	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Premium Deficiency Reserve	Ceded Reinsurance Business		Net Changes in Ceded Premium Deficiency Reserve	Net Loss Recognized for Premium Deficiency Reserve
	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+(3)-(4)	Provision (6)	Recovery (7)	(8)=(6)-(7)	(9)=(5)-(8)
Fire insurance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Marine insurance	2,253	1,144	714	103	1,720	-	-	-	1,720
Land and air insurance	7,512	8,446	868	2,932	(2,998)	-	2,578	(2,578)	(420)
Liability insurance	-	-	-	-	-	-	-	-	-
Bonding insurance	-	-	-	-	-	-	-	-	-
Other property insurance	-	-	-	-	-	-	-	-	-
Accident insurance	-	-	-	-	-	-	-	-	-
Health insurance	-	-	-	-	-	-	-	-	-
Compulsory automobile liability insurance	-	-	-	-	-	-	-	-	-
	$ 9,765	$ 9,590	$ 1,582	$ 3,035	$ (1,278)	$ -	$ 2,578	$ (2,578)	$ 1,300

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

	For the Year Ended December 31			
	2019		2018	
	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve	Premium Deficiency Reserve	Ceded Premium Deficiency Reserve
Beginning balance	$ 11,347	$ -	$ 12,625	$ 2,578
Provision	2,025	-	11,347	-
Recovery	(11,347)	-	(12,625)	(2,578)
Ending balance	$ 2,025	$ -	$ 11,347	$ -

e. Policy reserve

1) Details of policy reserve and ceded policy reserve

December 31, 2019

	Policy Reserve		Ceded Policy Reserve	
Insurance by Type	Direct Underwriting Business (1)	Reinsurance Inward Business (2)	Ceded Reinsurance Business (3)	Retained Business (4)=(1)+(2)-(3)
Health insurance	$ 79	$ -	$ -	$ 79

December 31, 2018

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

2) Net changes in policy reserve and ceded policy reserve

For the year ended December 31, 2019

	Direct Underwriting Business		Reinsurance Inward Business		Net Changes in Policy Reserve
Insurance by Type	Provision (1)	Recovery (2)	Provision (3)	Recovery (4)	(5)=(1)-(2)+ (3)-(4)
Health insurance	$ 69	$ 38	$ -	$ -	$ 31

Insurance by Type	Ceded Reinsurance Business Provision (6)	Recovery (7)	Net Changes in Ceded Policy Reserve (8)=(6)-(7)
Health insurance	$ -	$ -	$ -

For the year ended December 31, 2018

Insurance by Type	Direct Underwriting Business Provision (1)	Recovery (2)	Reinsurance Inward Business Provision (3)	Recovery (4)	Net Changes in Policy Reserve (5)=(1)-(2)+ (3)-(4)
Health insurance	$ 21	$ 28	$ -	$ -	$ (7)

Insurance by Type	Ceded Reinsurance Business Provision (6)	Recovery (7)	Net Changes in Ceded Policy Reserve (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 years ended December 31, 2019 and 2018 were $83,684 thousand and $80,770 thousand, respectively.

b. Defined benefit plans

The defined benefit plans adopted by the Company of the Group in accordance with the Labor Standards Law is operated by the government of the ROC. Pension benefits are calculated on the basis of the length of service and average monthly salaries of the 6 months before retirement. The Company contribute amounts equal to 3.14% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. Pension contributions are deposited in the Bank of Taiwan in the committee's name. Before the end of each year, the Group assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, the Group is required to fund the difference in one appropriation that should be made before the end of March of the next year. The pension fund is managed by the Bureau of Labor Funds, Ministry of Labor (the "Bureau"); the Group has no right to influence the investment policy and strategy.

The amounts included in the consolidated balance sheets in respect of the Group's defined benefit plans are as follows:

	December 31	
	2019	**2018**
Present value of defined benefit obligation	$ 912,118	$ 907,137
Fair value of plan assets	(479,209)	(467,055)
Provision, net defined benefit liabilities	$ 432,909	$ 440,082

Movements in net defined benefit liabilities (assets) were as follows:

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liabilities (Assets)
Balance at January 1, 2018	$ 868,373	$ (441,927)	$ 426,446
Service cost			
Current service cost	36,227	-	36,227
Net interest expense (income)	10,363	(5,404)	4,959
Recognized in profit or loss	46,590	(5,404)	41,186
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(2,352)	(2,352)
Actuarial (gain) loss			
Changes in financial assumptions	16,024	-	16,024
Experience adjustments	(708)	-	(708)
Recognized in other comprehensive income	15,316	(2,352)	12,964
Contributions from the employer	-	(40,514)	(40,514)
Benefits paid	(23,142)	23,142	-
Balance at December 31, 2018	907,137	(467,055)	440,082
Service cost			
Current service cost	31,278	-	31,278
Net interest expense (income)	9,407	(4,999)	4,408
Recognized in profit or loss	40,685	(4,999)	35,686
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(8,172)	(8,172)
Actuarial (gain) loss			
Changes in financial assumptions	28,356	-	28,356
Experience adjustments	(26,327)	-	(26,327)
Recognized in other comprehensive income	2,029	(8,172)	(6,143)
Contributions from the employer	-	(36,716)	(36,716)
Benefits paid	(37,733)	37,733	-
Balance at December 31, 2019	$ 912,118	$ (479,209)	$ 432,909

Through the defined benefit plans under the Labor Standards Law, the Group is exposed to the following risks:

1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets shall not be below the interest rate for a 2-year time deposit with local banks.

2) Interest risk: A decrease in the government bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plans' debt investments.

3) Salary risk: The present value of the defined benefit obligation is calculated using the future salaries of plan participants. As such, an increase in the salaries of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations are as follows:

	December 31	
	2019	**2018**
Discount rate(s)	0.76%	1.05%
Expected rate(s) of salary increase	1.50%	1.50%

If possible reasonable changes in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation will increase (decrease) as follows:

	December 31	
	2019	**2018**
Discount rate(s)		
0.5% increase	$ (58,376)	$ (59,871)
0.5% decrease	$ 63,848	$ 65,314
Expected rate(s) of salary increase		
0.5% increase	$ 61,112	$ 63,500
0.5% decrease	$ (56,551)	$ (58,964)

The sensitivity analysis previously presented may not be representative of the actual changes in the present value of the defined benefit obligation as it is unlikely that changes in assumptions will occur in isolation of one another as some of the assumptions may be correlated.

	December 31	
	2019	**2018**
Expected contributions to the plans for the next year	$ 36,578	$ 40,589
Average duration of the defined benefit obligation	13 years	14 years

23. EQUITY

a. Share capital

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

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital (1)		
Issuance of ordinary shares	$ 502,500	$ 502,500
May not be used for any purpose (2)		
Recognition of employee share options by the parent company	15,826	-
	$ 518,326	$ 502,500

1) 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.

2) The Group's parent company, Cathay Financial Holdings Co., Ltd., resolved to issue ordinary shares on August 15, 2019 and retained 10% of the shares issued for the employee of Cathay Financial Holdings Co., Ltd. and its subsidiaries in accordance with the Company Act. The Company has recognized at the fair value on grant day of $15,826 thousand as salary expense and capital surplus in December 2019.

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	
	2018	**2017**
Legal reserve	$ 275,249	$ 371,627
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
Cash dividends per shares	0.36	4.43

The appropriation of earnings for 2019 had been proposed by the Company's board of directors on March 10, 2020 were as follows:

	For the Year Ended December 31, 2019
Legal reserve	$ 421,257
Special reserve	(620,427)
Special reserve (according to regulation for insurance enterprises on the provision of reserves)	537,572
Special reserve (FinTech development)	(172)
Cash dividends	1,768,056
Cash dividends per shares	5.78

d. Special reserve

	For the Year Ended December 31, 2019				
	Special Reserve				
	Catastrophic Event	Fluctuation of Risk	Others	Others	Total
Beginning Balance	$ 1,389,937	$ 2,223,681	$ -	$ 320,632	$ 3,934,250
Provision	235,196	441,000	-	521,208	1,197,404
Recovered/reversal	-	(138,624)	-	-	(138,624)
Ending Balance	$ 1,625,133	$ 2,526,057	$ -	$ 841,840	$ 4,993,030

	For the Year Ended December 31, 2018				
	Special Reserve				
	Catastrophic Event	Fluctuation of Risk	Others	Others	Total
Beginning Balance	$ 1,188,322	$ 1,956,664	$ -	$ 535,580	$ 3,680,566
Provision	201,615	418,771	-	-	620,386
Recovered/reversal		(151,754)	-	(214,948)	(366,702)
Ending Balance	$ 1,389,937	$ 2,223,681	$ -	$ 320,632	$ 3,934,250

The newly recognized special reserve for catastrophic event and the special reserve for fluctuation of risk 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 December 31, 2019 and 2018 was $4,138,745 thousand and $3,613,618 thousand, respectively.

e. Other equity items

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

	For the Year Ended December 31	
	2019	**2018**
Beginning balance	$ (228,873)	$ (207,639)
Recognized for the period		
Exchange differences on translating the financial statements of foreign operations	(12,486)	5,052
Share from associates accounted for using the equity method	(78,632)	(26,286)
Other comprehensive income recognized for the period	(91,118)	(21,234)
Ending balance	$ (319,991)	$ (228,873)

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

	For the Year Ended December 31	
	2019	**2018**
Beginning balance	$ (153,280)	$ (116,730)
Recognized for the period		
Unrealized gain (loss) - debt instruments	14,843	2,205
Unrealized gain (loss) - equity instruments	184,200	(33,000)
Adjustments of loss allowance in debt instruments	(82)	(2)
Shares from associates accounted for using the equity method	32,714	(5,753)
Other comprehensive income recognized for the period	231,675	(36,550)
Ending balance	$ 78,395	$ (153,280)

3) Remeasurement of defined benefit plans

	For the Year Ended December 31	
	2019	**2018**
Beginning balance	$ (163,649)	$ (159,025)
Remeasurement of defined benefit plans	6,143	(12,964)
Effect of change in tax rate	(1,229)	8,340
Other comprehensive income recognized for the period	4,914	(4,624)
Ending balance	$ (158,735)	$ (163,649)

4) Other comprehensive income reclassified under the overlay approach

	For the Year Ended December 31	
	2019	2018
Beginning balance	$ (266,845)	$ 330,185
Recognized for the period	914,673	(492,005)
Reclassification adjustments		
Disposal of financial instruments	(431,674)	(128,542)
Related income tax	(8,043)	23,517
Other comprehensive income recognized for the period	474,956	(597,030)
Ending balance	$ 208,111	$ (226,845)

24. PROFIT BEFORE INCOME TAX

Profit before income tax included the following:

a. Interest income

	For the Year Ended December 31	
	2019	2018
Bank deposits	$ 52,101	$ 74,247
Bills purchased under resale agreement	11,942	6,052
Financial instruments at FVTPL	70,576	51,548
Investments in debt instruments at FVTOCI	12,528	16,511
Financial assets at amortized cost	388,737	390,448
Loan	3,852	3,839
Compulsory insurance	15,297	16,303
Other financial assets	60	18
	$ 555,093	$ 558,966

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

	For the Year Ended December 31					
	2019			2018		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Employee benefits expense						
Salaries and wages	$ 302,792	$ 2,060,137	$ 2,362,929	$ 301,179	$ 1,960,264	$ 2,261,443
Labor and health insurance	-	224,364	224,364	-	212,689	212,689
Pension expenses	-	119,370	119,370	-	121,956	121,956
Remuneration of directors	-	20,557	20,557	-	20,223	20,223
Other employee benefits	-	43,570	43,570	-	46,495	46,495
	$ 302,792	$ 2,467,998	$ 2,770,790	$ 307,179	$ 2,361,627	$ 2,668,806
Depreciation	$ -	$ 167,984	$ 167,984	$ -	$ 23,768	$ 23,768
Amortization	$ -	$ 40,975	$ 40,975	$ -	$ 31,357	$ 31,357

For the years ended December 31, 2019 and 2018, the Group's average number of employees were 2,256 and 2,190, respectively. There were 2,291 and 2,225 employees, both of which include 8 directors not serving concurrently as employees, in the Group as of December 31, 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 years ended December 31, 2019 and 2018 that were resolved by the board of directors on March 10, 2020 and March 20, 2019, the employees' compensation and the remuneration of directors and supervisors are as follows:

Accrual rate

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	0.10%	0.10%
Remuneration of directors and supervisors	0.18%	0.24%

Amount

	For the Year Ended December 31	
	2019	**2018**
Employees' compensation	$ 2,497	$ 1,861
Remuneration of directors and supervisors	$ 4,500	$ 4,474

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.

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. Income tax recognized in profit or loss.

Major components of income tax expense recognized in profit or loss

	For the Year Ended December 31	
	2019	**2018**
Current tax		
In respect of the current period	$ 382,715	$ 229,992
Income tax adjustment for prior periods	101	15,100
	382,816	245,092

(Continued)

	For the Year Ended December 31	
	2019	2018
Deferred tax		
In respect of the current period	$ 5,897	$ 85,901
Effect of change in tax rate	-	18,019
	5,897	103,920
Income tax expense recognized in profit or loss	$ 388,713	$ 349,012

(Concluded)

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Profit before tax from continuing operations	$ 2,494,999	$ 1,858,848
Income tax expense calculated at the statutory rate of the Group's parent company	498,999	371,770
Nondeductible expenses in determining taxable income	1,080	2,160
Deferred tax effect of earnings of subsidiaries	3	21
Tax-exempt income	(109,146)	(63,667)
Effect of tax rate changes	-	18,019
Adjustments for prior years' tax	101	15,100
Others	(2,324)	5,609
Income tax expense recognized in profit or loss	$ 388,713	$ 349,012

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%. 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 Year Ended December 31	
	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 overlay approach	8,043	(25,029)
Remeasurement of defined benefit plans	1,229	(2,593)
Total income tax recognized in other comprehensive income	$ 9,272	$ (31,857)

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities are as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Comprehensive Income	Exchange Differences	Closing Balance
Deferred tax assets					
Temporary differences					
Other comprehensive income (loss) reclassified under the overlay approach	$ 14,945	$ -	$ (8,043)	$ -	$ 6,902
FVTPL financial assets	26,209	(26,209)	-	-	-
Defined benefit obligations	90,653	(206)	(1,229)	-	89,218
Allowance for impairment loss	15,357	(1,528)	-	-	13,829
Unrealized foreign exchange gains and losses	-	23,816	-	-	23,816
Others	382	57	-	-	439
	$ 147,546	$ (4,070)	$ (9,272)	$ -	$ 134,204
Deferred tax liabilities					
Temporary differences					
FVTPL financial assets	$ -	$ 29,791	$ -	$ -	$ 29,791
Unrealized foreign exchange gains and losses	28,100	(27,964)	-	(3)	133
Associates	270,948	-	-	-	270,948
	$ 299,048	$ 1,827	$ -	$ (3)	$ 300,872

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Recognized in Other Compre-hensive Income	Reclassified in IFRS 9	Change in Tax Rate	Exchange Differences	Closing Balance
Deferred tax assets							
Temporary differences							
Other comprehensive income (loss) reclassified under the overlay approach	$ -	$ -	$ 14,945	$ -	$ -	$ -	$ 14,945
FVTPL financial assets	-	26,209	-	-	-	-	26,209
Defined benefit obligations	74,554	134	2,593	-	13,372	-	90,653
Allowance for impairment loss	11,951	539	-	644	2,223	-	15,357
Unrealized foreign exchange gains and losses	87,982	(103,508)	-	-	15,526	-	-
Others	326	(1)	-	-	57	-	382
	$ 174,813	$ (76,627)	$ 17,538	$ 644	$ 31,178	$ -	$ 147,546
Deferred tax liabilities							
Temporary differences							
Available-for-sale financial assets	$ 7,165	$ -	$ -	$ (7,165)	$ -	$ -	$ -
Other comprehensive income (loss) reclassified under the overlay approach	-	1,655	(10,084)	7,165	1,264	-	-
FVTPL financial assets	17,318	(20,374)	-	-	3,056	-	-
Unrealized foreign exchange gains and losses	106	27,993	-	-	-	1	28,100
Associates	230,306	-	-	-	40,642	-	270,948
	$ 254,895	$ 9,274	$ (10,084)	$ -	$ 44,962	$ 1	$ 299,048

d. Deductible temporary differences for which no deferred tax assets have been recognized in the consolidated balance sheets

	December 31	
	2019	2018
Investment accounted for using the equity method	$ 1,072,410	$ 1,025,627

e. 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 Year Ended December 31	
	2019	2018
Profit for the year attributable to owners of the Company	$ 2,106,286	$ 1,509,836

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

	For the Year Ended December 31	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings per share	305,705	305,705

27. FINANCIAL INSTRUMENTS

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

December 31, 2019

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets at amortized cost					
Domestic corporate bonds	$ 1,399,038	$ -	$ 1,400,000	$ -	$ 1,400,000
Foreign corporate bonds	6,783,161	-	7,422,914	-	7,422,914
	$ 8,182,199	$ -	$ 8,822,914	$ -	$ 8,882,914
Other assets					
Domestic government bonds (statutory guarantee deposits)	$ 512,890	$ -	$ 517,459	$ -	$ 517,459

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

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

1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Derivative financial assets	$ -	$ 105,561	$ -	$ 105,561
Domestic listed shares	5,386,616	-	-	5,386,616
Foreign listed shares	378,000	-	-	378,000
Mutual funds	3,059,041	-	-	3,059,041
Domestic financial bonds	-	768,195	-	768,195
	$ 8,823,657	$ 873,756	$ -	$ 9,697,413
Financial assets at FVTOCI				
Investments in equity instruments				
Domestic unlisted shares	$ -	$ -	$ 589,800	$ 589,800
Investments in debt instruments				
Domestic government bonds	-	754,014	-	754,014
	$ -	$ 754,014	$ 589,800	$ 1,343,814
Financial liabilities at FVTPL				
Derivatives	$ -	$ 367	$ -	$ 367

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

(Continued)

	Level 1	Level 2	Level 3	Total
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

(Concluded)

For the year ended December 31, 2018, the Group's equity instrument measured at fair value on a recurring basis in the amount of $105,291 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 year ended December 31, 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)	184,200
Balance at December 31, 2019	$ 589,800

For the year ended December 31, 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)	(33,000)
Balance at December 31, 2018	$ 405,600

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:

	December 31, 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

c. Categories of financial instruments

	December 31	
	2019	**2018**
Financial assets		
FVTPL		
Mandatorily classified as at FVTPL	$ 9,697,413	$ 5,887,384
Financial assets at amortized cost (1)	22,485,856	21,958,423
Financial assets at FVTOCI		
Equity instruments	589,800	405,600
Debt instruments	754,014	1,045,844
Financial liabilities		
FVTPL		
Mandatorily classified as at FVTPL	367	50,041
Amortized cost (2)	3,403,811	2,622,777

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 resulting from changes in market risk factors, such as exchange rate, product price, interest rate, credit spread, and stock price, and may decrease the Group's income or value of investment portfolio.

The Group continues to use market risk management tools such as value at risk ("VaR") and stress testing to completely and effectively measure, monitor and manage market risk.

a) Value at Risk

VaR is used to measure the maximum potential loss of a portfolio in a given period and confidence level when the market risk factors changes. The Group calculates VaR on the next day (week or two weeks) at the 99% confidence level.

The VaR 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 VaR model, the Group periodically use stress testing to assess the potential risk of extreme and abnormal events.

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 test and scenario analysis. Such tests cover the losses on positions resulting from changes of various risk factors in various historical scenarios.

i. Simple sensitivity test

Simple sensitivity test measures the changes in value of the investment portfolio caused by specific risk factors.

ii. Scenario analysis

Scenario analysis measures the changes in the total value of the investment portfolio under a stress event, including the follows scenarios:

i) Historical scenario

By considering the fluctuations in risk factors during a specific historical event, the Group evaluates that losses would be incurred for the current investment portfolio in the event.

ii) Hypothetical scenario

The Group makes reasonable assumptions for extreme market changes that may occur in the future, puts related changes in related risk factors to the current investment portfolio and considers the correlation between the investment targets and risk factors to estimate the possible loss of investments.

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

Table of Stress Testing			
Risk Factors	**Changes (+/-)**	**December 31, 2019**	**December 31, 2018**
Equity price risk (index)	-10%	$ (504,117)	$ (339,393)
Interest rate risk (yield curve)	+20bps	(150,339)	(145,145)
Foreign currency risk (exchange rate)	USD exchange NTD devalue 1 dollar	(115,390)	(109,381)

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

- 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.

- 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.

- Price risk

The Group was exposed to equity price risk through its investments in listed shares and mutual funds. Equity price exposures were managed by futures contracts. That positions of futures contracts do not exceed the hedged positions.

- Sensitivity analysis

	December 31, 2019		
Risk Factors	**Variation (+/-)**	**Effect on Profit and Loss**	**Effect on Equity**
Foreign currency risk sensitivity	USD appreciates 1%	$ 24,084	$ 2,756
	CNY appreciates 1%	2,506	-
	HKD appreciates 1%	587	4,146
	EUR appreciates 1%	114	318
	VND appreciates 1%	6,154	-
Interest rate risk sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(5,513)	-
	Yield curve (CNY): Upward parallel shift by 1bp	(81)	-
	Yield curve (NTD): Upward parallel shift by 1bp	(1,189)	(811)
Equity securities price sensitivity	Increases 1% in equity price	-	50,412

	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 sensitivity	Yield curve (USD): Upward parallel shift by 1bp	(4,935)	-
	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

Note 1: Change in credit spread is not considered.

Note 2: The effect of hedging is considered.

Note 3: Impacts of changes in profit or loss are not included in those of changes in equity.

Note 4: Provision or reversal of reserve for foreign exchange valuation changes is not considered in profit or loss due to foreign currency risk.

Note 5: Information of subsidiaries is not disclosed due to immaterial effects to the consolidated financial statements.

2) Credit risk

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

i. Issuer credit risk is the risk that the Group may suffer financial losses on debt instruments or bank savings because the issuers (guarantors), borrowers or banks are not able to perform repayment obligations due to default, bankruptcy or liquidation.

ii. Counterparty credit risk is the risk that the Group may suffer financial losses because the counterparty does not perform its obligation to settle or pay at the appointed date.

iii. Credit risk of underlying assets is the risk that the Group may suffer losses due to deterioration of the credit quality, increase in credit spread, downgrade or breach of any contract terms of underlying 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:

December 31, 2019

Financial Assets	Taiwan	Asia	Europe	North Americas	Emerging Market and Others	Total
Cash and cash equivalents	$ 10,482,899	$	$	$	$ 184,376	$ 10,667,275
Financial assets at FVTPL	873,756				-	873,756
Financial assets at FVTOCI	754,014				-	754,014
Financial assets at amortized cost	1,911,928	347,998	1,461,335	3,171,747	1,802,081	8,695,089
Total	$ 14,022,597	$ 347,998	$ 1,461,335	$ 3,171,747	$ 1,986,457	$ 20,990,134
Proportion	66.81%	1.66%	6.96%	15.11%	9.46%	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	$ 13,976,223	$ 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%

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 Group 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 Group measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

To measure expected credit losses, the Group 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 Group 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 Group 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 Group take 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 Group

	December 31, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVOCI	$ 754,014	$ -	$ -	$ -	$ -	$ 754,014
Financial assets measured at amortized cost	8,698,998	-	-	-	(3,909)	8,695,089

	December 31, 2018					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated 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	9,049,129	-	-	-	(3,587)	9,045,542

Note: Investment grade assets refer to those with credit rating of at least BBB-; non-investment grade assets are those with credit rating lower than BBB-.

ii. Secured loans

	December 31, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 232,652	$ -	$ -	$ -	$ (2,803)	$ 229,849

	December 31, 2018					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Secured loans	$ 239,701	$ -	$ -	$ -	$ (2,885)	$ 236,816

g) Reconciliation for 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	(82)	-	-	-	(82)
December 31, 2019	$ 66	$ -	$ -	$ -	$ 66
January 1, 2018	$ 150	$ -	$ -	$ -	$ 150
Changes in models/risk parameters	(2)	-	-	-	(2)
December 31, 2018	$ 148	$ -	$ -	$ -	$ 148

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	317	-	-	-	317
December 31, 2019	$ 3,859	$ -	$ -	$ -	$ 3,859
January 1, 2018	$ 3,571	$ -	$ -	$ -	$ 3,571
Changes in models/risk parameters	(29)	-	-	-	(29)
December 31, 2018	$ 3,542	$ -	$ -	$ -	$ 3,542

iii. Other assets

	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
January 1, 2019	$ 45	$ -	$ -	$ -	$ 45
Changes in models/risk parameters	5	-	-	-	5
December 31, 2019	$ 50	$ -	$ -	$ -	$ 50
January 1, 2018	$ 68	$ -	$ -	$ -	$ 68
Changes in models/risk parameters	(23)	-	-	-	(23)
December 31, 2018	$ 45	$ -	$ -	$ -	$ 45

iv. Secured 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	13	-	-	-	13	(95)	(82)
December 31, 2019	$ 66	$ -	$ -	$ -	$ 66	$ 2,737	$ 2,803
January 1, 2018	$ 45	$ -	$ -	$ -	$ 45	$ 3,079	$ 3,124
Financial assets that have been derecognized during the period	8	-	-	-	8	-	8
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(247)	(247)
December 31, 2018	$ 53	$ -	$ -	$ -	$ 53	$ 2,832	$ 2,885

There were no significant changes in loss allowance due to significant changes in the gross carrying amounts of the financial instruments.

h) Exposure to credit risk and loss allowance of receivables

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:

December 31, 2019	Due	Over Due	Total
Carrying amount	$ 1,654,354	$ 724,959	$ 2,379,313
Expected loss rate	0.97%	3.05%	
Lifetime expected credit losses	$ 16,026	$ 22,108	38,134

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

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 Group 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 Group faces when it sells or offsets its assets during market disorder.

b) Liquidity risk management

The Group established a comprehensive liquidity management mechanism by assessing the business features and monitoring short-term cash flows. Considering the trading volume and positions held, the Group carefully manages the market liquidity risk.

According to the actual management need or special situations, the Group uses cash flow model and stress testing to assess cash flow risk. Moreover, the Group has drawn up a plan for capital requirements with respect to abnormal and emergency conditions to deal with significant liquidity risk.

The analysis of cash outflows to the Group is listed below and based on the residual terms to maturity on the balance sheet date. The disclosed amounts are prepared in accordance with contract cash flows and, accordingly for certain line items, the disclosed amounts are different to the amounts on consolidated balance sheets.

The maturity dates for other non-derivative financial liabilities were based on the agreed repayment dates.

December 31, 2019

	Less than 6 Months	6-12 Months	1-2 Years	2-5 Years	5+ Years
Non-derivative financial liabilities					
Payables	$ 3,377,416	$ 12,401	$ 6,359	$ 7,635	$ -
Lease liabilities	66,810	63,716	81,377	538	-
Derivative financial liabilities					
Swap	367	-	-	-	-

December 31, 2018

	Less than 6 Months	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					
Swap	50,041	-	-	-	-

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 Company Limited. (China)	Fellow subsidiary
Cathay Life Insurance Co., Ltd.	Fellow subsidiary
Cathay United Bank Co., Ltd.	Fellow subsidiary
Indovina Bank	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
Cathay Real Estate Development Co., Ltd.	Other related parties
Cathay Medical Care Corp.	Other related parties
San Ching Engineering Co., Ltd.	Other related parties
Symphox Information Co., Ltd.	Other related parties
Seaward Card Co., Ltd	Other related parties
Others (including directors, supervisors, key management and its spouse or relatives within second degree)	Other related parties

b. Trading transactions

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Net premium income	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 105,568	$ 107,023
	Cathay United Bank Co., Ltd.	178,060	178,718
	Other related parties		
	San Ching Engineering Co., Ltd.	3,237	5,428
	Symphox Information Co., Ltd.	3,459	2,398
	Cathay Real Estate Development Co., Ltd.	6,498	8,195
	Cathay Medical Care Corp.	3,688	3,045
		$ 300,510	$ 304,807
Operating cost			
Marketing cost	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 667,546	$ 612,624
Commission cost	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	30,250	27,331
		$ 697,796	$ 639,955

(Continued)

Line Item	Related Party Category/Name	For the Year Ended December 31 2019	2018
Non-operating expenses	The Group's parent		
	Cathay Financial Holdings Co., Ltd.	$ -	$ 10,192
Insurance reimbursement	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 12,721	$ 17,158
	Cathay United Bank Co., Ltd.	25,322	436
	Other related parties		
	San Ching Engineering Co., Ltd.	157	5,500
		$ 38,200	$ 23,094
Operating expenses			
Other equipment expenses	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 697	$ 6,909
Group insurance expenses	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	20,185	19,867
Building management fee	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	8,008	8,274
Marketing expenses	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	123,796	133,544
Management fee	Fellow subsidiary		
	Cathay Securities Investment Trust Co., Ltd.	6,911	4,230
Other expenses	Other related parties		
	Symphox Information Co., Ltd.	71,744	64,147
	Seaward Card Co., Ltd	5,493	5,576
		$ 236,834	$ 242,547

(Concluded)

c. Receivables from related parties

Line Item	Related Party Category/Name	December 31 2019	2018
Premiums receivable	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	$ 1,539	$ 7,372
	Cathay United Bank Co., Ltd.	49,719	51,461
		$ 51,258	$ 58,833

The outstanding receivables from related parties are unsecured. For the years ended December 31, 2019 and 2018, no impairment losses were recognized for receivables from related parties.

d. Payable to related parties

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Other payable	The Group's parent		
	Cathay Financial Holdings Co., Ltd.	$ 362,812	$ 64,901
	Fellow subsidiary		
	Cathay Life Insurance Co., Ltd.	67,834	60,661
		$ 430,646	$ 125,562

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

e. Cash in bank

Line Item	Related Party Category/Name	December 31 2019	December 31 2018
Checking deposits and demand deposits	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	$ 1,906,704	$ 2,100,993
	Indovina Bank	8,180	3,018
Time deposits	Fellow subsidiary		
	Cathay United Bank Co., Ltd.	567,600	623,200
	Indovina Bank	150,726	144,687
		$ 2,633,210	$ 2,871,898

As of December 31, 2019 and 2018, time deposits pledged recognized in guarantee deposits were $22,949 thousand and $28,108 thousand, respectively.

f. Interest revenue

Related Party Category/Name	For the Year Ended December 31 2019	For the Year Ended December 31 2018
Fellow subsidiary		
Cathay United Bank Co., Ltd.	$ 8,305	$ 7,808
Indovina Bank	12,602	6,652
	$ 20,907	$ 14,060

g. Financial asset at FVTPL (mutual funds)

Related Party Category/Name	December 31 2019	December 31 2018
Other related parties		
Funds issued from Cathay Securities Investment Trust Co., Ltd.	$ 712,949	$ 359,128

h. Discretionary account management balance

Related Party Category/Name	December 31 2019	December 31 2018
Fellow subsidiary		
Cathay Securities Investment Trust Co., Ltd.	$ 1,081,258	$ 848,925

i. Guarantee deposits

Related Party Category/Name	December 31 2019	December 31 2018
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 26,580	$ 25,167
Cathay United Bank Co., Ltd.	17,196	22,247
Cathay Futures Co., Ltd.	21,836	21,825
Indovina Bank	7,949	8,108
	$ 73,561	$ 77,347

j. Prepayments for Investment

Related Party Category/Name	December 31 2019	December 31 2018
Fellow subsidiary		
Cathay Insurance Company Limited. (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 under letter No. 10700281680 issued 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. Secured loans

Related Party Category/Name	For the Year Ended December 31, 2019 Maximum Amount	Ending Balance	Interest rate	Interest Income
Other related parties	$ 24,723	$ 17,545	1.53%-1.60%	$ 326

Related Party Category/Name	For the Year Ended December 31, 2018 Maximum Amount	Ending Balance	Interest rate	Interest income
Other related parties	$ 33,501	$ 24,723	1.53%-1.60%	$ 411

l. Lease arrangements - Group is lessee

The main lease arrangements attribute the lease payments to leasehold office space and parking lot, considered the market price and paid monthly.

Related Party Category/Name	For the Year Ended December 31 2019	2018
Right-of-use assets		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 210,625	$ -
Cathay United Bank Co., Ltd.	1,595	-
	$ 212,220	$ -

Line Item	Related Party Category/Name	December 31 2019	2018
Lease liabilities	Associate		
	Cathay Life Insurance Co., Ltd.	$ 176,326	$ -
	Cathay United Bank Co., Ltd.	3,226	-
		$ 179,552	$ -

Related Party Category/Name	For the Year Ended December 31 2019	2018
Interest expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 822	$ -
Cathay United Bank Co., Ltd.	79	-
	$ 901	$ -
Lease expense		
Fellow subsidiary		
Cathay Life Insurance Co., Ltd.	$ 1,245	$ 108,092
Cathay United Bank Co., Ltd.	480	9,105
	$ 1,725	$ 117,197

m. Foreign exchange swaps

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

Related Party Category/Name	December 31 2019	2018
Fellow subsidiary		
Cathay United Bank Co., Ltd.	US$ 92,700	US$ 88,700
	EUR 750	EUR 750

n. Compensation of key management personnel

Related Party Category/Name	For the Year Ended December 31 2019	2018
Short-term employee benefits	$ 69,008	$ 65,250
Post-employment benefits	6,520	6,767
	$ 75,528	$ 72,017

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

	December 31 2019	2018
Guarantee deposits paid - government bonds	$ 512,890	$ 519,302
Guarantee deposits paid - time deposits	15,000	20,000
	$ 527,890	$ 539,302

As of December 31, 2019 and 2018, the Company provided government bonds amounting to $512,940 thousand and $519,347 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 $50 thousand and $45 thousand, respectively which are in the scope of the impairment requirements under IFRS 9.

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

	December 31 2019	2018
Government deposits paid - time deposits	$ 7,949	$ 8,108

According to the Insurance Act of Vietnam, Cathay Insurance (Vietnam) Co., Ltd. should deposit guarantee deposits at an amount equal to 2% of its paid-in capital. The guaranteed deposits of Cathay Insurance (Vietnam) Co., Ltd. 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:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 234,225	30.106 (USD:NTD)	$ 7,055,376
EUR	5,197	33.749 (EUR:NTD)	175,530
HKD	7,738	3.866 (HKD:NTD)	29,989
CNY	66,860	4.323 (CNY:NTD)	290,361
Non-monetary items			
USD	23,606	30.106 (USD:NTD)	710,684
EUR	2,431	33.749 (EUR:NTD)	82,028
HKD	107,244	3.866 (HKD:NTD)	414,562
Investments accounted for using the equity method			
CNY	491,121	4.323 (CNY:NTD)	2,122,476
Derivative instruments (Note)			
USD	170,600	30.106 (USD:NTD)	103,085
EUR	2,750	30.106 (USD:NTD)	2,476
Financial liabilities			
Monetary items			
USD	4,075	30.106 (USD:NTD)	126,838
EUR	174	33.749 (EUR:NTD)	6,005
HKD	2,081	3.866 (HKD:NTD)	8,097
CNY	1,084	4.323 (CNY:NTD)	4,782
Non-monetary items			
Derivative instruments (Note)			
USD	8,500	30.106 (USD:NTD)	367

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

(Continued)

	Foreign Currency	Exchange Rate		Carrying Amount
Non-monetary items				
USD	$ 195,644	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

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

For the years ended December 31, 2019 and 2018, (realized and unrealized) net foreign exchange (loss) profit were $(118,531) and $138,195, 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) Transactions with related parties involving main business items reach NT$100 million or 20% of paid-in capital or more (Table 3)

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 4)

7) Information on investees (Table 5)

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 6)

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) For transactions involving each other's main business, such as underwriting an insurance policy where the proposer is the investee, the amount and percentage of transactions and the balance and percentage of the related payables at the end of the period.

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

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

d) 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 receiving of services.

e) The amount or balance of transactions mentioned in subitems a - d above that reaches 20% or more of the insurance enterprise's total amount or balance of such transactions shall be separately presented, while the rest may be added up and reported as an aggregate amount.

32. SEGMENT INFORMATION

a. General 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.

b. Geographical information

The Group's revenue from continuing operations from external customers by location of operations are detailed below.

	For the Year Ended December 31	
	2019	**2018**
Taiwan	$ 20,083,600	$ 17,996,298
Others	628,244	592,217
	$ 20,711,844	$ 18,588,515

33. INSURANCE CONTRACT RESERVES

a. Earned retained premium

For the year ended December 31, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 3,372,742	$ 677,858	$ 2,097,213	$ 1,953,387	$ 6,350	$ 1,947,037
Marine insurance	681,264	73,700	457,469	297,495	(396)	297,891
Land and air insurance	9,672,387	44,626	341,018	9,375,995	384,071	8,991,924
Liability insurance	1,548,215	2,912	510,465	1,040,662	66,783	973,879
Bonding insurance	107,747	17,572	68,484	56,835	3,912	52,923
Other property insurance	1,202,681	275,279	883,152	594,808	(38,169)	632,977
Accident insurance	3,533,611	26,691	228,056	3,332,246	53,541	3,278,705
Health insurance	440,698	16,027	-	456,725	1,829	454,896
Compulsory auto liability insurance	2,896,160	753,281	1,207,714	2,441,727	(4,785)	2,446,512
	$ 23,455,505	$ 1,887,946	$ 5,793,571	$ 19,549,880	$ 473,136	$ 19,076,744

For the year ended December 31, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)	Net Changes in Unearned Premium Reserve (5)	Earned Retained Premium (6)=(4)-(5)
Fire insurance	$ 3,263,438	$ 406,033	$ 2,096,301	$ 1,573,170	$ 21,469	$ 1,551,701
Marine insurance	685,174	41,780	462,526	264,428	6,183	258,245
Land and air insurance	9,087,689	2,460	371,859	8,718,290	327,554	8,390,736
Liability insurance	1,422,172	2,230	482,676	941,726	42,679	899,047
Bonding insurance	125,947	1,457	92,472	34,932	32	34,900
Other property insurance	775,603	142,632	443,898	474,337	56,778	417,559
Accident insurance	3,174,156	10,880	223,010	2,962,026	(3,948)	2,965,974
Health insurance	349,362	17,485	-	366,847	14,354	352,493
Compulsory auto liability insurance	2,924,496	753,227	1,216,270	2,461,453	(17,379)	2,478,832
	$ 21,808,037	$ 1,378,184	$ 5,389,012	$ 17,797,209	$ 447,722	$ 17,349,487

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

For the year ended December 31, 2019

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 2,896,160	$ 753,281	$ 1,207,714	$ 2,441,727
Non-compulsory insurance	20,559,345	1,134,665	4,585,857	17,108,153
	$ 23,455,505	$ 1,887,946	$ 5,793,571	$ 19,549,880

Insurance by Type	Unearned Premium Reserves under Direct Business		Unearned Premium Reserves under Reinsurance Inward Business		Net Changes in Unearned Premium Reserve
	Provision (5)	Recovery (6)	Provision (7)	Recovery (8)	(9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,253,418	$ 1,261,457	$ 469,404	$ 470,972	$ (9,607)
Non-compulsory insurance	10,795,427	9,993,024	220,359	303,969	718,793
	$ 12,048,845	$ 11,254,481	$ 689,763	$ 774,941	$ 709,186

Insurance by Type	Unearned Premium Reserves under Ceded Reinsurance Business Provision (10)	Recovery (11)	Net Changes in for Unearned Ceded Premium Reserve (12)=(10)-(11)	Retained Premium (13)=(4)-(9)+(12)
Compulsory insurance	$ 752,051	$ 756,873	$ (4,822)	$ 2,446,512
Non-compulsory insurance	2,450,815	2,209,943	240,872	16,630,232
	$ 3,202,866	$ 2,966,816	$ 236,050	$ 19,076,744

For the year ended December 31, 2018

Insurance by Type	Gross Premium Income (1)	Reinsurance Premium Inward (2)	Reinsurance Premium Outward (3)	Retained Premium (4)=(1)+(2)-(3)
Compulsory insurance	$ 2,924,496	$ 753,227	$ 1,216,270	$ 2,461,453
Non-compulsory insurance	18,883,541	624,957	4,172,742	15,335,756
	$ 21,808,037	$ 1,378,184	$ 5,389,012	$ 17,797,209

Insurance by Type	Unearned Premium Reserves under Direct Business Provision (5)	Recovery (6)	Unearned Premium Reserves under Reinsurance Inward Business Provision (7)	Recovery (8)	Net Changes in Unearned Premium Reserve (9)=(5)-(6)+(7)-(8)
Compulsory insurance	$ 1,261,457	$ 1,270,317	$ 470,972	$ 484,820	$ (22,708)
Non-compulsory insurance	9,990,114	9,508,883	303,969	239,059	546,141
	$ 11,251,571	$ 10,779,200	$ 774,941	$ 723,879	$ 523,433

Insurance by Type	Unearned Premium Reserves under Ceded Reinsurance Business Provision (10)	Recovery (11)	Net Changes in for Unearned Ceded Premium Reserve (12)=(10)-(11)	Retained Premium 13)=(4)-(9)+(12)
Compulsory insurance	$ 756,874	$ 762,203	$ (5,329)	$ 2,478,832
Non-compulsory insurance	2,208,312	2,127,272	81,040	14,870,655
	$ 2,965,186	$ 2,889,475	$ 75,711	$ 17,349,487

b. Retained claims

Insurance by Type	For the Year Ended December 31, 2019 Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 628,539	$ 301,179	$ 317,175	$ 612,543
Marine insurance	269,821	31,742	199,685	101,878
Land and air insurance	5,529,317	4,514	178,666	5,355,165
Liability insurance	636,573	178	196,642	440,109
Bonding insurance	63,400	730	52,142	11,988
Other property insurance	295,879	142,041	134,021	303,899
Accident insurance	1,569,170	4,459	75,503	1,498,126
Health insurance	107,962	9,852	-	117,814
Compulsory auto liability insurance	2,308,745	905,668	1,334,581	1,879,832
	$ 11,409,406	$ 1,400,363	$ 2,488,415	$ 10,321,354

	For the Year Ended December 31, 2018			
Insurance by Type	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Fire insurance	$ 718,581	$ 155,461	$ 290,325	$ 583,717
Marine insurance	293,862	21,785	203,307	112,340
Land and air insurance	5,264,574	659	197,008	5,068,225
Liability insurance	563,950	344	162,174	402,120
Bonding insurance	15,273	1,746	8,162	8,857
Other property insurance	394,911	57,751	165,344	287,318
Accident insurance	1,235,385	1,591	81,671	1,155,305
Health insurance	101,948	16,045	-	117,993
Compulsory auto liability insurance	1,697,508	969,958	995,187	1,672,279
	$ 10,285,992	$ 1,225,340	$ 2,103,178	$ 9,408,154

Retained claims of compulsory insurance and non-compulsory insurance:

	For the Year Ended December 31, 2019			
Insurance by Type	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 2,308,745	$ 905,668	$ 1,334,581	$ 1,879,832
Non-compulsory insurance	9,100,661	494,695	1,153,834	8,441,522
	$ 11,409,406	$ 1,400,363	$ 2,488,415	$ 10,321,354

	For the Year Ended December 31, 2018			
Insurance by Type	Loss Incurred (Claims Expense Included) (1)	Reinsurance Claims (2)	Claims Recovered from Reinsurances (3)	Retained Claims (4)=(1)+(2)-(3)
Compulsory insurance	$ 1,697,508	$ 969,958	$ 995,187	$ 1,672,279
Non-compulsory insurance	8,588,484	255,382	1,107,991	7,735,875
	$ 10,285,992	$ 1,225,340	$ 2,103,178	$ 9,408,154

c. Liability on policyholders’ claims filed and losses not yet filed

Claims and payments recoverable for policyholders’ claims filed and paid

Insurance by Type	Claims Filed and Paid December 31 2019	Claims Filed and Paid December 31 2018
Fire insurance	$ 11,803	$ 44,225
Marine insurance	14,046	12,631
Land and air insurance	41,335	46,598
Liability insurance	48,045	53,431
Bonding insurance	3,952	188
Other property insurance	21,993	19,525
Accident insurance	18,354	18,497
Health insurance	-	-
Compulsory auto liability insurance	178,606	154,031
	338,134	349,126
Less: Loss allowance	(16,907)	(3,491)
	$ 321,227	$ 345,635

d. Receivables and payables of insurance contracts

Receivable

Insurance by Type	Premiums Receivable December 31 2019	Premiums Receivable December 31 2018
Fire insurance	$ 832,679	$ 683,291
Marine insurance	280,050	280,529
Land and air insurance	165,238	161,746
Liability insurance	252,358	209,834
Bonding insurance	24,869	30,796
Other property insurance	466,437	253,298
Accident insurance	130,202	113,629
Health insurance	9,748	7,979
Compulsory auto liability insurance	20,950	19,090
	2,182,531	1,760,192
Less: Loss allowance	(33,108)	(74,252)
	$ 2,149,423	$ 1,685,940

Aging analysis of premiums receivable:

	December 31 2019	December 31 2018
Less than 90 days	$ 1,460,661	$ 1,533,285
Over 90 days	721,870	226,907
	$ 2,182,531	$ 1,760,192

The overdue amounts as of December 31, 2019 and 2018 in the above premiums receivable were $721,870 thousand and $226,131 thousand, respectively, and loss allowance of $19,019 thousand and $58,942 thousand were provided, respectively.

Accounts payable

	December 31, 2019		
Insurance by Type	Commission Payable	Others	Total
Fire insurance	$ 28,685	$ 13,250	$ 41,935
Marine insurance	8,300	15,052	23,352
Land and air insurance	73,939	99,854	173,793
Liability insurance	21,674	24,333	46,007
Bonding insurance	2,601	451	3,052
Other property insurance	5,452	13,266	18,718
Accident insurance	10,629	33,141	43,770
Health insurance	2,576	3,471	6,047
Compulsory auto liability insurance	27,240	-	27,240
	$ 181,096	$ 202,818	$ 383,914

	December 31, 2018		
Insurance by Type	Commission Payable	Others	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

Due from (to) reinsurers and ceding companies - reinsurance

	December 31, 2019	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
Non-Life Insurance Association of the R.O.C.	$ 329,413	$ 314,263
AON	72,042	415,823
Willis	49,804	4,216
Central Re	16,758	105,805
Others (individually below 5% of the total amount)	320,592	932,784
	788,609	1,772,891
Less: Loss allowance	(44,386)	-
	$ 744,223	$ 1,772,891

	December 31, 2018	
	Due from Reinsurers and Ceding Companies	Due to Reinsurers and Ceding Companies
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 (individually below 5%)	145,710	627,165
	466,224	1,499,224
Less: Loss allowance	(17,818)	-
	$ 448,406	$ 1,499,224

The overdue amounts as of December 31, 2019 and 2018 in the above due from (to) reinsurers and ceding companies were $10,483 thousand and $13,169 thousand, respectively, and loss allowances of $10,483 thousand and $13,169 thousand were provided, respectively.

Due from and due to the reinsurers and ceding companies cannot be offset, except for those meeting requirements in Article 42 of IAS 32.

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

Insurance by Type	For the Year Ended December 31, 2019				
	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 185,873	$ 14,335	$ 131,307	$ 16,370	$ 347,885
Marine insurance	66,115	1,616	16,274	1,311	85,316
Land and air insurance	1,066,167	381	16,415	412,459	1,495,422
Liability insurance	180,707	90	294	21,023	202,114
Bonding insurance	11,213	95	4,683	110	16,101
Other property insurance	75,193	6,053	57,594	3,570	142,410
Accident insurance	437,657	598	4,367	118,079	560,701
Health insurance	74,570	401	1,222	16,821	93,014
Compulsory auto liability insurance	-	396,554	-	-	396,554
	$ 2,097,495	$ 420,123	$ 232,156	$ 589,743	$ 3,339,517

Insurance by Type	For the Year Ended December 31, 2018				
	Commission Expenses	Service and Handling Charge	Reinsurance Commission Expenses	Other	Total
Fire insurance	$ 177,507	$ 9,230	$ 72,638	$ 13,253	$ 272,628
Marine insurance	65,878	1,116	9,376	1,345	77,715
Land and air insurance	1,006,097	1	662	382,851	1,389,611
Liability insurance	162,331	102	335	13,236	176,004
Bonding insurance	13,341	6	83	96	13,526
Other property insurance	71,896	3,597	33,600	2,622	111,715
Accident insurance	388,149	210	582	103,373	492,314
Health insurance	61,385	437	2,226	13,065	77,113
Compulsory auto liability insurance	-	387,993	-	-	387,993
	$ 1,946,584	$ 402,692	$ 119,502	$ 529,841	$ 2,998,619

Acquisition costs for the insurance contracts were recognized as incurred.

g. Profit and loss analysis of the insurance business

Direct underwriting business

Insurance by Type	For the Year Ended December 31, 2019					
	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 3,372,742	$ (68,947)	$ 216,578	$ 628,539	$ 68,455	$ 2,528,117
Marine insurance	681,264	(2,677)	69,043	269,821	(2,424)	347,501
Land and air insurance	9,672,387	355,372	1,479,007	5,529,317	299,606	2,009,085
Liability insurance	1,548,215	57,891	201,821	636,573	68,539	583,391
Bonding insurance	107,747	(9,126)	11,418	63,400	(26,938)	68,993
Other property insurance	1,202,681	398,135	84,816	295,879	54,659	369,192
Accident insurance	3,533,611	56,501	556,333	1,569,170	(44,591)	1,396,198
Health insurance	440,698	10,047	91,791	107,962	11,956	218,942
Compulsory auto liability insurance	2,896,160	(8,038)	396,554	2,308,745	92,545	106,354
	$ 23,455,505	$ 789,158	$ 3,107,361	$ 11,409,406	$ 521,807	$ 7,627,773

	For the Year Ended December 31, 2018					
Insurance by Type	Written Premium (Net of Premium Allowance)	Net Changes in Unearned Premium Reserve	Acquisition Costs of Insurance Contracts	Claims and Payments (Including Claim Expense)	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 3,263,438	$ (23,599)	$ 199,990	$ 718,581	$ (407,044)	$ 2,775,510
Marine insurance	685,174	21,178	68,339	293,862	(63,969)	365,764
Land and air insurance	9,087,689	309,591	1,388,949	5,264,574	465,243	1,659,332
Liability insurance	1,422,172	92,340	175,669	563,950	143,579	446,634
Bonding insurance	125,947	5,742	13,443	15,273	(7,308)	98,797
Other property insurance	775,603	52,437	78,115	394,911	24,111	226,029
Accident insurance	3,174,156	13,407	491,732	1,235,385	95,192	1,338,440
Health insurance	349,362	10,135	74,887	101,948	137	162,225
Compulsory auto liability insurance	2,924,496	(8,860)	387,993	1,697,508	92,119	755,736
	$ 12,808,037	$ 472,371	$ 2,879,117	$ 10,285,992	$ 342,060	$ 7,828,497

Reinsurance inward business

	For the Year Ended December 31, 2019					
Insurance by Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 677,858	$ (61,947)	$ 131,307	$ 301,179	$ 291,187	$ 16,132
Marine insurance	73,700	4,895	16,274	31,742	18,274	2,515
Land and air insurance	44,626	6,653	16,415	4,514	5,294	11,750
Liability insurance	2,912	(314)	295	178	423	2,330
Bonding insurance	17,572	1,899	4,683	730	12,120	(1,860)
Other property insurance	275,279	(29,089)	57,593	142,041	9,914	94,820
Accident insurance	26,691	2,511	4,367	4,459	4,682	10,672
Health insurance	16,027	(8,218)	1,222	9,852	898	12,273
Compulsory auto liability insurance	753,281	(1,569)	-	905,668	18,606	(169,424)
	$ 1,887,946	$ (85,179)	$ 232,156	$ 1,400,363	$ 361,398	$ (20,792)

	For the Year Ended December 31, 2018					
Insurance by Type	Reinsurance Premium	Net Changes in Unearned Premium Reserve	Reinsurance Commission Expense	Reinsurance Claim	Net Changes in Loss Reserve	Profit (Loss)
Fire insurance	$ 406,033	$ 46,475	$ 72,638	$ 155,461	$ (2,811)	$ 134,270
Marine insurance	41,780	736	9,376	21,785	19,882	(9,999)
Land and air insurance	2,460	(1,545)	662	659	(683)	3,367
Liability insurance	2,230	(192)	335	344	(1,150)	2,893
Bonding insurance	1,457	(201)	83	1,746	1,299	(1,470)
Other property insurance	142,632	13,559	33,600	57,751	42,702	(4,980)
Accident insurance	10,880	1,859	582	1,591	347	6,501
Health insurance	17,485	4,219	2,226	16,045	733	(5,738)
Compulsory auto liability insurance	753,227	(13,848)	-	969,958	(12,408)	(190,475)
	$ 1,378,184	$ 51,062	$ 119,502	$ 1,225,340	$ 47,911	$ (65,631)

Ceded reinsurance business

	For the Year Ended December 31, 2019					
Insurance by Type	**Reinsurance Expenses**	**Net Changes in Ceded Unearned Premium Reserve**	**Reinsurance Commission Income**	**Claims and Payments (Recovered from Reinsurers)**	**Net Changes in Ceded Loss Reserve**	**Profit (Loss)**
Fire insurance	$ 2,097,213	$ (137,244)	$ 144,728	$ 317,175	$ (85,176)	$ 1,857,730
Marine insurance	457,469	2,614	57,272	199,685	(15,724)	213,622
Land and air insurance	341,018	(22,046)	89,912	178,666	(23,197)	117,683
Liability insurance	510,465	(9,206)	108,044	196,642	99,094	115,891
Bonding insurance	68,484	(11,139)	14,082	52,142	(16,933)	30,332
Other property insurance	883,152	407,215	97,602	134,021	85,546	158,768
Accident insurance	228,056	5,471	60,598	75,503	4,056	82,428
Health insurance	-	-	-	-	-	-
Compulsory auto liability insurance	1,207,714	(4,822)	-	1,334,581	56,783	(178,828)
	$ 5,793,571	$ 230,843	$ 572,238	$ 2,488,415	$ 104,449	$ 2,397,626

	For the Year Ended December 31, 2018					
Insurance by Type	**Reinsurance Expenses**	**Net Changes in Ceded Unearned Premium Reserve**	**Reinsurance Commission Income**	**Claims and Payments (Recovered from Reinsurers)**	**Net Changes in Ceded Loss Reserve**	**Profit (Loss)**
Fire insurance	$ 2,096,301	$ 1,407	$ 125,934	$ 290,325	$ (194,633)	$ 1,873,268
Marine insurance	462,526	15,731	59,700	203,307	(44,587)	228,375
Land and air insurance	371,859	(19,508)	110,911	197,008	(23,955)	107,403
Liability insurance	482,676	49,469	104,025	162,174	68,977	98,031
Bonding insurance	92,472	5,509	16,390	8,162	(34,295)	96,706
Other property insurance	443,898	9,218	83,189	165,344	41,720	144,427
Accident insurance	223,010	19,214	55,775	81,671	(970)	67,320
Health insurance	-	-	-	-	(324)	324
Compulsory auto liability insurance	1,216,270	(5,329)	-	995,187	57,123	169,289
	$ 5,389,012	$ 75,711	$ 555,924	$ 2,103,178	$ (130,944)	$ 2,785,143

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.

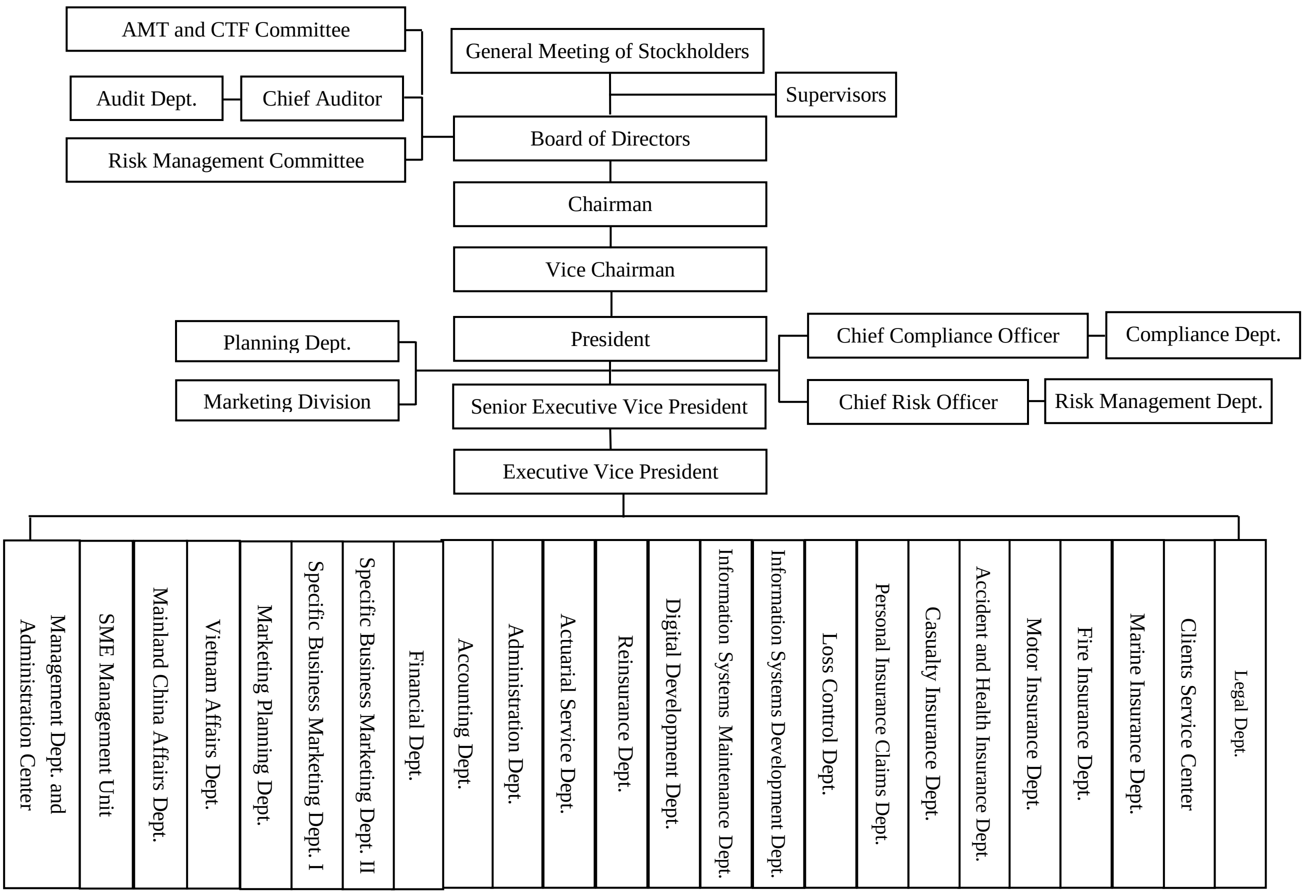
The Group, the property insurance company with order for traveling industry performance guarantee insurance and the reinsurance company set the “Co-insurance Contract of Traveling Industry Performance Guarantee Insurance” agreed that the business should be fully included in the co-insurance, violators 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) The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.

b) The board of directors should establish an appropriate risk management framework and culture, approve the appropriate risk management policy and allocate resources in the most effective manner.

c) The board of directors should consider the effect of the aggregated risks from the Company’s overall perspective; the board of directors 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. The committee should propose the risk management policies, framework, and organization functions and establish quantitative and qualitative management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly, and making necessary suggestions for improvement.

   ii. The committee should execute the risk management policies set by the board of directors and review development, build-up and performance of overall management mechanisms regularly.

   iii. The committee should assist and monitor the risk management activities performed by each department.

   iv. The committee should arrange the risk category, risk limit allocation and risk taking according to the changes in environment.

   v. The committee should enhance cross-department interaction and communication.

b) Chief risk officer

   The appointment of chief risk officers of the Group should be approved by the board of directors, who should maintain independence and should not concurrently play a business or financial role nor has the right to access any information which may affect the Group's risk overview.

   i. The chief risk officer should be in charge of the overall risk management.

   ii. The chief risk officer should participate in the important decision making process and provide appropriate suggestions from a risk management perspective.

   iii. The chief risk officer should be a member of risk management committee.

c) Risk management department

   i. The Group established a risk management department, which is responsible for monitoring, measuring and evaluating major risks, and performed independently to business units.

   ii. Duties of risk management department are as follows:

      i) Propose and execute the risk management policies set by the board of directors.

      ii) Propose the risk limits based on the risk appetite.

      iii) Summarize the risk information provided by each department, negotiate and communicate with each department to facilitate the execution of the policies and the risk limits.

      iv) Regularly present risk management reports.

      v) Regularly review the risk limits and its use of each business unit.

      vi) Assist to execute stress testing and back testing if necessary.

vii) Other risk management related tasks.

Business unit

a) The risk management duties of the manager of a business unit are as follows:

   i. Manage and report daily risk of the business unit and take necessary responsive actions.

   ii. Supervise the unit to submit risk management information regularly to the risk management department.

b) The risk management duties of a business unit are as follows:

   i. Identify and measure risks and report risk exposures.

   ii. Evaluate the impacts (quantitative or qualitative) when risks occur and deliver the risk information in a timely and accurate manner.

   iii. Regularly review the risks and their limits to ensure the effective execution of risk limits within business unit.

   iv. Monitor risk exposures and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.

   v. Assist to develop the risk model and ensure that the risk measurement, application of model, and the parameter settings are reasonable and consistent.

   vi. Ensure that internal control procedures are executed effectively to comply with applicable rules and the risk management policies.

   vii. Assist to collect data related to operational risk.

Audit department

The department is responsible for the audit of each department's performance of risk management pursuant to the applicable laws and regulations and related rules and guidance of the Company.

n. Risk reporting and the scope and nature of risk assessment for property insurance business

   1) Risks reporting

      a) Each business unit should regularly deliver risk information to the risk management department as required, and report the excess of risk limits and responding measures when risk exposure exceeds the limit.

      b) The risk management department summarizes the risk information provided by each department, tracks the uses 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 directors.

2) Risk reporting range and nature of risk assessment for property insurance business

The risk management departments of the Group and the Company collaborated in building market risk management system. The system structure was developed in consideration of the system functionality, data source, completeness of data upload, and the safety of the environment of the system. The front-end of investment department has acquired the information system related to the investment market. The risk management system focuses on risk quantification, which is needed by middle-end, and would be only authorized to risk management personnel.

o. Processes to undertake, evaluate, supervise and control insurance risk of property insurance business and underwriting policies to ensure proper risk classification and premium level.

In the Group, risk management department is responsible for monitoring and integrating insurance risks as a whole, and setting up risk indicators, risk limit, and managing mechanism. Each related department is the execution unit of insurance risk control and regularly reports execution to risk management department in accordance with laws and regulations, internal rules, and professional knowledge and experience related to its duties. The risk management department proposes the insurance risk management report to the risk management committee and the board of directors each quarter.

p. The scope of insurance risk assessment and management from a company-wide perspective

Insurance risk management of the Group covers product design and pricing, underwriting, reinsurance, catastrophe, claim, and reserve. Proper management mechanisms are set up and executed thoroughly.

q. Methods to limit insurance risk exposure and avoid inappropriate concentration risk

When the Group introduces a business, the underwriter evaluates the quality of the business based on the underwriting criteria of each insurance to decide whether to undertake the business to properly hedge and control the risk and reduce the exposure.

In addition, for reinsurance business, risk management mechanism is set up in accordance with the Regulations Governing Insurance Enterprises Engaging in Operating Reinsurance and Other Risk Spreading Mechanisms. The capabilities of undertaking risk is considered to develop reinsurance risk management plan and maximum of accumulated retained risks of each risk unit for execution.

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.

The risk management department and Insurance department examine the accumulative retained risks of each risk unit every fiscal year, based on the benchmark about the maximum of the retained risks of each risk unit in the Group's reinsurance risk management plan. The accumulative retained risks was approved by general manager then followed by the Group. The following table summarizes the maximum of the retained risks of each risk unit by types of insurance:

	For the Year Ended 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
Miscellaneous insurance/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

1) Asset liability management with risk identification and measurement

Financial accounting and actuarial department should identify the possible market risk, liquidity risk and insurance risk that may occur during operation. The cash inflows from assets are measured to evaluate whether they are sufficient to cover the cash outflow in liabilities by the cash flow test method (but not limited to), whether the asset allocation has reasonable liquidity to pay expenditures from liabilities in future years.

2) Asset liability management with risk response

When market risk, liquidity risk and insurance risk events occur, financial, accounting and actuarial service department should take appropriate reactions to asset liability risk, and report to the risk management department and propose to the risk management department and risk management committee for examination.

s. Procedures to manage, monitor and control a special event for which property insurance business is committed to assuming additional liabilities or funding additional capital.

The Group has established a set of capital adequacy management standards, including RBC management indicators for regular review, under which RBC is calculated each quarter and RBC management report is prepared every half year as implementation of RBC management.

If the RBC ratio exceeds the control criteria (risk limit) or other exceptions occur, the related departments should propose reactions to the risk management committee and inform the Company to review the impact on the Group's CAR.

t. Sensitivity to insurance risk

1) The Company

			Impact on Profit or Loss Resulting from A 5% Increase in Expected Loss Rate	
Insurance by Type	**Premium Revenue**	**Expected Loss Rate**	**Before Reinsurance**	**After Reinsurance**
Fire insurance	$ 3,117,779	41.63%	$ (155,889)	$ (131,018)
Marine insurance	671,406	40.93%	(33,570)	(14,375)
Land and air insurance	9,534,101	63.92%	(476,705)	(459,593)
Liability insurance	1,547,265	53.71%	(77,363)	(53,010)
Bonding insurance	107,747	176.74%	(5,387)	(3,535)
Other property insurance	1,199,342	65.38%	(59,967)	(45,177)
Accident insurance	3,508,288	43.06%	(175,414)	(164,743)
Health insurance	440,698	41.38%	(22,035)	(22,004)
Compulsory auto liability insurance	2,896,160	Not applicable	Not applicable	Not applicable
	$ 23,022,786		$ (1,006,330)	$ (893,455)

The above table shows that with 5% increase in the expected loss rate of every insurance contract of the Company, profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

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

Insurance by Type	Premium Revenue	Expected Loss Rate	Impact on Profit or Loss of 5% Change in Expected Loss Rate: Before Reinsurance	After Reinsurance
Automobile insurance	$ 138,286	30.61%	$ (6,914)	$ (6,885)
Marine insurance	9,858	15.16%	(493)	(113)
Fire insurance	254,963	53.38%	(12,748)	(2,962)
Engineering insurance	3,339	28.25%	(167)	(51)
Accident insurance	25,323	36.75%	(1,266)	(1,266)
Liability insurance	950	14.24%	(48)	(15)
	$ 432,719		$ (21,636)	$ (11,292)

The above table shows that with 5% increase in the expected loss rate of every insurance contract of Cathay Insurance Co., Ltd. (Vietnam), profit or loss may be impacted to an extent; however, the impact has been mitigated through the arrangement of reinsurance to achieve the effect of risk diversification.

u. Risk concentration

1) The Company

a) Situations that may cause concentration of insurance risk

i. Single insurance contract or several related contracts

As of December 31, 2019, according to related underwriting guidelines for the commercial insurance with low frequency of occurrence and enormous possible losses, the underwriting department, reinsurance department and risk management department have reviewed or discussed in project meeting.

ii. Exposure to unanticipated change in trend

As of December 31, 2019, there is no exposure to unanticipated change in trend.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive effect on several contracts

“The Regulations for Assisting in Filing 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 unit has appointed a staff for compliance matters to minimize possible legal risk. As of December 31, 2019, there are no material litigation or legal risks that may lead to substantial losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur huge claims, and other risks such as market risk, credit risk, liquidity risk, may arise accordingly. To avoid the operations being severely endangered by these derived risks from a catastrophe, the Company established “Operation Standards under Crisis”, under which crisis handling team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of December 31, 2019, there is no interaction among risks resulting from a catastrophe.

v. When a non-linear relationship as a certain key variable has approached to the extent that future cash flows may be materially influenced

Since the 3rd stage of liberalization of property insurance premium rate took effect, the Company has conducted regular reviews on voluntary automobile insurance, commercial fire insurance, and residential fire insurance in accordance with regulations. When the actual loss rate exceeds the expected loss rate to a certain percentage, premium rates will be properly adjusted to avoid persistent enlargement of losses. In addition, the actuarial department observes the changes in trend of loss rates of each product on irregular basis and adjusts pricing and coverage in a timely manner to effectively lower insurance risks.

For investment instruments, changes in risk indicators are monitored on a regular basis with cash flow analysis as well as stress testing, to control and manage the impact of fluctuations in major risk factors.

In addition, stress testing is performed for the overall business every year to assess the impacts on financial positions due to extreme scenarios of the assets and insurance risk and understand the major risk factors to response in advance.

vi. Concentration of geographic regions and operating segments

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

b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature

The following table summarizes Cathay Century’s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2019				
	Premium Income	**Reinsurance Premium Inward**	**Reinsurance Expenses**	**Net Premium Income**	**%**
Fire insurance	$ 3,117,779	$ 678,468	$ 1,861,823	$ 1,934,424	9.99
Marine insurance	671,406	73,700	450,507	294,599	1.52
Land and air insurance	9,534,101	44,609	340,897	9,237,813	47.71
Liability insurance	1,547,265	2,845	509,829	1,040,281	5.37
Bonding insurance	107,747	17,572	68,484	56,835	0.29
Other property insurance	1,199,342	275,279	881,111	593,510	3.07
Accident insurance	3,508,288	26,691	228,056	3,306,923	17.08
Health insurance	440,698	16,027	-	456,725	2.36
Compulsory automobile liability insurance	2,896,160	753,281	1,207,714	2,441,727	12.61
Total	$ 23,022,786	$ 1,888,472	$ 5,548,421	$ 19,362,837	100.00

c) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks

Catastrophes such as earthquake, typhoon, and flood along with related hung claims, result in tremendous impact to the property insurance business.

To control and manage risk with low frequency of occurrence but enormous impact, Cathay Century assesses the risk of natural disasters and special insured items (for example, high-tech factory, power plant and traffic engineering) holds loss prevention seminars regularly to help clients lower the incidence rate of disasters.

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

a) Situations that may cause concentration of insurance risk:

i. Single insurance contract or few related contracts

As of December 31, 2019, according to related underwriting guidelines for the commercial insurance with low frequency of occurrence and enormous possible losses, the underwriting department and reinsurance department have reviewed or discussed in project meetings.

ii. Exposure to unanticipated change in trend

As of December 31, 2019, there is no exposure to unanticipated change in trend.

iii. Material litigation or legal risks that may lead to huge losses incurred by a single contract or have an extensive 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 unit has appointed a staff for compliance matters to minimize possible legal risks. As of December 31, 2019, there are no material litigation or legal risks that may lead to substantial losses incurred by a single contract or have an extensive effect on several contracts.

iv. Correlation and interaction among different risks

When a catastrophe occurs, the underwritten cases will incur substantial claims, and other risks such as market risk, credit risk, liquidity risk, may arise accordingly. To avoid the operations being severely endangered by these risks from a catastrophe, Cathay Insurance Co., Ltd. (Vietnam) established the Points for Handling Major Events of Cathay Insurance Co., Ltd. (Vietnam) under which crisis handling team is set up in reaction to the event and execute emergent tasks such as resource coordination and fund procurement to protect the rights of the insured and the Company and to maintain financial stability. As of December 31, 2019, there is no interaction among risks resulting from a catastrophe.

v. Concentration risks of geographic regions and operating segments

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

b) Disclosure of concentration of insurance risk, including explanation of indicators used to identify the common features of insurance risk concentration and exposure to related insurance liabilities related to such feature.

The following table summarizes the Cathay Insurance Co., Ltd. (Vietnam)'s concentration of risk before and after reinsurance by insurance type:

Insurance Type	For the Year Ended December 31, 2019				
	Premium Income	Reinsurance Premium Inward	Reinsurance Expenses	Net Premium Income	%
Automobile insurance	$ 138,286	$ 17	$ 121	$ 138,182	73.88
Flood insurance	9,858	-	6,962	2,896	1.55
Fire insurance	254,963	1,328	237,327	18,964	10.14
Engineering insurance	3,339	-	2,041	1,298	0.69
Accident insurance	25,323	-	-	25,323	13.54
Liability insurance	950	67	636	381	0.20
Total	$ 432,719	$ 1,412	$ 247,087	$ 187,044	100.00

3) Disclosure of the past performance of property insurance business regarding the management risks with low frequency of occurrence but enormous impact, to the user of financial statement assess the uncertainty of cash flows related to such risks

Catastrophes such as typhoon and flood, will bring tremendous insurance risk to property insurance business. To control and manage risk with low frequency occurrence but enormous impact, Cathay Insurance Co., Ltd. (Vietnam) assesses the risk of natural disasters and special insured items holds loss prevention seminars regularly to help clients lower the incidence rate of disasters

v. Development trend of claims

1) The Company

Accident Year	≦2012	2013	2014	2015	2016	2017	2018	2019	Total
Accumulated estimated claim payments									
End of the underwriting year	$ -	$ 5,773,901	$ 7,066,945	$ 7,559,012	$ 12,235,424	$ 8,134,147	$ 9,090,990	$ 10,190,448	
After the first year	-	6,109,827	7,217,836	7,418,703	11,455,620	8,025,062	8,574,948	-	
After the second year	-	6,169,858	7,156,309	7,548,387	10,970,548	7,965,701	-	-	
After the third year	-	6,103,460	7,135,341	7,495,744	11,133,431	-	-	-	
After the fourth year	-	6,135,016	7,133,873	7,449,663	-	-	-	-	
After the fifth year	-	6,114,404	7,145,756	-	-	-	-	-	
After the sixth year	-	6,042,254	-	-	-	-	-	-	
Final estimated claim payment	-	6,042,254	7,145,756	7,449,663	11,133,431	7,965,701	8,574,948	10,190,448	
Accumulated claim disbursed	-	5,998,507	6,931,391	7,397,712	10,898,450	7,725,188	7,787,018	5,394,920	
	56,981	43,747	214,365	51,951	234,981	240,513	787,930	4,795,528	$ 6,425,996
Adjustment	-	-	-	-	-	-	-	144,920	144,920
Amount recognized in balance sheet	$ 56,981	$ 43,747	$ 214,365	$ 51,951	$ 234,981	$ 240,513	$ 787,930	$ 4,940,448	$ 6,570,916

Note: The upper part of table illustrates claim payments estimated in underwriting years by property insurance business. The lower part of the table illustrates the reconciliation of the accumulated claims disbursed to the balance sheet.

The above table excludes direct loss reserve of compulsory insurance of $1,575,588 thousand and assumed loss reserve of $1,138,597 thousand.

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

Since the claim data of Cathay Insurance Co., Ltd. (Vietnam) is still incomplete, the historical experience of development trend of claim is not available. Cathay Insurance Co., Ltd. (Vietnam) provided loss reserve for claims incurred but not yet filed at 5% of retained premiums following the suggestion by Vietnamese Ministry of Finance with the letter No.2842/BTC/QLBH.

w. The following details the portfolios managed

The Company

	For the Year Ended December 31	
	2019	2018
Listed stocks	$ 1,249,637	$ 736,041
Repurchase agreements collateralized by bonds	370,220	150,000
Bank deposit	216,196	640,437
Future margins	2,010	2,009
	$ 1,838,063	$ 1,528,487

The fair value of the Group's financial assets of discretionary account management contracts are as same as their carrying amount.

As of December 31, 2019 and 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 December 31, 2019 and 2018, are as follows:

	December 31	
	2019	2018
Securitization vehicle		
Financial assets at FVTPL	$ 79,951	$ 96,907
Financial assets at amortized cost	591,412	640,847
	$ 671,363	$ 737,754

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:

December 31, 2019

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

2) As of December 31, 2019 and 2018, the unqualified ceded reinsurance expense for the past twelve months is $36,116 thousand and $35,899 thousand, respectively.

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

	December 31	
	2019	**2018**
Unearned premium reserve	$ 18,058	$ 17,949
Claims recoverable from reinsurers of paid claims overdue in nine month	35,736	60,165
Claims recoverable from reinsurers which were reported but unpaid	1,941	5,003
	$ 55,735	$ 83,117

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	December 31		Liabilities	December 31	
	2019	2018		2019	2018
Cash and bank deposit	$ 2,489,225	$ 2,530,596	Notes payable	$ -	$ -
Notes receivable	7,028	11,554	Claims payable	-	-
Premiums receivable	7,580	9,924	Reinsurance indemnity payable	-	-
Claims recoverable from reinsures	178,606	154,031	Due to reinsurers and ceding companies	232,036	242,711
Due from reinsurers and ceding companies	125,611	125,994	Unearned premium reserves	1,722,822	1,732,429
Other receivables	-	-	Loss reserves	2,193,724	2,082,573
FVTOCI financial assets	754,014	1,045,844	Special reserves	1,122,321	1,478,016
Ceded unearned premium reserve	752,051	756,874	Temporary receivable	-	-
Ceded loss reserve	945,111	888,328	Other liabilities	-	-
Temporary payments	11,677	12,584			
Other assets		-			
Total assets	$ 5,270,903	$ 5,535,729	Total liabilities	$ 5,270,903	$ 5,535,729

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 Year Ended December 31	
	2019	2018
Operating revenues	$ 1,578,505	$ 1,597,755
Direct insurance premium income	2,012,856	2,027,116
Reinsurance premium inward	753,281	753,227
Premiums income	2,766,137	2,780,343
Less: Reinsurance premium outward	1,207,714	1,216,270
Net changes in unearned premium reserve	(4,785)	(17,379)
Earned retained premium	1,563,208	1,581,452
Interest income	15,297	16,303
Operating costs	1,578,505	1,597,755
Retained claims	2,308,745	1,697,508
Reinsurance claims incurred	905,668	969,958
Less: Claim recoverable from reinsurers	1,334,581	995,187
Retained claims	1,879,832	1,672,279
Net change in loss reserve	54,368	22,588
Net change in special reserve	(355,695)	(97,112)

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

Transactions with related parties involving main business items reaching NT$100 million or 20% of paid-in capital or more.
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

The Company involving main business items	Related Party	Relationship	Transaction Details				Abnormal Transaction (Note 1)		Notes/Accounts Receivable (Payable)		Note (Note 2)
			Purchase/ Sale	Amount	% of Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% of Total	
Cathay Life Insurance Co., Ltd.	Cathay Century Insurance Co., Ltd.	Fellow subsidiary	Premiums income	$ 105,568	0.45	Based on agreement	$ -	-	$ 1,539	0.07	
Cathay United Bank Co., Ltd.	Cathay Century Insurance Co., Ltd.	Fellow subsidiary	Premiums income	178,060	0.76	Based on agreement	-	-	49,719	2.28	

Note 1: If the transaction terms of related parties are different with the general terms, the differences and reasons should be described in the column of unit price and payment terms.

Note 2: If there is any payments (receipts) in advance, it should be stated the reason, contractual terms, amount, and differences from the general transaction type in the remarks column.

Note 3: Paid-up capital refers to the paid-up capital of the company.

TABLE 4

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 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)	a	Due from reinsurers and ceding companies, net	$ 436	Based on agreement	-
				Reinsurance premium inward	1,937	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 YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 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	$ 615,429	$ 14,091	$ 14,091	Note

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

CATHAY CENTURY INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 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 December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 3)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Cathay Insurance Co., Ltd. (China)	Property insurance businesses	$ 12,196,844 (CNY 2,632,653 thousand)	a	$ 2,964,730	$ -	$ -	$ 2,964,730	$ (10,084)	24.5	$ (2,470)	$ 2,122,476	$ -

Accumulated Outward Remittance for Investments in Mainland China as of December 31, 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)	$ 7,593,874

Note 1: The investment amount is calculated based on historic exchange rate, and other columns are disclosed based on the exchange rate on December 31, 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 unrelieved 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, according to letter No. 094022847 issued by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company US$28,963 thousand to establish an insurance subsidiary, engaging in the business of property insurance business. On October 8, 2007, according to letter No. 1272 (2007) issued by 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, according to letter No. 10200136010 issued by the MOEAIC authorized the Company CNY200,000 thousand to establish an insurance subsidiary. On June 13, 2013 and March 18, 2014, each amount of Cathay Century Insurance Company’s remittance was CNY100,000 thousand and was authorized by CIRC. On November 23, 2018, according to No. 10700281680 issued by the MOEAIC authorized the Company CNY245,000 thousand to establish an insurance subsidiary. As of December 31, 2019, the Company has remitted US$97,292 thousand in total.