CENTRAL REINSURANCE CORPORATION

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT ACCOUNTANTS

DECEMBER 31, 2013 AND 2012

For the convenience of readers and for information purpose only, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. In the event of any discrepancy between the English version and the original Chinese version or any differences in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

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Report of Independent Accountants

PWCR13000366

To Central Reinsurance Corporation

We have audited the accompanying balance sheets of Central Reinsurance Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and the related statements of comprehensive income, of changes in equity and of cash flows for the years ended December 31, 2013 and 2012. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the "Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants" and generally accepted auditing standards in the Republic of China. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Central Reinsurance Corporation as of December 31, 2013, December 31, 2012 and January 1, 2012, and the results of its operations and its cash flows for the years ended December 31, 2013 and 2012 in conformity with the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission and "Rules for the Preparation of Financial Reports by Insurance Institutions".

PricewaterhouseCoopers, Taiwan

March 24, 2014
Taipei, Taiwan

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles generally accepted in countries and jurisdictions other than the Republic of China. The standards, procedures and practices in the Republic of China governing the audit of such financial statements may differ from those generally accepted in countries and jurisdictions other than the Republic of China. Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice.

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CENTRAL REINSURANCE CORPORATION
BALANCE SHEETS
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2013			December 31, 2012			January 1, 2012		
ASSETS	Note		Amount	%		Amount	%		Amount	%
Cash and cash equivalents	6 (1)	$	17,673,887	54	$	17,008,182	53	$	16,112,004	52
Accounts receivable	6 (2)		183,877	-		310,154	1		413,625	1
Current income tax assets			111,284	-		63,080	-		65,632	-
Financial assets at fair value through profit or loss	6 (3)		963,635	3		2,025,562	6		1,281,006	4
Available-for-sale financial assets	6 (4)		4,966,826	15		5,527,325	17		5,847,545	19
Derivative financial assets for hedging	6 (7)		-	-		343	-		294	-
Bond investments without active market	6 (5)		3,176,695	10		1,603,852	5		1,227,455	4
Other financial assets	6 (6)		247,560	1		-	-		-	-
Investment property	6 (10)		459,570	1		460,057	1		461,744	2
Reinsurance contract assets	6 (8)(12) and 7		3,877,374	12		3,490,724	11		3,776,030	12
Property and equipment	6 (9)		203,973	1		207,133	1		209,550	1
Intangible assets			2,142	-		3,438	-		3,243	-
Deferred income tax assets	6 (17)		47,425	-		239,710	1		233,560	1
Other assets	6 (4)(13)		1,022,984	3		1,161,068	4		1,144,960	4
TOTAL ASSETS		$	32,937,232	100	$	32,100,628	100	$	30,776,648	100

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CENTRAL REINSURANCE CORPORATION
BALANCE SHEETS (CONTINUED)
DECEMBER 31, 2013, DECEMBER 31, 2012 AND JANUARY 1, 2012
(Expressed in Thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Note	December 31, 2013 Amount	%	December 31, 2012 Amount	%	January 1, 2012 Amount	%
Accounts payable	6 (11)(16) and 7	$ 393,767	2	$ 852,881	3	$ 611,588	2
Current income tax liabilities	6 (17)	25,040	-	80,785	-	974	-
Financial liabilities at fair value through profit or loss	6 (3)	11,785	-	927	-	-	-
Derivative financial liabilities for hedging	6 (7)	-	-	339	-	-	-
Insurance liabilities	6 (8)	23,382,630	71	23,090,610	72	22,934,621	75
Provisions	6 (13)	772	-	-	-	-	-
Deferred income tax liabilities	6 (17)	51,447	-	43,280	-	43,280	-
Other liabilities		38,243	-	37,885	-	65,613	-
TOTAL LIABILITIES		23,903,684	73	24,106,707	75	23,656,076	77
EQUITY							
Capital							
Common stock	6 (14)	5,622,750	17	5,512,500	17	5,512,500	18
Capital reserve	6 (15)	300,000	1	300,000	1	300,000	1
Retained earnings	6 (16)						
Legal reserve		1,127,818	3	991,944	3	960,360	3
Special reserve		1,266,462	4	1,235,532	4	505,454	2
Undistributed earnings	6 (17)	784,255	2	606,151	2	690,003	2
Other equity	6 (4)	(67,737)	-	(652,206)	(2)	(847,745)	(3)
TOTAL EQUITY		9,033,548	27	7,993,921	25	7,120,572	23
TOTAL LIABILITIES AND EQUITY		$ 32,937,232	100	$ 32,100,628	100	$ 30,776,648	100

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

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

		2013		2012		Change
	Note	Amount	%	Amount	%	Percentage
Operating revenues						
Gross premiums written	7	$ 15,649,693	102	$ 14,368,568	100	9
Less: Reinsurance premiums ceded	6 (12) and 7	(908,808)	(6)	(966,232)	(7)	(6)
Net change in unearned premium reserve	6 (8)	(144,518)	(1)	(43,220)	-	234
Retention earned premiums		14,596,367	95	13,359,116	93	9
Reinsurance commission revenue	7	266,945	2	279,402	2	(4)
Overriding commission revenue	7	16,508	-	19,369	-	(15)
Net gain from investment						
Interest income		291,325	2	360,634	3	(19)
Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss	6 (3)(7)	(49,882)	(1)	395,195	3	(113)
Realized gain or loss on available-for-sale financial assets	6 (4)	(143,375)	(1)	142,260	1	(201)
Realized gain or loss on bond investments without active market	6 (5)	271,434	2	-	-	100
Foreign exchange gain or loss	6 (7)	112,911	1	(109,460)	(1)	(203)
Gain or loss on investment property	6 (10)	18,929	-	20,153	-	(6)
Loss on investment impairment	6 (5)	-	-	(118,849)	(1)	(100)
Total net gain from investment		501,342	3	689,933	5	(27)
Other operating revenues		3,332	-	2,695	-	24
Total operating revenues		15,384,494	100	14,350,515	100	7
Operating costs						
Reinsurance claims paid	7	(9,357,147)	(61)	(9,278,604)	(65)	1
Less: Reinsurance claims recovery	7	471,486	3	534,899	4	(12)
Retention reinsurance claims paid		(8,885,661)	(58)	(8,743,705)	(61)	2
Net changes in other insurance liabilities	6 (8)	(268,665)	(1)	(179,475)	(1)	50
Reinsurance commission expenses	7	(4,908,020)	(32)	(4,279,255)	(30)	15
Other operating costs		(2)	-	(13,676)	-	(100)
Total operating costs		(14,062,348)	(91)	(13,216,111)	(92)	6
Operating expenses	6 (9)(13)(16)(18) and 7					
Selling expenses		(274,036)	(2)	(260,121)	(2)	5
Administration expenses		(103,093)	(1)	(99,526)	-	4
Training expenses		(803)	-	(1,058)	-	(24)
Total operating expenses		(377,932)	(3)	(360,705)	(2)	5
Net operating income		944,214	6	773,699	6	22
Non-operating income and expenses		586	-	19,947	-	(97)
Income from continuing operations before tax		944,800	6	793,646	6	19
Income tax expense	6 (17)	(212,710)	(1)	(114,712)	(1)	85
Income from continuing operations after tax		732,090	5	678,934	5	8
Net income		732,090	5	678,934	5	8

(CONTINUED)

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME (CONTINUED)
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars, Except for Earnings per Share)

	Note	2013 Amount	2013 %	2012 Amount	2012 %	Change Percentage
Other comprehensive income						
Unrealized gain on available-for-sale financial assets	6 (4)	$ 598,432	4	$ 197,031	1	204
Actuarial loss on defined benefit plan	6 (13)	(1,575)	-	(1,354)	-	16
Income tax relating to the components of other comprehensive income	6 (4)(17)	(13,695)	-	(1,262)	-	985
Total other comprehensive income for the year (after tax)		583,162	4	194,415	1	200
Total comprehensive income for the year		$ 1,315,252	9	$ 873,349	6	51
Earnings per share (after tax)						
Basic and Diluted		$ 1.30		$ 1.21		

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

CENTRAL REINSURANCE CORPORATION

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Expressed in Thousands of New Taiwan Dollars)

				Retained Earnings			Other Equity	
	Note	Common Stock	Additional Paid-in Capital	Legal Reserve	Special Reserve	Undistributed Earnings	Unrealized Gain or Loss on Available-for sale Financial Assets	Total
For the year ended December 31, 2012								
Balance at January 1, 2012		$ 5,512,500	$ 300,000	$ 960,360	$ 505,454	$ 690,003	($ 847,745)	$ 7,120,572
Distributions of 2011 earnings (Note)								
Legal reserve		-	-	31,584	-	(31,584)	-	-
Special reserve		-	-	-	715,255	(715,255)	-	-
Reversal of special reserve		-	-	-	(181,447)	181,447	-	-
Net income for 2012		-	-	-	-	678,934	-	678,934
Appropriation for equalization reserve for 2012	6(16)	-	-	-	196,270	(196,270)	-	-
Other comprehensive income for 2012		-	-	-	-	(1,124)	195,539	194,415
Balance at December 31, 2012		$ 5,512,500	$ 300,000	$ 991,944	$ 1,235,532	$ 606,151	($ 652,206)	$ 7,993,921
For the year ended December 31, 2013								
Balance at January 1, 2013		$ 5,512,500	$ 300,000	$ 991,944	$ 1,235,532	$ 606,151	($ 652,206)	$ 7,993,921
Distributions of 2012 earnings (Note)								
Legal reserve		-	-	135,874	-	(135,874)	-	-
Cash dividends		-	-	-	-	(275,625)	-	(275,625)
Stock dividends		110,250	-	-	-	(110,250)	-	-
Reversal of special reserve		-	-	-	(195,539)	195,539	-	-
Net income for 2013		-	-	-	-	732,090	-	732,090
Appropriation for equalization reserve for 2013	6(16)	-	-	-	226,469	(226,469)	-	-
Other comprehensive income for 2013		-	-	-	-	(1,307)	584,469	583,162
Balance at December 31, 2013		$ 5,622,750	$ 300,000	$ 1,127,818	$ 1,266,462	$ 784,255	($ 67,737)	$ 9,033,548

Note: Employees' bonus of $5,580 and $0, and directors' and supervisors' remuneration of $2,300 and $0 for 2012 and 2011, respectively have been deducted from the statement of comprehensive income.

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

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars)

	Note	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income before income tax		$ 944,800	$ 793,646
Adjustments to reconcile net income before income tax to net cash provided by operating activities:			
Income and expense having no effect on cash flows			
Depreciation		7,036	7,544
Amortization	6 (18)	1,296	3,503
Net change in reserves		413,183	222,695
Net gain on financial assets and liabilities at fair value through profit or loss		(118,778)	(148,894)
Net loss (gain) on available-for-sale financial assets		201,674	(54,672)
Net gain on bond investments without active market		(271,434)	-
Interest income		(313,718)	(379,834)
Dividend income		(74,432)	(121,415)
Loss on financial assets impairment	6 (5)	-	118,849
Unrealized foreign exchange (gain) loss		(119,048)	49,240
Net changes in assets/liabilities relating to operating activities			
Net changes in assets relating to operating activities			
Accounts receivable		167,829	116,123
Financial assets at fair value through profit or loss		540,683	(130,118)
Reinsurance contract assets		(507,813)	218,600
Other assets		72,499	35,711
Net changes in liabilities relating to operating activities			
Accounts payable		(459,114)	241,293
Provisions		(803)	-
Other liabilities		358	(27,728)
Cash generated from operations		484,218	944,543
Interest received		303,269	370,201
Dividend received		75,754	120,093
Cash paid for income tax		(129,902)	(39,761)
Net cash provided by operating activities		733,339	1,395,076
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of financial assets at fair value through profit or loss		-	(500,000)
Proceeds from disposal of financial assets at fair value through profit or loss		642,027	18,411
Acquisition of available-for-sale financial assets		(8,523,215)	(6,812,612)
Proceeds from disposal of available-for-sale financial assets		9,540,085	7,327,057
Acquisition of bond investments without active market		(2,302,298)	(718,007)
Proceeds from disposal of bond investments without active market		500,362	-
Bond investments without active market yield to date		585,090	211,990
Acquisition of property and equipment	6 (9)	(1,436)	(2,892)
Acquisition of investment property	6 (10)	(1,953)	(548)
Other financial assets		(247,560)	-
Acquisition of intangible assets		-	(3,698)
Net cash provided by (used in) investing activities		191,102	(480,299)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of cash dividends		(275,625)	-
Net cash used in financing activities		(275,625)	-
Effects of exchange rate changes		16,889	(18,599)
NET INCREASE IN CASH AND CASH EQUIVALENTS		665,705	896,178
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		17,008,182	16,112,004
CASH AND CASH EQUIVALENTS, END OF YEAR		$ 17,673,887	$ 17,008,182

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

CENTRAL REINSURANCE CORPORATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Expressed in Thousands of New Taiwan Dollars, unless otherwise stated)

1. HISTORY AND ORGANIZATION

The Company was originally a state-owned enterprise, incorporated on October 31, 1968, and provides a broad range of property and life inward and outward reinsurance services. The Company's shares of stock have been traded on the Taiwan Stock Exchange since July 6, 2000. On July 9, 2002, the Ministry of Finance (MOF), the major shareholder of the Company, privatized the Company in accordance with rules of privatization of government-owned enterprises, effective on July 11, 2002. Evergreen International Corporation holds 35.13% equity interest in the Company and has the ability to control the Company. Evergreen International Corporation is the Company's parent company.

2. THE DATE OF AUTHORIZATION FOR ISSUANCE OF THE FINANCIAL STATEMENTS AND PROCEDURES FOR AUTHORIZATION

These financial statements were authorized for issuance by the Board of Directors on March 24, 2014.

3. APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

1) Effect of the adoption of new issuances of or amendments to International Financial Reporting Standards ("IFRS") as endorsed by the Financial Supervisory Commission ("FSC")

Not applicable as it is the first-time adoption of IFRSs by the Company this year.

2) Effect of new issuances of or amendments to IFRSs as endorsed by the FSC but not yet adopted by the Company

IFRS 9, "Financial Instruments: Classification and measurement of financial assets"

A. The International Accounting Standards Board ("IASB") published IFRS 9, "Financial Instruments", in November, 2009, which will take effect on January 1, 2013 with early application permitted (Through the amendments to IFRS 9 published on November 19, 2013, the IASB has removed the previous mandatory effective date, but the standard is available for immediate application). Although the FSC has endorsed IFRS 9, FSC does not permit early application of IFRS 9 when IFRSs are adopted in R.O.C. in 2013. Instead, enterprises should apply International Accounting Standard No. 39 ("IAS 39"), "Financial Instruments: Recognition and Measurement" reissued in 2009.

B. IFRS 9 was issued as the first step to replace IAS 39. IFRS 9 outlines the new classification and measurement requirements for financial instruments. As IFRS 9 specifies that the fair value changes in the equity instruments that meet certain criteria may be reported in other comprehensive income, and such amount that has been recognized in other comprehensive income should not be reclassified to profit or loss when such assets are derecognized. However, based on preliminary evaluation, it was noted that the IFRS 9 adoption might have a major impact on those instruments classified as "available-for-sale financial assets" held by the Company. The Company is assessing other potential impact and has not yet been able to reliably estimate their impact on the financial statements.

3) IFRSs issued by IASB but not yet endorsed by the FSC

The following are the assessment of new standards, interpretations and amendments issued by IASB but not yet endorsed by the FSC (application of the new standards and amendments should follow the regulations of the FSC):

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Limited exemption from comparative IFRS 7 disclosures for first-time adopters (amendment to IFRS 1)	The amendment provides first-time adopters of IFRSs with the same transition relief that existing IFRS preparer received in IFRS 7, “Financial Instruments: Disclosures” and exempts first-time adopters from providing the additional comparative disclosures.	July 1, 2010
Improvements to IFRSs 2010	Amendments to IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 34 and IFRIC 13.	January 1, 2011
IFRS 9, “Financial instruments: Classification and measurement of financial liabilities”	1. IFRS 9 requires gains and losses on financial liabilities designated at fair value through profit or loss to be split into the amount of change in the fair value that is attributable to changes in the credit risk of the liability, which shall be presented in other comprehensive income, and cannot be reclassified to profit or loss when derecognizing the liabilities; and all other changes in fair value are recognized in profit or loss. The new guidance allows the recognition of the full amount of change in the fair value in the profit or loss only if there is reasonable evidence showing on initial recognition that the recognition of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch (inconsistency) in profit or loss. (That determination is made at initial recognition and is not reassessed subsequently.) 2. Above regulations could be applied separately.	November 19, 2013 (The entity has the option to adopt any version of IFRS 9 published by IASB)
Disclosures - transfers of financial assets (amendment to IFRS 7)	The amendment enhances qualitative and quantitative disclosures for all transferred financial assets that are not derecognized and for any continuing involvement in transferred assets, existing at the reporting date.	July 1, 2011

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Severe hyperinflation and removal of fixed dates for first-time adopters (amendment to IFRS 1)	When an entity's date of transition to IFRSs is on, or after, the functional currency normalization date, the entity may elect to measure all assets and liabilities held before the functional currency normalization date at fair value on the date of transition to IFRSs. First-time adopters are allowed to apply the derecognition requirements in IAS 39, "Financial instruments: Recognition and measurement", prospectively from the date of transition to IFRSs, and they are allowed not to retrospectively recognize related gains on the date of transition to IFRSs.	July 1, 2011
Deferred tax: recovery of underlying assets (amendment to IAS 12)	The amendment gives a rebuttable presumption that the carrying amount of investment properties measured at fair value is recovered entirely by sale, unless there exists any evidence that could rebut this presumption. The amendment also replaces SIC 21, "Income taxes-recovery of revalued non-depreciable assets".	January 1, 2012
IFRS 10, "Consolidated financial statements"	The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where it is difficult to assess.	January 1, 2013
IFRS 11, "Joint arrangements"	Judgments applied when assessing the types of joint arrangements-joint operations and joint ventures, the entity should assess the contractual rights and obligations instead of the legal form only. The standard also prohibits the proportional consolidation for joint ventures.	January 1, 2013
IFRS 12, "Disclosure of interests in other entities"	The standard requires the disclosure of interests in other entities including subsidiaries, joint arrangements, associates and unconsolidated structured entities.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IAS 27, "Separate financial statements" (as amended in 2011)	The standard removes the requirements of consolidated financial statements from IAS 27 and those requirements are addressed in IFRS 10, "Consolidated financial statements".	January 1, 2013
IAS 28, "Investments in associates and joint ventures"(as amended in 2011)	As consequential amendments resulting from the issuance of IFRS 11, "Joint arrangements", IAS 28 (revised) sets out the requirements for the application of the equity method when accounting for investments in joint ventures.	January 1, 2013
IFRS 13, "Fair value measurement"	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.	January 1, 2013
IAS 19 revised, "Employee benefits" (as amended in 2011)	The revised standard eliminates corridor approach and requires actuarial gains and losses to be recognized immediately in other comprehensive income. Past service costs will be recognized immediately in the period incurred. Net interest expense or income, calculated by applying the discount rate to the net defined benefit asset or liability, replace the finance charge and expected return on plan assets. The return of plan assets, excluding net interest expense, is recognized in other comprehensive income.	January 1, 2013
Presentation of items of other comprehensive income (amendment to IAS 1)	The amendment requires profit or loss and other comprehensive income (OCI) to be presented separately in the statement of comprehensive income. Also, the amendment requires entities to separate items presented in OCI into two groups based on whether or not they may be recycled to profit or loss subsequently.	July 1, 2012

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
IFRIC 20, "Stripping costs in the production phase of a surface mine"	Stripping costs that meet certain criteria should be recognized as the "stripping activity asset". To the extent that the benefit from the stripping activity is realized in the form of inventory produced, the entity shall account for the costs of that stripping activity in accordance with IAS 2, "Inventories".	January 1, 2013
Disclosures-Offsetting financial assets and financial liabilities (amendment to IFRS 7)	The amendment requires disclosures to include quantitative information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements.	January 1, 2013
Offsetting financial assets and financial liabilities (amendment to IAS 32)	The amendment clarifies criterion that an entity "currently has a legally enforceable right to set off the recognized amounts" and gross settlement mechanisms with features that both (i) eliminate credit and liquidity risk and (ii) process receivables and payables in a single settlement process, are effectively equivalent to net settlement; they would therefore satisfy the IAS 32 criterion in these instances.	January 1, 2014
Government loans (amendment to IFRS 1)	The amendment provides exception to first-time adopters to apply the requirements in IFRS 9, "Financial instruments", and IAS 20, "Accounting for government grants and disclosure of government assistance", prospectively to government loans that exist at the date of transition to IFRSs; and first-time adopters should not recognize the corresponding benefit of the government loan at a below-market rate of interest as a government grant.	January 1, 2013
Improvements to IFRSs 2009-2011	Amendments to IFRS 1 and IAS 1, IAS 16, IAS 32 and IAS 34.	January 1, 2013
Consolidated financial statements, joint arrangements and disclosure of interests in other Entities: Transition guidance (amendments to IFRS 10, IFRS 11 and IFRS 12)	The amendment clarifies that the date of initial application is the first day of the annual period in which IFRS 10, IFRS 11 and IFRS 12 is adopted.	January 1, 2013

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Investment entities (amendments to IFRS 10, IFRS 12 and IAS 27)	The amendments define “Investment Entities” and their characteristics. The parent company that meets the definition of investment entities should measure its subsidiaries using fair value through profit or loss instead of consolidating them.	January 1, 2014
IFRIC 21, “Levies”	The interpretation addresses the accounting for levies imposed by governments in accordance with legislation (other than income tax). A liability to pay a levy shall be recognized in accordance with IAS 37, “Provisions, contingent liabilities and contingent assets”.	January 1, 2014
Recoverable amount disclosures for non-financial assets (amendments to IAS 36)	The amendments remove the requirement to disclose recoverable amount when a cash generating unit (CGU) contains goodwill or intangible assets with indefinite useful lives that were not impaired.	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	The amendment states that the novation of a hedging instrument would not be considered an expiration or termination giving rise to the discontinuation of hedge accounting when the hedging instrument that is being novated complies with specified criteria.	January 1, 2014
IFRS 9, "Financial assets: hedge accounting"	IFRS 9 relaxes the requirements for hedged items and hedging instruments and removes the bright line of effectiveness to better align hedge accounting with the risk management activities of an entity.	November 19, 2013 (The entity has the option to adopt any version of IFRS 9 published by IASB)
Services related contributions from employees or third parties (amendments to IAS 19R)	The amendment allows contributions from employees or third parties that are linked to service, and do not vary with the length of employee service, to be deducted from the cost of benefits earned in the period that the service is provided. Contributions that are linked to service, and vary according to the length of employee service, must be spread over the service period using the same attribution method that is applied to the benefits.	July 1, 2014
Improvements to IFRSs 2010-2012	Amendments to IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38.	July 1, 2014

New Standards, Interpretations and Amendments	Main Amendments	IASB Effective Date
Improvements to IFRSs 2011-2013	Amendments to IFRS 1, IFRS 3, IFRS 13 and IAS 40.	July 1, 2014

The Company is assessing the potential impact of the new standards, interpretations and amendments above and has not yet been able to reliably estimate their impact on the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. In accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions", assets and liabilities in the financial statements that are not classified as current or non-current accounts shall be classified based on their nature and comparative liquidity. The significant accounting policies are summarized as follows. These policies have been consistently applied to all the periods presented. Summary of significant accounting policies are set out below:

1) Compliance statement

A. These financial statements are the first financial statements prepared by the Company in accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions" and the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

B. In the preparation of the balance sheet as of January 1, 2012 (the Company's date of transition to IFRSs) ("the opening IFRSs balance sheet"), the Company adjusted the amounts that were reported in the financial statements in accordance with previous R.O.C. GAAP. Please refer to Note 24 for the impact of transitioning from R.O.C. GAAP to "IFRSs" on the Company's financial position, financial performance and cash flows.

2) Basis of preparation

A. The Company does not have a subsidiary, and the Company's financial statements are separate financial statements composed of balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows, and relevant notes.

B. Except for the following items, these financial statements have been prepared under the historical cost convention:

a) Financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

b) Available-for-sale financial assets measured at fair value.

c) Defined benefit liabilities recognized based on the net amount of pension fund assets less present value of defined benefit obligation.

d) Various insurance liabilities, reinsurance reserve assets, and foreign exchange reserves recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

C. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3) Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in New Taiwan Dollars ("NTD"), which is the Company's functional and presentation currency.

A. The Company uses New Taiwan Dollars as its functional currency. Transactions denominated in foreign currencies are translated into New Taiwan Dollars at the spot exchange rates prevailing at the transaction date. The translation differences upon actual payment are recognized in current profit or loss.

B. Monetary assets and liabilities denominated in foreign currencies at the period end are re-translated at the exchange rates prevailing at the reporting date. Exchange differences arising upon re-translation at the reporting date are recognized in current profit or loss.

C. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognized in other comprehensive income. However, non-monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions.

D. Except for aforementioned non-monetary assets denominated in foreign currencies held at fair value through profit or loss, foreign exchange gains or losses that arise from investing activities are recognized under net gain (loss) from investment in the statement of comprehensive income. Other foreign exchange gains or losses that do not arise from investing activities are recognized under other operating revenues or other operating costs.

4) Cash equivalents

A. The statement of cash flows is prepared on the basis of cash and cash equivalents.

B. Cash equivalents refer to short-term, highly liquid investments that are:

a) Readily convertible to known amount of cash; and

b) Subject to an insignificant risk of changes in value.

C. Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

5) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets held for trading or financial assets designated as at fair value through profit or loss on initial recognition. Financial assets are classified in this category of held for trading if acquired principally for the purpose of selling in the short-term. Derivatives are also categorized as financial assets held for trading unless they are designated as hedges. Financial assets that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

a) Hybrid (combined) contracts; or

b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognized and derecognized using trade date accounting.

C. Financial assets at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in profit or loss.

D. Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss recognized in the statement of comprehensive income includes gain or loss arising from transactions, dividend and bonus, interest income, and evaluation at fair value on balance sheet date.

6) Available-for-sale financial assets

A. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

B. On a regular way purchase or sale basis, available-for-sale financial assets are recognized and derecognized using trade date accounting.

C. Available-for-sale financial assets are initially recognized at fair value plus transaction costs. These financial assets are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial assets are recognized in other comprehensive income. The cumulative gain or loss should be reclassified from equity to profit or loss when financial assets are derecognized.

D. The realized gain or loss on available-for-sale financial assets recognized in the statement of comprehensive income includes gain or loss arising from transactions as well as dividend and bonus except interest income.

7) Derivative financial assets and liabilities for hedging

A derivative financial instrument is initially recognized and subsequently measured at fair value. Any changes in the fair value are recognized in profit or loss.

Derivative financial assets (liabilities) that have been designated in hedge accounting relationships and are effective hedging instruments shall be measured at fair value. Financial instrument is recognized as derivative financial asset (liability) if the hedging relationship between the designated hedging instrument and the hedged item meets the criteria specified in IAS 39, “Financial Instruments: Recognition and Measurement”. Those that do not meet the prescribed standard are not qualified for hedge accounting and are recognized as financial asset (liability) at fair value through profit or loss.

Any gains or losses arising from changes in fair value on derivatives that meet the criteria for hedge accounting are accounted for as follows:

A. Fair value hedges are hedges of the Company's exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

B. Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income, while the ineffective portion is recognized in profit or loss.

   a) Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs.

   b) Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

   c) If the forecast transaction is no longer expected to occur, amounts previously recognized in equity are transferred to profit or loss.

The gain or loss relating to derivative financial assets and liabilities for hedging is recognized in the statement of comprehensive income within “gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss”.

8) <u>Bond investments without active market</u>

A. Bond investments without active market are loans and receivables not originated by the entity. They are bond investments with fixed or determinable payments that are not quoted in an active market, and also meet all of the following conditions:

   a) Not designated on initial recognition as at fair value through profit or loss;

   b) Not designated on initial recognition as available-for-sale;

   c) Not for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

B. On a regular way purchase or sale basis, bond investments without active market are recognized and derecognized using trade date accounting.

C. Bond investments without active market are initially recognized at fair value on the trade date plus transaction costs and subsequently measured at amortized cost using the effective interest method, less provision for impairment. Amortization of a premium or a discount on such assets is recognized in profit or loss.

D. The realized gain (loss) on bond investments without active market recognized in the statement of comprehensive income includes gain or loss arising from transactions except interest income.

9) <u>Allowance for doubtful accounts</u>

Accounts receivable, due from reinsurers and ceding companies under reinsurance contract assets, refundable deposits and funds held by other insurance companies under other assets, and other rights may be transferred to overdue accounts booked in accordance with IAS 39, “Financial Instruments: Recognition and Measurement”, IFRS 4, “Insurance Contracts” and the “Guidelines for Handling Assessment of Assets, Loans Overdue, Delinquent Accounts Receivable on Demand by Insurance Enterprises”, and the Company shall also recognize appropriate allowance for doubtful accounts with consideration of impairment losses and unrecoverable amounts.

10) Impairment of non-financial assets

Based on IAS 36, “Impairment of Assets”, an assessment is made at the end of the reporting period of whether there is any indication of impairment of any assets, or whether there is any indication that an impairment loss previously recognized for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset’s recoverable amount is estimated. An asset’s recoverable amount is calculated as the higher of the asset’s value in use or its net selling price. An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset; however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization), had no impairment loss been recognized for the asset in prior years. Impairment loss and gain on reversal of impairment loss for investment property are recognized under operating revenue. Impairment loss and gain on reversal of impairment loss for property and equipment are recognized in non-operating income and expenses.

11) Property and equipment

A. Property and equipment are stated initially at its cost including related transaction costs, measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Reserve for land revaluation increment tax set aside for revaluation over the current land value is recognized as deferred income tax liabilities. Subsequent costs of major renewals and betterments are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

B. Depreciation is computed using straight-line method over the estimated service lives as follows: buildings and equipment, 3 to 60 years; computer equipment, 3 to 6 years; transportation equipment, 3 to 10 years; and miscellaneous equipment, 3 to 10 years.

C. The assets’ residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets’ residual values and useful lives differ from previous estimates or the patterns of consumption of the assets’ future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, “Accounting Policies, Changes in Accounting Estimates and Errors”, from the date of the change.

D. When an asset is retired or disposed, the cost plus revaluation increment, if any, and related accumulated depreciation are removed from the accounts, and the resulting gain or loss is credited or charged to non-operating income and expenses during the financial period in which they are incurred.

12) Lease

The Company's lease contracts are all operating lease, where substantially all risks and rewards of ownership of the assets remain with the lessor. If the Company is a lessor, assets involved in operating lease are recognized under "investment property". If the Company is a lessee, leased assets will not be recognized in the balance sheet. Payments that the Company receives or charges under the operating lease are recognized as "gain or loss on investment property" and "operating expenses". Rental income and expenses from operating lease include rental rewards and confirmed long-term future rent adjustment, which are stated on a straight-line basis over the lease terms.

13) Investment property

A. An investment property is stated initially at its cost including related transaction costs; measured subsequently using the cost model and stated at cost less accumulated depreciation and accumulated impairment loss. Subsequent costs of major renewals and betterments are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. Repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

B. The Company probable uses a portion of the property for its own use and another portion to earn rentals or for capital appreciation. When these portions can be sold separately, the own-use portion is accounted for in accordance with IAS 16, "Property, plant and equipment". However, property held either to earn rental income or for capital appreciation or for both is subject to International Accounting Standard 40, "Investment property". If part of property cannot be individually sold, and owner-occupied property is insignificant, it is accounted for as investment property.

C. An investment property shall be derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. When assets are derecognized, the cost and the accumulated depreciation at the time of sale or retirement are written off. Gain or loss on sale of the investment property, rental income, and relevant payment shall be recognized in gain or loss on investment property under net gain from investment. Except for land, property is depreciated on a straight-line basis over its estimated useful life of 3 to 60 years. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors", from the date of the change.

14) Reinsurance contract assets

Reinsurance contract assets include due from reinsurers and ceding companies, ceded unearned premium reserve, ceded claims reserve, ceded premium deficiency reserve and ceded liability adequacy reserve. Each of the reinsurance contract assets should be in compliance with relevant regulation and policy of "Regulation Governing Financial and Business Operations of Professional Reinsurance Enterprises" and "Rules for the Preparation of Financial Reports by Insurance Institutions".

15) Impairment on reinsurance contract assets

Regular evaluation on reinsurance assets should be made to evaluate if there is any impairment. When there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that the company may not receive all amounts due to it under the terms of the contract; and that event has a reliably measurable impact on the amounts that the company will receive from the reinsuer, the company should reduce its carrying amount accordingly and recognize the provision for impairment loss or allowance for doubtful accounts.

16) Basis of valuation of insurance liabilities

The reserves related to Compulsory Automobile Liability Insurance are determined in accordance with “Regulations for Management of the Reserve of Compulsory Automobile Liability Insurance”.

The equalization reserve related to residential earthquake insurance is determined in accordance with “Regulations Governing Implementation of the Residential Earthquake Risk Spreading Mechanism”.

The reserve related to nuclear insurance is determined in accordance with “Regulations Governing the Setting Aside of Nuclear Insurance Liability Reserves”.

The reserves excluding the reserve listed above were determined in accordance with “Regulations Governing Financial and Business Operations of Professional Reinsurance Enterprises ” and “Rules for the Preparation of Financial Reports by Insurance Institutions” to calculate unearned premium reserve, claims reserve, premium deficiency reserve, liability adequacy reserve and other reserve of inward reinsurance business.

According to “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, subsequent equalization reserve recognized under liabilities by December 31, 2012 should still be recognized under liabilities. Starting from January 1, 2013, the additional provision for equalization reserve less income tax should be recognized as special reserve under equity after annual closing and should not be distributed without approval. The release of the equalization reserve shall be made through equalization reserve under liability reserves first. If such liability reserves are insufficient for release, then the deficiency shall be released through special reserves under equity based on its net amount after tax in accordance with IAS12.

Among the reserves above, except unearned premium reserve for long-term fire insurance which was calculated at a rate of 7.8% based on the coefficient table of unearned premium reserve for long-term fire insurance, the other reserves were not calculated by discounting.

17) Liability adequacy test

When the estimated future cash flow of insurance contracts recognized as insurance liability at book value is insufficient, the entire deficiency is recognized in current loss in accordance with the requirement of the Actuarial Institution of Republic of China.

18) Financial liabilities at fair value through profit or loss

A. Financial liabilities at fair value through profit or loss are financial liabilities held for trading or financial liabilities designated as at fair value through profit or loss on initial recognition. Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term. Derivatives are also categorized as financial liabilities held for trading unless they are designated as hedges. Financial liabilities that meet one of the following criteria are designated as at fair value through profit or loss on initial recognition:

a) Hybrid (combined) contracts; or

b) They eliminate or significantly reduce a measurement or recognition inconsistency; or

c) They are managed and their performance is evaluated on a fair value basis, in accordance with a documented risk management policy.

B. Financial liabilities at fair value through profit or loss are initially recognized at fair value. Related transaction costs are expensed in profit or loss. These financial liabilities are subsequently remeasured and stated at fair value, and any changes in the fair value of these financial liabilities are recognized in profit or loss.

19) Provisions

Provisions (including decommissioning, employee benefits, etc.) are recognized when the Company has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. Provisions are measured at the present value of the expenditures expected to be required to settle the obligation on the reporting date, which is discounted using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the obligation. When discounting is used, the increase in the provision due to passage of time is recognized as interest expense. Accounting policies related to provision for employee benefits are described in Note 4(20) Defined benefit plans.

20) <u>Employee benefits</u>

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognized as expenses in that period when the employees render service.

B. Pensions

a) Defined contribution plan

For defined contribution plan, the contributions are recognized as pension expenses when they are due on an accrual basis. Prepaid contributions are recognized as an asset to the extent of a cash refund or a reduction in the future payments.

b) Defined benefit plan

i. Net obligation under a defined benefit plan is defined as the present value of an amount of pension benefits that employees will receive on retirement for their services with the Company in current period or prior periods. The liability recognized in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognized past service costs. The defined benefit net obligation is calculated annually by independent actuaries using the projected unit credit method. The rate used to discount is determined by using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability; when there is no deep market in high-quality corporate bonds, the Company uses interest rates of government bonds (at the balance sheet date) instead.

ii. Actuarial gains and losses arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise. Also, actuarial gains and losses recognized in retained earnings immediately cannot be reclassified to profit or loss in succeeding years.

iii. Past service costs are recognized immediately in profit or loss if vested immediately; if not, past service costs are amortized on a straight-line basis over the vesting period.

C. Employees' bonus and directors' and supervisors' remuneration

Employees' bonus and directors' and supervisors' remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. However, if the accrued amounts for employees' bonus and directors' and supervisors' remuneration are different from the actual distributed amounts as resolved by the stockholders at their stockholders' meeting subsequently, the differences should be recognized based on the accounting for changes in estimates.

21) Income tax

A. The income tax expense (benefit) for the period comprises current and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B. The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. Income tax (10%) on undistributed earnings is recorded as expense in the year when the stockholders approve to retain the earnings.

C. Deferred income tax is recognized, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the balance sheet. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

D. Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. At each reporting period, unrecognized and recognized deferred income tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Deferred income tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current income tax assets against current income tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realize the asset and settle the liability simultaneously.

F. Pursuant to Income Basic Tax Act, if the amount of regular income tax is equal to or more than the amount of basic tax, the income tax payable shall be calculated in accordance with the Income Tax Act and other relevant laws. Whereas the amount of regular income tax is less than the amount of basic tax, the income tax payable shall be equal to the basic tax, and the related information is disclosed accordingly.

22) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are approved by the Company's shareholders. Cash dividends are recorded as liabilities; stock dividends are recorded as stock dividends to be distributed and are reclassified to common stock on the effective date of new shares issuance.

23) Reinsurance revenues and costs

Reinsurance related revenues and costs are recognized on the accrual basis.

24) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments

25) Impairment of financial assets

A. The Company assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

B. The criteria that the Company uses to determine whether there is objective evidence of an impairment loss is as follows:

a) Significant financial difficulty of the issuer or debtor;

b) A breach of contract, such as a default or delinquency in interest or principal payments;

c) The Company, for economic or legal reasons relating to the borrower's financial difficulty, granted the borrower a concession that a lender would not otherwise consider;

d) It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

e) The disappearance of an active market for that financial asset because of financial difficulties;

f) Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial asset in the group, including adverse changes in the payment status of borrowers in the group or national or local economic conditions that correlate with defaults on the assets in the group;

g) Information about significant changes with an adverse effect that have taken place in the technology, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered; or

h) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

C. When the Company assesses that there has been objective evidence of impairment and an impairment loss has occurred, accounting for impairment is made as follows according to the category of financial assets:

a) Financial assets measured at amortized cost

The amount of the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate, and is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost that would have been at the date of reversal had the impairment loss not been recognized previously. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

b) Available-for-sale financial assets

The amount of the impairment loss is measured as the difference between the asset’s acquisition cost (less any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, and is reclassified from “other comprehensive income” to “profit or loss”. If, in a subsequent period, the fair value of an investment in a debt instrument increases, and the increase can be related objectively to an event occurring after the impairment loss was recognized, then such impairment loss is reversed through profit or loss. Impairment loss of an investment in an equity instrument recognized in profit or loss shall not be reversed through profit or loss. Impairment loss is recognized and reversed by adjusting the carrying amount of the asset through the use of an impairment allowance account.

26) Derecognition of financial assets and financial liabilities

A. The Company derecognizes a financial asset when one of the following conditions is met:

a) The contractual rights to receive the cash flows from the financial asset expire.

b) The contractual rights to receive cash flows from the financial asset have been transferred and the Company has transferred substantially all risks and rewards of ownership of the financial asset.

c) The contractual rights to receive cash flows from the financial asset have been transferred; however, the Company has not retained control of the financial asset.

B. A financial liability is derecognized when the obligation under the liability specified in the contract is discharged or cancelled or expires. Any difference between the book value of extinguished or transferred financial liabilities and the consideration paid is recognized in profit or loss.

27) Offsetting financial instruments

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

28) Classification of reinsurance contracts

Classification of reinsurance contracts should be made in compliance with IFRS 4, “Insurance Contracts”.

An insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. A contract with no significant insurance risk being transferred is not classified as an insurance contract and is recognized by deposit accounting.

For a contract that falls within the definition of insurance contract on the initial recognition will still be deemed as insurance contract before its maturity.

5. CRITICAL ACCOUNTING JUDGEMENTS, ESTIMATES AND KEY SOURCES OF ASSUMPTION UNCERTAINTY

The preparation of these financial statements requires management to make critical judgements in applying the Company’s accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors. The information is addressed below:

1) Critical judgements in applying the Company’s accounting policies

A. Financial assets-impairment of equity investments

The Company follows the guidance of IAS 39 to determine whether a financial asset-equity investment is impaired. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an equity investment is less than its cost and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

B. Classification of reinsurance contracts and significant insurance risk transfer test

The Company assesses the insurance risk and other risks of the reinsurance policies issued. In addition, the Company makes significant judgment about whether the extent of the insurance risks that it assumes for the reinsurance policies issued, are material. Test of whether insurance risk assumed is significant is then executed. The result of the judgment will affect the classification of reinsurance contracts, the revenue recognition, liability measurement and presentation of the financial statements.

2) Critical accounting estimates and assumptions

A. Gross premiums written

The Company's estimates for gross premiums written are assessed according to the estimated premiums of reinsurance contracts, information provided by ceding companies, and historical trends. Any changes in the estimates will affect the Company's financial position and performance.

B. Claims reserve (under insurance liabilities)

According to the nature of risk insurance, claim development, market experience, judgment over claim approval and other factors, appropriate actuarial calculation is adopted to recognize claims reserve except statutory insurance.

C. Impairment loss-investment in bonds

When there is an impairment indication that an investment is impaired and the carrying amount of such investment may not be recoverable, the Company would assess the impairment loss of the investment accordingly. The Company assesses its recoverable amounts based on estimated future cash flows or the related quotation as well as by analyzing the reasonableness of the related assumptions used.

6. DETAILS OF SIGNIFICANT ACCOUNTS

1) Cash and cash equivalents

	December 31, 2013	December 31, 2012	January 1, 2012
Cash:			
Petty cash	$ 114	$ 111	$ 115
Checking accounts	6,273	32,599	6,063
Demand deposits	3,309,830	2,179,976	2,668,458
Cash equivalents:			
Time deposits	14,357,670	14,240,849	13,312,488
Commercial papers	-	554,647	124,880
	$ 17,673,887	$ 17,008,182	$ 16,112,004

A. The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote. The Company's maximum exposure to credit risk at reporting date is the carrying amount of all cash and cash equivalents.

B. The Company has no cash and cash equivalents pledged to others.

C. According to Regulations for Management of the Reserve of Compulsory Automobile Liability Insurance, the demand deposits and time deposits which the Company deposited in the financial institutions are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Demand deposits	$ 1,375,096	$ 1,320,975	$ 1,158,372
Time deposits	3,284,700	3,580,200	3,933,800
	$ 4,659,796	$ 4,901,175	$ 5,092,172

D. Certain time deposits of the Company did not meet the definition of cash equivalents and are presented in other financial assets. Please refer to Note 6 (6) for details.

2) Accounts receivable

	December 31, 2013	December 31, 2012	January 1, 2012
Notes receivable	$ 1,591	$ 1,412	$ 2,782
Other receivables	182,286	279,779	79,060
Other receivables-overdue	-	28,963	331,783
Total	183,877	310,154	413,625
Less:allowance for bad debts	-	-	-
Net amount	$ 183,877	$ 310,154	$ 413,625

A. The credit quality information of accounts receivable that are neither past due nor impaired was in the following categories based on the payment records:

	December 31, 2013	December 31, 2012	January 1, 2012
Good	$ 183,651	$ 279,759	$ 80,425
Delayed previously	-	-	-
	$ 183,651	$ 279,759	$ 80,425

Accounts receivable that are neither past due nor impaired are accounted for in accordance with the "Guidelines for Handling Assessment of Assets, Loans Overdue, Delinquent Accounts Receivable on Demand by Insurance Enterprises". The Company associates with a variety of financial institutions all with high credit quality to disperse credit risk, so it expects that the probability of counterparty default is remote.

B. The balances and ageing analysis of accounts receivable that were past due but not impaired is as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
31 to 90 days	$ 23	$ 24	$ 46
91 to 180 days	87	591	38,981
181 to 270 days	64	88	90
Over 271 days	52	29,692	294,083
	$ 226	$ 30,395	$ 333,200

a) Ageing of accounts receivable above, notes receivable are classified by maturity date and other receivables are classified by the date for recognition except that repayment date shall be stipulated according to the contract.

b) The overdue accounts receivable above indicate those that were due but not paid. Except for notes receivable that were overdue and transferred to overdue accounts, other receivabes were transferred to overdue accounts in three months after they were due.

C. The Company does not have accounts receivable that were impaired.

D. The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of accounts receivable.

E. The Company does not hold any collateral as security.

3) Financial assets at fair value through profit or loss

	December 31, 2013	December 31, 2012	January 1, 2012
Financial assets held for trading			
Listed (TSE and OTC) stocks	$ 365,181	$ 979,433	$ 836,064
Foreign listed stocks	17,170	67,306	81,602
Domestic Index funds	16,281	-	-
Non-hedging derivatives	14,353	3,352	1,086
	412,985	1,050,091	918,752
Valuation adjustment of financial assets held for trading	11,497	(60,707)	(155,910)
	424,482	989,384	762,842
Financial assets designated as at fair value through profit or loss on initial recognition			
Domestic convertible corporate bonds	-	1,000	11,000
Domestic mandatory convertible corporate bonds	500,000	500,000	-
Foreign structured notes	-	604,000	627,740
	500,000	1,105,000	638,740
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	39,153	(68,822)	(120,576)
	539,153	1,036,178	518,164
	$ 963,635	$ 2,025,562	$ 1,281,006

	December 31, 2013	December 31, 2012	January 1, 2012
Financial liabilities held for trading			
Non-hedging derivatives	$ 11,785	$ 927	$ -

A. The Company's loss or gain on financial asset or financial liability at fair value through profit or loss are as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Financial instruments held for trading	($ 116,433)	$ 326,972
Financial instruments designated as at fair value through profit or loss on initial recognition	66,551	68,223
	($ 49,882)	$ 395,195

B. The credit rating levels of the counterparties of the Company's debt instrument investments are provided in Note 13 (1). The maximum exposure to credit risk at reporting date is the carrying amount of financial assets at fair value through profit or loss-debt instruments.

C. The non-hedging derivative instruments transaction and contract information are as follows:

Derivative Instruments	December 31, 2013 Contract Amount (Nominal Principal)	December 31, 2013 Contract Period	December 31, 2012 Contract Amount (Nominal Principal)	December 31, 2012 Contract Period
FX swap contracts	3,718,892	2013.01.22~ 2014.01.24	1,957,065	2012.10.15~ 2013.10.17
Forward foreign exchange contracts	176,845	2013.12.03~ 2014.02.07	-	-

Derivative Instruments	January 1, 2012 Contract Amount (Nominal Principal)	January 1, 2012 Contract Period
FX swap contracts	2,034,579	2011.12.22~ 2012.01.31

Note: Contract amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the period.

a) FX swap contracts

The Company entered into FX swap contracts with financial institutions to hedge fair value risk on its foreign investments arising from variations in the exchange rate. However, these FX swap contracts are not accounted for under hedge accounting.

b) Forward foreign exchange contracts

The Company entered into forward foreign exchange contracts with financial institutions to hedge risk on its foreign investments arising from variations in the exchange rate and market prices. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

c) Futures

The Company entered into futures contracts, which are stock index futures. As of December 31, 2013, December 31, 2012 and January 1, 2012, all futures contracts were settled, and the related margins were $0, $22,780 and $72,739, respectively.

D. The Company has no financial assets at fair value through profit or loss pledged to others.

E. The Company recognized domestic convertible corporate bonds, domestic mandatory convertible corporate bonds, and foreign structured notes under “financial assets designated as at fair value through profit or loss on initial recognition”. As there is no significant change in credit ratings of related investments in the past and expected future, the impact of changes in fair value as a result of credit risk is deemed immaterial.

4) Available-for-sale financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic items:			
Listed (TSE and OTC) stocks	$ 2,197,491	$ 2,413,367	$ 2,406,111
Listed (TSE and OTC) preferred stocks	14,517	14,662	65,882
REITs	697,706	717,365	942,988
Government bonds	931,953	987,945	977,565
Corporate bonds	299,960	599,941	599,922
Financial bonds	300,000	300,000	300,000
Open-end funds	-	72,502	690,020
Index funds	92,648	89,621	107,185
Private funds	-	-	80,000
Foreign items:			
Listed stocks	557,108	538,382	621,388
Open-end funds	209,904	203,756	261,515
Hedge funds	443,430	631,913	188,483
Index funds	193,872	593,651	386,124
	5,938,589	7,163,105	7,627,183
Adjustment of available-for-sale financial assets	(90,749)	(689,181)	(886,212)
Less: statutory deposits	(881,014)	(946,599)	(893,426)
	$ 4,966,826	$ 5,527,325	$ 5,847,545

A. The credit rating levels of the counterparties of the Company's debt instrument investments are provided in Note 13 (1). The maximum exposure to credit risk at reporting date is the carrying amount of available-for-sale financial assets-debt instruments.

B. Under the Insurance Law of the Repulic of China, the Company is required to deposit an amount equal to 15% of its paid-up-capital. As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company provided goverment bonds with par value of $850,000, $900,000 and $857,000 as statutory deposit, respectively.

C. Changes in unrealized gain or loss on available-for-sale financial assets under other comprehensive income are as follows:

	2013	2012
At January 1	($ 652,206)	($ 847,745)
Recognizd directly in other comprehensive income	396,758	251,703
Deducted in equity adjustment and recognized in profit or loss	201,674	(54,672)
Income tax from loss (gain) on valuation of foreign available-for-sale financial assets	(13,963)	(1,492)
At December 31	($ 67,737)	($ 652,206)

5) Bond investments without active market

	December 31, 2013	December 31, 2012	January 1, 2012
Domestic items:			
Collateralized debt obligation	$ 296,666	$ 347,567	$ 349,031
Corporate bonds	400,000	400,000	200,000
Foreign items:			
Collateralized mortgage obligation	835,970	386,094	163,279
Collateralized debt obligation	74,875	319,337	329,169
Corporate bonds	494,064	-	-
Structured notes	-	871,771	933,724
Financial bonds	1,162,687	145,680	-
	3,264,262	2,470,449	1,975,203
Less: Accumulated impairment	(87,567)	(866,597)	(747,748)
	$ 3,176,695	$ 1,603,852	$ 1,227,455

A. The credit rating levels of the counterparties of the Company's investments are provided in Note 13 (1). The maximum exposure to credit risk at reporting date is the carrying amount of bond investments without active market.

B. Due to the impairment of partial bond investments without active market held by the Company, the impairment loss recognized under net gain or loss from investment were $0 and $118,849 for the years ended December 31, 2013 and 2012, respectively, and interest income recognized were $6,241 and $417 for the years ended December 31, 2013 and 2012, respectively, which were calculated by the interest rate of discounting future cash flows for the purpose of evaluating the impairment loss. Aforesaid accumulated impairment resulted from domestic and foreign investments, which were reorganized due to financial difficulty and changes in credit default rates leading to a decrease in future cash flows. Changes in analysis of accumulated impairment set aside by the Company is as follows:

	2013	2012
At January 1	($ 866,597)	($ 747,748)
Provision	-	(118,849)
Disposal	779,030	-
At December 31	($ 87,567)	($ 866,597)

The Company disposed impaired foreign investments for the year ended December 31, 2013. The related book value was $1,007,958, accumulated impairment was $779,030, proceeds from disposal of investments was $481,689, and realized gain or loss on bond investments without active market was $252,761 (including exchange loss $18,673).

C. As of December 31, 2013, December 31, 2012 and January 1, 2012, no bond investments without active market held by the Company were pledged to others.

6) Other financial assets

	December 31, 2013	December 31, 2012	January 1, 2012
Time deposits	$ 247,560	$ -	$ -

A. The Company associates with financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote. The Company's maximum exposure to credit risk at reporting date is the carrying amount of all other financial assets.

B. The Company has no other finanacial assets pledged to others.

7) Hedge accounting

Hedge items	Designated as hedging instruments: Derivative instruments designated as hedges	December 31, 2013 Assets (Liabilities)	December 31, 2012 Assets (Liabilities)
Foreign structured notes and CDOs	FX swap contracts-fair value hedge	$ -	$ 343
Foreign structured notes and CDOs	FX swap contracts-fair value hedge	-	(339)

Hedge items	Designated as hedging instruments: Derivative instruments designated as hedges	January 1, 2012 Assets (Liabilities)
Foreign structured notes and CDOs	FX swap contracts-fair value hedge	$ 294
Foreign structured notes and CDOs	FX swap contracts-fair value hedge	-

A. The credit rating levels of the counterparties of the Company's derivative financial instruments contracts are provided in Note 13(1). The maximum exposure to credit risk at balance sheet date is the carrying amount of derivative financial instruments for hedging.

B. Fair value hedges

Derivative Instruments	December 31, 2013 Contract Amount (Nominal Principal)	December 31, 2013 Contract Period	December 31, 2012 Contract Amount (Nominal Principal)	December 31, 2012 Contract Period
FX swap contracts	-	-	495,312	2012-12.13~ 2013.01.24

Derivative Instruments	January 1, 2012 Contract Amount (Nominal Principal)	January 1, 2012 Contract Period
FX swap contracts	514,930	2011.12.22~ 2012.01.31

Note: Contract amount is translated into thousands of New Taiwan dollars using the exchange rates prevailing at the end of the period.

The fair value hedges of the Company are highly effective. The net gain or loss relating to the fair value hedges recognized in profit or loss for the years ended December 31, 2013 and 2012 are shown below:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Gain on hedging instruments-fair value hedged	$ -	$ 19,618
Gain on hedged items-fair value hedged	-	(18,887)

8) Reinsurance contract assets and insurance liabilities

A. Details of reinsurance contract assets are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Due from reinsurers and ceding companies	$ 2,535,795	$ 2,027,009	$ 2,236,779
Due from reinsurers and ceding companies-overdue	40,052	41,118	49,948
Reinsurance reserve assets			
Ceded unearned premium reserve	467,799	527,299	562,656
Ceded claims reserve	874,691	926,896	973,185
Ceded premium deficiency reserve	12,167	21,625	6,685
	3,930,504	3,543,947	3,829,253
Less: Allowance for doubtful accounts	(53,130)	(53,223)	(53,223)
	$ 3,877,374	$ 3,490,724	$ 3,776,030

a) The credit quality information of reinsurance contract assets that are neither past due nor impaired is as follows, and the evaluation of credit rating was conducted according to the ultimate reinsurers:

	December 31, 2013	December 31, 2012	January 1, 2012
Group 1	$ 7,844	$ 8,821	$ 7,997
Group 2	745,916	656,152	789,207
Group 3	1,810,298	1,361,750	1,439,642
Group 4	552,370	527,106	576,879
Group 5	62	59	62
Group 6	717,926	819,887	821,350
	$ 3,834,416	$ 3,373,775	$ 3,635,137

Group 1: S&P AAA or equivalent.

Group 2: Over S&P AA- or equivalent.

Group 3: Over S&P A- or equivalent.

Group 4: Over S&P BBB- or equivalent.

Group 5: Under S&P BBB- or equivalent.

Group 6: Without rating.

Note: The object without rating are mostly Taiwan insurance companies.

b) The balances and ageing analysis of reinsurance contract assets that were past due (including not impaired and impaired) are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
31 to 90 days	$ 39,434	$ 117,089	$ 88,848
91 to 180 days	12,375	18,729	60,611
181 to 270 days	14,150	2,540	5,409
Over 270 days	30,129	31,814	39,248
	$ 96,088	$ 170,172	$ 194,116

i. The ages of due from reinsurance and ceding companies, except for the estimated reinsurance receivables or payables on closing date, are classfied by its booking date.

ii. The overdue due from reinsurance and ceding companies above indicate those that were due but not paid and were transferred to overdue accounts in nine months after they were due.

c) Movement analysis on the Company's provision for impairment of reinsurance contract assets that were impaired is as follows:

	2013	2012
At January 1	$ 53,223	$ 53,223
Write off bad debts	(93)	-
At December 31	$ 53,130	$ 53,223

d) The maximum exposure to credit risk at December 31, 2013, December 31, 2012 and January 1, 2012 was the carrying amount of each class of reinsurance contract assets.

e) The Company does not hold any collateral as security.

B. Details of Insurance liabilities are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Unearned premium reserve	$ 5,377,858	$ 5,292,840	$ 5,284,977
Claims reserve	12,295,022	11,782,295	11,190,693
Equalization reserve	5,580,412	5,846,750	6,279,665
Premium deficiency reserve	129,338	168,725	174,848
Liability adequacy reserve	-	-	4,438
	$ 23,382,630	$ 23,090,610	$ 22,934,621

C. Movement of ceded unearned premium reserve and unearned premium reserve are as follows:

	2013	2012
Ceded unearned premium reserve		
At January 1	$ 527,299	$ 562,656
Provision	467,799	527,299
Recovery	(527,299)	(562,656)
At December 31	$ 467,799	$ 527,299

	2013	2012
Unearned premium reserve		
At January 1	$ 5,292,840	$ 5,284,977
Provision	5,377,858	5,292,840
Recovery	(5,292,840)	(5,284,977)
At December 31	$ 5,377,858	$ 5,292,840

D. Details and movement of ceded claims reserve and claims reserve are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Ceded claims reserve			
Outstanding losses	$ 351,416	$ 441,701	$ 467,691
Incurred but not reported losses	523,275	485,195	505,494
Total	$ 874,691	$ 926,896	$ 973,185

	December 31, 2013	December 31, 2012	January 1, 2012
Claims reserve			
Outstanding losses	$ 4,576,464	$ 5,060,274	$ 4,613,630
Incurred but not reported losses	7,718,558	6,722,021	6,577,063
Total	$ 12,295,022	$ 11,782,295	$ 11,190,693

	2013	2012
Ceded claims reserve		
At January 1	$ 926,896	$ 973,185
Provision	874,691	926,896
Recovery	(926,896)	(973,185)
At December 31	$ 874,691	$ 926,896

	2013	2012
Claims reserve		
At January 1	$ 11,782,295	$ 11,190,693
Provision	12,295,022	11,782,295
Recovery	(11,782,295)	(11,190,693)
At December 31	$ 12,295,022	$ 11,782,295

E. Equalization reserves

a) Details of equalization reserves are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Equalization reserve for statutory insurance	$ 2,999,334	$ 3,265,672	$ 3,498,587
Reserve for fluctuation of risk	2,055,296	2,055,296	2,055,296
Reserve for extraordinary business losses	525,782	525,782	725,782
	$ 5,580,412	$ 5,846,750	$ 6,279,665

b) Movement of equalization reserves are as follows:

	2013	2012
At January 1	$ 5,846,750	$ 6,279,665
Provision	(266,338)	(232,915)
Recovery	-	(200,000)
At December 31	$ 5,580,412	$ 5,846,750

c) According to Jin-Guan-Pao-Tsai Order No. 10102517491, "Directions for Strengthening Special Reserve by Reinsurance Enterprises", Jin-Guan-Pao-Chan Order No. 10102531541, "Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance" and Jin-Guan-Pao-Tsai Order No. 10102517091, "Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises" dated December 28, 2012, the Company's accounts applicable or not applicable for the reserve for the year ended Decemer 31, 2013 are as follows:

	Net income	Earnings per share	Total liabilities	Total equity
Applicable amount	$ 732,090	$ 1.30	$ 23,903,684	$ 9,033,548
Not applicable amount	732,090	1.30	21,603,204	11,334,028
Effect	$ -	$ -	($ 2,300,480)	$ 2,300,480

F. Movement of ceded premium deficiency reserve and premium deficiency reserve are as follows:

	2013	2012
Ceded premium deficiency reserve		
At January 1	$ 21,625	$ 6,685
Provision	12,167	21,625
Recovery	(21,625)	(2,247)
Other (Note)	-	(4,438)
At December 31	$ 12,167	$ 21,625

Note: Ceded premium deficiency reserve belonging to credit balance should be transferred to liability adequacy reserve.

	2013	2012
Premium deficiency reserve		
At January 1	$ 168,725	$ 174,848
Provision	129,338	168,725
Recovery	(168,725)	(174,848)
At December 31	$ 129,338	$ 168,725

G. Movement of liability adequacy reserve are as follows:

	2013	2012
At January 1	$ -	$ 4,438
Provision	-	-
Recovery	-	-
Other (Note)	-	(4,438)
At December 31	$ -	$ -

Note: Liability adequacy reserve is transferred from the credit account balance of ceded premium deficiency reserve.

H. The Company's future cash flows or maturity date analysis of insurance liabilities (excluding equalization reserve) are as follows:

December 31, 2013	Due in one year or less	Due after one year through eleven years	Total
Insurance liabilities			
Unearned premium reserve	$ 2,400,416	$ 1,542,448	$ 3,942,864
Claims reserve	7,001,428	4,498,946	11,500,374
Premium deficiency reserve	78,741	50,597	129,338

Note: Insurance liabilities excludes statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $2,229,642)

December 31, 2012	Due in one year or less	Due after one year through eleven years	Total
Insurance liabilities			
Unearned premium reserve	$ 2,360,290	$ 1,516,665	$ 3,876,955
Claims reserve	6,696,527	4,303,024	10,999,551
Premium deficiency reserve	102,720	66,005	168,725

Note: Insurance liabilities excludes statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $2,198,629).

January 1, 2012	Due in one year or less	Due after one year through eleven years	Total
Insurance liabilities			
Unearned premium reserve	$ 2,367,957	$ 1,521,592	$ 3,889,549
Claims reserve	6,351,196	4,081,124	10,432,320
Premium deficiency reserve	106,447	68,401	174,848
Liability adequacy reserve	2,702	1,736	4,438

Note: Insurance liabilities excludes statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $2,153,801).

9) Property and equipment

	Land	Building	Computer equipment	Transportation equipment	Miscellaneous equipment	Prepayments for equipment	Total
At January 1, 2013							
Cost	$ 180,796	$ 77,339	$ 13,992	$ 5,321	$ 3,179	$ 253	$ 280,880
Accumulated depreciation	-	(57,147)	(8,732)	(5,303)	(2,565)	-	(73,747)
	$ 180,796	$ 20,192	$ 5,260	$ 18	$ 614	$ 253	$ 207,133
2013							
At January 1	$ 180,796	$ 20,192	$ 5,260	$ 18	$ 614	$ 253	$ 207,133
Additions	-	310	601	-	525	-	1,436
Disposals-cost	-	-	-	-	(568)	-	(568)
Disposals-accumulated depreciation	-	-	-	-	568	-	568
Reclassifications	-	253	-	-	-	(253)	-
Depreciation charge	-	(2,161)	(2,033)	(18)	(384)	-	(4,596)
At December 31	$ 180,796	$ 18,594	$ 3,828	$ -	$ 755	$ -	$ 203,973
At December 31, 2013							
Cost	$ 180,796	$ 77,902	$ 14,593	$ 5,321	$ 3,136	$ -	$ 281,748
Accumulated depreciation	-	(59,308)	(10,765)	(5,321)	(2,381)	-	(77,775)
	$ 180,796	$ 18,594	$ 3,828	$ -	$ 755	$ -	$ 203,973

	Land	Building	Computer equipment	Transportation equipment	Miscellaneous equipment	Prepayments for equipment	Total
At January 1, 2012							
Cost	$ 180,796	$ 76,974	$ 14,210	$ 5,321	$ 3,179	$ -	$ 280,480
Accumulated depreciation	-	(55,007)	(8,630)	(5,234)	(2,059)	-	(70,930)
	$ 180,796	$ 21,967	$ 5,580	$ 87	$ 1,120	$ -	$ 209,550
2012							
At January 1	$ 180,796	$ 21,967	$ 5,580	$ 87	$ 1,120	$ -	$ 209,550
Additions	-	365	2,274	-	-	253	2,892
Disposals-cost	-	-	(2,492)	-	-	-	(2,492)
Disposals-accumulated depreciation	-	-	2,492	-	-	-	2,492
Depreciation charge	-	(2,140)	(2,594)	(69)	(506)	-	(5,309)
At December 31	$ 180,796	$ 20,192	$ 5,260	$ 18	$ 614	$ 253	$ 207,133
At December 31, 2012							
Cost	$ 180,796	$ 77,339	$ 13,992	$ 5,321	$ 3,179	$ 253	$ 280,880
Accumulated depreciation	-	(57,147)	(8,732)	(5,303)	(2,565)	-	(73,747)
	$ 180,796	$ 20,192	$ 5,260	$ 18	$ 614	$ 253	$ 207,133

A. On the first adoption of the International Financial Reporting Standards endorsed by the FSC, the Company elected to use the revalued amount under R.O.C GAAP at the date of the revaluation as deemed cost of property and equipment. As of December 31, 2013, December 31, 2012 and January 1, 2012, the revaluation increments included in the cost above were $165,277.

B. The above assets were not pledged to others as collateral.

10) Investment property

	Land		Building		Total
At January 1, 2013					
Cost	$	411,606	$	80,755	$	492,361
Accumulated depreciation		-	(	32,304)	(	32,304)
	$	411,606	$	48,451	$	460,057
2013						
At January 1	$	411,606	$	48,451	$	460,057
Addition-from subsequent expenditure		-		1,953		1,953
Depreciation charge		-	(	2,440)	(	2,440)
At December 31	$	411,606	$	47,964	$	459,570
At December 31, 2013						
Cost	$	411,606	$	82,708	$	494,314
Accumulated depreciation		-	(	34,744)	(	34,744)
	$	411,606	$	47,964	$	459,570

		Land		Building		Total
At January 1, 2012						
Cost	$	411,606	$	80,207	$	491,813
Accumulated depreciation		-	(	30,069)	(	30,069)
	$	411,606	$	50,138	$	461,744
2012						
At January 1	$	411,606	$	50,138	$	461,744
Addition-from subsequent expenditure		-		548		548
Depreciation charge		-	(	2,235)	(	2,235)
At December 31	$	411,606	$	48,451	$	460,057
At December 31, 2012						
Cost	$	411,606	$	80,755	$	492,361
Accumulated depreciation		-	(	32,304)	(	32,304)
	$	411,606	$	48,451	$	460,057

A. On the first adoption of the International Financial Reporting Standards endorsed by the FSC, the Company elected to use the revalued amount under R.O.C GAAP at the date of the revaluation as deemed cost of property and equipment. As of December 31, 2013, December 31, 2012 and January 1, 2012, the revaluation increments included in the cost above were $2,835.

B. Rental income from the lease of the investment property and direct operating expenses arising from the investment property are shown below:

		For the year ended December 31, 2013		For the year ended December 31, 2012
Rental revenue from the lease of the investment property	$	24,536	$	25,256
Direct operating expenses arising from the investment property that generated rental income in the period		5,607		5,103

C. For the fair value of investment property held by the Company, the fair value is estimated by an accredited external independent appraiser under “Regulations on Real Estate Appraisal” using at least more than two valuation approaches like income approach, comparison approach and cost approach, based on observable active market price and the characteristic, location and condition of each asset. As of December 31, 2013, December 31, 2012 and January 1, 2012, the fair values of investment property are $1,227,586, $1,203,862 and $1,131,873, repectively.

D. The above assets were not pledged to others as collateral.

11) Accounts payable

	December 31, 2013	December 31, 2012	January 1, 2012
Due to reinsurers and ceding companies	$ 253,119	$ 301,117	$ 317,745
Other payables	140,648	551,764	293,843
	$ 393,767	$ 852,881	$ 611,588

12) Reserves for unqualified reinsurance

A. Summary of unqualified reinsurance contracts are set forth as follows:

The Company entered into contracts with insurance companies and insurance brokers as follows. The scope of reinsurance is the same as the Company’s insurance contracts.

Insurance companies / insurance brokers	Type of contract
WALSUN INSURANCE LTD.	Fire insurance, Marine cargo insurance, Inland marine insurance, Marine hull insurance, Fishing vessel insurance, Automobile insurance, Casualty Insurance, Personal accident insurance and Engineering insurance
M.B. BODA REINSURANCE BROKERS PVT. LTD.	Fire insurance
INTERLINK INSURANCE & REINSURANCE BROKERS PVT. LTD.	Fire insurance, Marine cargo insurance and Marine hull insurance
J B BODA INSURANCE SERVICES (L) BHD	Fire insurance and Marine hull insurance
CATHAY INSURANCE (BERMUDA) CO. LTD.	Personal accident insurance

B. The unqualified reinsurance premiums ceded was $0 for the years ended December 31, 2013 and 2012.

C. Reserve for unqualified reinsurance as of December 31, 2013, December 31, 2012 and January 1, 2012 were $2,537, $3,751 and $4,515, respectively.

13) Employee benefits

A. Defined benefit obligation

a) The Company has a defined benefit pension plan in accordance with the Labor Standards Law, covering all regular employees’ service years prior to the enforcement of the Labor Pension Act on July 1, 2005 and service years thereafter of employees who chose to continue to be subject to the pension mechanism under the Law. Under the defined benefit pension plan, two units are accrued for each year of service for the first 15 years and one unit for each additional year thereafter, subject to a maximum of 45 units. Pension benefits are based on the number of units accrued and the average monthly salaries and wages of the last 6 months prior to retirement. The Company contributes monthly an amount equal to 8% of the employees' monthly salaries and wages to the retirement fund deposited with Bank of Taiwan, the trustee, under the name of the independent retirement fund committee.

b) The amounts recognized in the balance sheet are determined as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Present value of funded obligations	($ 59,010)	($ 52,926)	($ 49,137)
Fair value of plan assets	58,238	52,962	50,007
Net asset (liability) in the balance sheet	($ 772)	$ 36	$ 870

c) Changes in present value of funded obligations are as follows:

	2013	2012
Present value of funded obligations		
At January 1	$ 52,926	$ 49,137
Current service cost	3,949	4,036
Interest expense	794	859
Actuarial profit and loss	1,341	967
Benefits paid	-	(2,073)
At December 31	$ 59,010	$ 52,926

d) Changes in fair value of plan assets are as follows:

	2013	2012
Fair value of plan assets		
At January 1	$ 52,962	$ 50,007
Expected return on plan assets	927	875
Actuarial profit and loss	(234)	(387)
Employer contributions	4,583	4,540
Benefits paid	-	(2,073)
At December 31	$ 58,238	$ 52,962

e) Amounts of expenses recognized in statements of comprehensive income are as follows:

	2013	2012
Current service cost	$ 3,949	$ 4,036
Interest cost	794	859
Expected return on plan assets	(927)	(875)
Current pension costs	$ 3,816	$ 4,020

f) Amounts of actuarial profit and loss recognized under other comprehensive income are as follows:

	2013	2012
Recognition for current period	($ 1,575)	($ 1,354)
Accumulated amount	($ 2,929)	($ 1,354)

g) The Bank of Taiwan was commissioned to manage the Fund of the Company's defined benefit pension plan in accordance with the Fund's annual investment and utilisation plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilisation of the Labor Retirement Fund" (Article 6: The scope of utilisation for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilisation of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2013 and 2012 is given in the Annual Labor Retirement Fund Utilisation Report published by the government. Expected return on plan assets was a projection of overall return for the obligations period, which was estimated based on historical returns and by reference to the status of Labor Retirement Fund utilisation by the Labor Pension Fund Supervisory Committee and taking into account the effect that the Fund's minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks.

The actual return on the Company's plan assets for the years ended December 31, 2013 and 2012 were $693 and $488, respectively.

h) The principal actuarial assumptions used were as follows:

	2013	2012
Discount rate	2.00%	1.50%
Future salary increases	1.00%	1.00%
Expected return on plan assets	2.00%	1.75%
Mortality	100% on 2011 Taiwan Standard Ordinary Experience Mortality Table (2011 TSO)	100% on 2011 Taiwan Standard Ordinary Experience Mortality Table (2011 TSO)
Disability rates	10% on 2011 Taiwan Standard Ordinary Experience Mortality Table (2011 TSO)	10% on 2011 Taiwan Standard Ordinary Experience Mortality Table (2011 TSO)

	2011
Discount rate	1.75%
Future salary increases	1.00%
Expected return on plan assets	1.75%
Mortality	90% on 2002 Taiwan Standard Ordinary Experience Mortality Table (2002 TSO)
Disability rates	10% on 2002 Taiwan Standard Ordinary Experience Mortality Table (2002 TSO)

i) Historical information of experience adjustments were as follows:

	2013	2012
Present value of defined benefit obligation	($ 59,010)	($ 52,926)
Fair value of plan assets	58,238	52,962
Surplus/(deficit) in the plan	($ 772)	$ 36
Loss (gain) on experience adjustments on plan liabilities	$ 2,548	($ 3,609)
Loss (gain) on experience adjustments on plan assets	$ 234	$ 387

j) Expected contributions to the defined benefit pension plan of the Company within one year from December 31, 2013 is $4,583.

B. Defined contribution plan

a) Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") under the Labor Pension Act, covering all regular employees with R.O.C. nationality. Under the New Plan, the Company contributes monthly an amount based on 6% of the employees' monthly salaries and wages to the employees' individual pension accounts at the Bureau of Labor Insurance. The benefits accrued are paid monthly or in lump sum upon termination of employment.

b) The pension costs under the defined contribution pension plan of the Company for the years ended December 31, 2013 and 2012 were $5,610 and $5,455, respectively.

14) Common stock

As of December 31, 2013, the Company′s authorized capital was $6,000,000, and the paid-up- capital was $5,622,750, with a par value of $10 (in dollars) per share.

Movements in the number of the Company's common stock outstanding are as follows:

	2013	2012
At January 1	551,250,000	551,250,000
Capitalization of earnings	11,025,000	-
At December 31	562,275,000	551,250,000

15) Capital reserve

Pursuant to the R.O.C. Company Law, capital surplus arising from paid-in capital in excess of par value on issuance of common stocks and donations can be used to cover accumulated deficit or to issue new stocks or cash to shareholders in proportion to their share ownership, provided that the Company has no accumulated deficit. Further, the R.O.C. Securities and Exchange Law requires that the amount of capital surplus to be capitalised mentioned above should not exceed 10% of the paid-in capital each year. Capital surplus should not be used to cover accumulated deficit unless the legal reserve is insufficient. However, according to Jin-Guan-Pao-Tzai Letter No. 10202501991, for the purpose of strengthening the solvency and operation, insurance companies having no deficit should submit relevant documents demonstrating the financial soundness and steady operation of their companies to FSC for approval before the stockholders' meeting if they propose to use legal reserve provided under Article 145-1 of Insurance Act and capital surplus to issue cash to shareholders in proportion to their share ownership in accordance with Article 241 of the R.O.C. Company Law.

16) Retained earnings

A. Limitation on distribution of retained earnings and dividend policy

Under the Company's Articles of Incorporation, the current year's earnings, if any, shall first be used to pay all taxes and offset prior years' operating losses and then 20% of the remaining amount shall be set aside as legal reserve.Recognize or reverse special reserve in accordance with regulations, and accumulated unappropriated earnings of the prior period. Appropriation of the remainder shall be proposed by the Board of Directors and resolved by the stockholders. Bonus distributed to the employees should account from 0.5% to 5% of the total distributed amount and can either be in the form of cash or stock upon resolution of the stockholders, and remuneration paid to directors and supervisors should account for 1% at most of the total distributed amount.

The Company's dividends are distributed in the form of cash dividends and stock dividends in a coordinated way, among which, the cash dividends shall account for at least 50% of the total dividends distributed. Employees' bonus may be distributed in the form of stocks or cash through a resolution in the stockholders' meeting.

Pursuant to the R.O.C. Company Law, legal reserve shall be set aside until the total amount reaches the total capital. Except for covering accumulated deficit or issuing new stocks or cash to shareholders in proportion to their share ownership, the legal reserve shall not be used for any other purpose. The use of legal reserve for the issuance of stocks or cash to shareholders in proportion to their share ownership is permitted, provided that the distribution of the reserve is limited to the portion in excess of 25% of the Company's paid-up capital. In addition, instructions for those who need official approval to use legal reserve to issue cash in accordance with Jin-Guan-Pao-Tzai Letter No. 10202501991 are set out in Note 6(15).

Under the Integrated Income Tax System, ROC, tax credits allocated to stockholders are based on the balance of Imputation Credit Account (ICA) on the dividend distribution date.

B. Special reserve

	December 31, 2013	December 31, 2012	January 1, 2012
Equalization reserve	$ 620,189	$ 393,720	$ 197,450
Unrealized revaluation increment	126,557	126,557	126,557
Net of deducted from other equity	519,716	715,255	181,447
	$ 1,266,462	$ 1,235,532	$ 505,454

a) According to regulations, the Company should set aside special reserve equal to the deducted amount of the equity from earnings after tax of the current year and the unappropriated earnings of the prior period. For the deducted amount from the equity accumulated from prior periods, an equal amount of special reserve should be set aside from unappropriated earnings of the prior period and is not to be distributed. If there is a reversal of deducted amount of equity, earnings may be distributed based on the reversal.

b) For the years 2013 and 2012, the provision for equalization reserve amounting to $226,469 and $196,270, respectively, had been recognized as special reserve under equity upon annual resolution and is not available for distribution.

c) The amounts previously set aside by the Company as special reserve on initial application of IFRSs in accordance with Jin-Guan-Zheng-Fa Order No. 1010012865, dated April 6, 2012 and Jin-Guan-Pao-Tzai Letter No. 10102508861, dated June 5, 2012, shall be reversed proportionately when the relevant assets are used, disposed of or reclassified subsequently. Such amounts are reversed upon disposal or reclassified if the assets are investment property of land, and reversed over the use period if the assets are investment property other than land.

C. For the years ended December 31, 2013 and 2012, employees' bonus was accrued at $5,996 and $5,580, respectively; directors' and supervisors' remuneration was accrued at $3,100 and $2,300, respectively. The Company estimates employees' bonus based on a certain percentage of net income in accordance with the Company's Articles of Incorporation and previous years' experiences. The directors' and supervisors' remuneration is estimated based on prior years' remuneration per person. The difference between estimated amount and actual payment will be recognized in profit or loss of the following year. Employees' bonus and directors' and supervisors' remuneration for 2012 as resolved by the stockholders were in agreement with those amounts recognized in the 2012 financial statements.

Information about the appropriation of employees' bonus and directors' and supervisors' remuneration by the Company as proposed by the Board of Directors and resolved by the stockholders will be posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. The Company's dividends for the distribution of earnings resolved by stockholders for 2013 and 2012 was $385,875 (stock dividend $0.2 (in dollars) per share and cash dividend $0.5 (in dollars) per share) and $0, respectively. On March 24, 2014, the Board of Directors proposed that total dividends for the distribution of earnings for 2013 was $674,730 (cash dividend $1.2 (in dollars) per share).

Earnings appropriation for 2013 has not yet been resolved at the stockholders' meeting as of the reporting date. Detailed information on earnings appropriation proposed by the

Board of Directors and resolved by the stockholders is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

17) Income tax

A. Income tax expense

a) Components of income tax expense:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Current income tax:		
Current income tax on profits for the period	$ 8,923	$ 94,365
Additional 10% tax on undistributed earnings	15,689	-
Adjustments in respect of prior years	1,341	27,759
Deferred income tax:		
Origination and reversal of temporary difference	186,757	(7,412)
Income tax expense	$ 212,710	$ 114,712

b) The income tax relating to components of other comprehensive income is as follows:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Net change in unrelized gains on valuation of available-for-sale financial assets	$ 13,963	$ 1,492
Actuarial losses on defined benefit obligations	(268)	(230)
	$ 13,695	$ 1,262

B. Reconciliation between income tax expense and accounting profit:

	For the year ended December 31, 2013	For the year ended December 31, 2012
Tax calculated based on income before tax and statutory tax rate	$ 160,616	$ 134,920
Effects from items adjusted by tax regulation	35,064	(47,967)
Additional 10% tax on undistributed earnings	15,689	-
Adjustment in respect of prior years	1,341	27,759
Income tax expense	$ 212,710	$ 114,712

C. Amounts of deferred income tax assets or liabilities as a result of temporary differences and loss carryforward are as follows:

	For the year ended December 31, 2013			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on valuation of available-for-sale financial assets	$ 36,975	$ -	($ 13,963)	$ 23,012
Bad debts provision	7,675	-	-	7,675
Unrealized tax effect from impairment loss on financial assets	147,321	(132,435)	-	14,886
Unrealized loss on valuation of financial assets	35,138	(35,138)	-	-
Employee benefit - pension costs	493	(131)	268	630
Employee benefit - unused compensated absences	1,172	50	-	1,222
Unrealized exchange loss	10,936	(10,936)	-	-
	$ 239,710	($ 178,590)	($ 13,695)	$ 47,425
Deferred income tax liabilities				
Temporary differences				
Unrealized gain on valuation of financial assets	$ -	$ 291	$ -	$ 291
Land revaluation increment	41,555	-	-	41,555
Unrealized exchange gain	-	9,601	-	9,601
Others	1,725	(1,725)	-	-
	$ 43,280	$ 8,167	$ -	$ 51,447

	For the year ended December 31, 2012			
	January 1	Recognized in profit or loss	Recognized in other comprehensive income	December 31
Deferred income tax assets				
Temporary differences				
Unrealized loss on valuation of available-for-sale financial assets	$ 38,467	$ -	($ 1,492)	$ 36,975
Bad debts provision	5,094	2,581	-	7,675
Unrealized tax effect from impairment loss on financial assets	127,117	20,204	-	147,321
Unrealized loss on valuation of financial assets	39,688	(4,550)	-	35,138
Employee benefit - pension costs	219	44	230	493
Employee benefit - unused compensated absences	1,127	45	-	1,172
Unrealized exchange loss	5,789	5,147	-	10,936
Net operating loss carryforward	16,059	(16,059)	-	-
	$ 233,560	$ 7,412	($ 1,262)	$ 239,710
Deferred income tax liabilities				
Temporary differences				
Land revaluation increment	$ 41,555	$ -	$ -	$ 41,555
Others	1,725	-	-	1,725
	$ 43,280	$ -	$ -	$ 43,280

D. The Company's income tax returns through 2010 have been assessed and approved by the Tax Authority.

E. Unappropriated retained earnings:

	December 31, 2013	December 31, 2012	January 1, 2012
Earnings generated in and after 1998	$ 784,255	$ 606,151	$ 690,003

F. As of December 31, 2013, December 31, 2012 and January 1, 2012, the balance of the imputation tax credit account was $57,664, $59,732 and $190,634, respectively. The creditable tax rate was 20.91% for 2012 and is estimated to be 7.35% for 2013.

18) Employee benefits, depreciation and amortization

As of December 31, 2013 and 2012, employee benefits, depreciation and amortization by function are as follows:

Function / Expense	For the year ended December 31, 2013		For the year ended December 31, 2012	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee Benefit Expense	$ -	$ 188,519	$ -	$ 181,497
Salaries	-	159,661	-	153,660
Employees' insurance	-	10,815	-	10,005
Pension	-	9,426	-	9,475
Other employee benefit expenses (Note 1)	-	8,617	-	8,357
Depreciation (Note 2)	2,440	4,596	2,235	5,309
Amortization	-	1,296	-	3,503

Note 1: Other employee benefit expenses include employees' welfare and training expenses.

Note 2: The depreciation, which is classified as operating cost, is accounted for as deduction to gain or loss on investment property.

19) Non-cash transaction

Investing activities with partial cash payments：

	For the year ended December 31, 2013	For the year ended December 31, 2012
Increase of investment	($ 10,651,703)	($ 8,276,251)
Decrease of investment	11,158,293	7,745,236
Add: ending balance of payable on investment	25,273	446,643
opening balance of receivable on investment	188,857	1,079
Less: opening balance of payable on investment	(446,643)	(201,011)
ending balance of receivable on investment	(79,586)	(188,857)
Net cash provided by (used in) investments	194,491	(473,161)
Cash received (paid) during the year	$ 194,491	($ 473,161)

7. RELATED PARTY TRANSACTIONS

1) Names of related parties and their relationship with the Company

Names of related parties	Relationship with the Company
Evergreen International Corporation	Parent company
Evergreen Insurance Company Limited	Associates
Directors (executive and non-executive), supervisors, general managers, vice general managers, etc.	Key management of the Company

2) Significant related party transactions and balances

A. Due from (to) reinsurers and ceding companies (under reinsurance contract assets and accounts payable, respectively)

	December 31, 2013	December 31, 2012	January 1, 2012
Associates	$ 240	$ 249	$ 6,515

B. Other payables (under accounts payable)

	December 31, 2013	December 31, 2012	January 1, 2012
Parent	$ 3,707	$ 3,825	$ 4,082

C. Operating revenues and operating costs

	For the year ended December 31, 2013	For the year ended December 31, 2012
Associates		
Gross premiums written	$ 9,556	$ 8,779
Reinsurance premiums ceded	(628)	(235)
Overriding commissions revenue	(1)	18
Reinsurance commission expenses	3,736	2,885
Reinsurance commission revenue	(25)	(99)
Reinsurance claims paid	660	3,756
Reinsurance claims recovery	980	1,602

The differences of prices and conditions between related parties and non-related parties were not significant.

D. Operating expenses

	For the year ended December 31, 2013	For the year ended December 31, 2012
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	$ 22,363	$ 22,917

3) Key management compensation

	For the year ended December 31, 2013	For the year ended December 31, 2012
Salaries and other short-term employee benefits	$ 24,873	$ 22,972
Post-employment benefits	647	685
Total	$ 25,520	$ 23,657

Salaries and other short-term employee benefits includes salary, service pay, each kind of bonus, travel allowance, subsidies and the estimated directors' and supervisors' remuneration and employee bonus of the current year.

8. PLEDGED ASSETS

   Please see Note 6 (4).

9. COMMITMENTS

   As of December 31, 2013, December 31, 2012 and January 1, 2012, the Company's unused letters of credit issued were USD1,294 thousand, USD 2,408 thousand, USD3,502 thousand and CAD21 thousand, respectively.

10. SIGNIFICANT ACCIDENTAL LOSS

    None.

11. SIGNIFICANT SUBSEQUENT EVENTS

    Earnings appropriation of the Company for 2013 was resolved by the Board of Directors on March 24, 2014. Please see Note 4 (16).

12. OTHERS

    1) Fair value estimation

       A. The table below analyses financial instruments measured at fair value, by valuation method. The different levels have been defined as follows:

          Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

          Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

          Level 3: Inputs for the asset or liability that are not based on observable market data.

          The following table presents the Company's financial assets and liabilities that are measured at fair value at December 31, 2013, December 31, 2012 and January 1, 2012:

December 31, 2013	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed (TSE and OTC) stocks	$ 376,464	$ -	$ -	$ 376,464
Foreign listed stocks	16,055	-	-	16,055
Domestic index funds	17,610	-	-	17,610
Financial assets designated as at fair value through profit or loss on initial recognition				
Domestic mandatory convertible corporate bonds	-	-	539,153	539,153
Available-for-sale financial assets				
REITs	1,120,867	-	-	1,120,867
Corporate bonds	-	310,796	-	310,796
Financial bonds	-	300,000	-	300,000
Index funds	256,299	-	-	256,299
Government bonds	-	939,672	-	939,672
Listed (TSE and OTC) stocks	1,791,027	-	-	1,791,027
Listed (TSE and OTC) preferred stocks	-	22,605	-	22,605
Foreign listed stocks	500,000	-	-	500,000
Open-end funds	204,630	-	-	204,630
Hedge funds	-	401,944	-	401,944
	$ 4,282,952	$ 1,975,017	$ 539,153	$ 6,797,122
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 11,064	$ -	$ 11,064
Forward exchange contracts	-	3,289	-	3,289
Liabilities				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	(11,785)	-	(11,785)
	$ -	$ 2,568	$ -	$ 2,568

December 31, 2012	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed (TSE and OTC) stocks	$ 915,048	$ -	$ -	$ 915,048
Foreign listed stocks	70,984	-	-	70,984
Financial assets designated as at fair value through profit or loss on initial recognition				
Domestic convertible corporate bonds	-	1,095	-	1,095
Domestic mandatory convertible corporate bonds	-	-	537,460	537,460
Foreign structured notes	-	497,623	-	497,623
Available-for-sale financial assets				
REITs	1,066,475	-	-	1,066,475
Corporate bonds	-	619,759	-	619,759
Financial bonds	-	300,000	-	300,000
Index funds	608,403	-	-	608,403
Government bonds	-	1,008,033	-	1,008,033
Listed (TSE and OTC) stocks	1,549,993	-	-	1,549,993
Listed (TSE and OTC) preferred stocks	-	21,725	-	21,725
Foreign listed stocks	448,735	-	-	448,735
Open-end funds	249,023	-	-	249,023
Hedge funds	-	601,778	-	601,778
	$ 4,908,661	$ 3,050,013	$ 537,460	$ 8,496,134
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 3,352	$ -	$ 3,352
Derivative financial assets for hedging				
FX swap contracts	-	343	-	343
Liabilites				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	(927)	-	(927)
Derivative financial liabilities for hedging				
FX swap contracts	-	(339)	-	(339)
	$ -	$ 2,429	$ -	$ 2,429

January 1, 2012	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed (TSE and OTC) stocks	$ 687,017	$ -	$ -	$ 687,017
Foreign listed stocks	74,739	-	-	74,739
Financial assets designated as at fair value through profit or loss on initial recognition				
Domestic convertible corporate bonds	-	11,090	-	11,090
Foreign structured notes	-	507,074	-	507,074
Available-for-sale financial assets				
REITs	1,317,155	-	-	1,317,155
Corporate bonds	-	627,670	-	627,670
Financial bonds	-	300,000	-	300,000
Index funds	412,924	-	-	412,924
Government bonds	-	994,196	-	994,196
Listed (TSE and OTC) stocks	1,368,658	-	-	1,368,658
Listed (TSE and OTC) preferred stocks	-	73,206	-	73,206
Foreign listed stocks	484,313	-	-	484,313
Open-end funds	893,688	-	-	893,688
Private funds-others	-	80,761	-	80,761
Hedge funds	-	188,400	-	188,400
	$ 5,238,494	$ 2,782,397	$ -	$ 8,020,891
Derivative financial instruments				
Assets				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 1,086	$ -	$ 1,086
Derivative financial assets for hedging				
FX swap contracts	-	294	-	294
	$ -	$ 1,380	$ -	$ 1,380

B. The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the closing price. These instruments are included in level 1. Instruments included in level 1 comprise primarily equity instruments and debt instruments classified as financial assets/financial liabilities at fair value through profit or loss or available-for-sale financial assets.

C. The fair value of financial instruments that are not traded in an active market (if available) is determined by using valuation techniques.These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

D. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

E. Specific valuation techniques used to value financial instruments include:

   a) Quoted market prices or dealer quotes for similar instruments.

   b) The fair value of forward foreign exchange contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value.

   c) Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

F. The following table presents the changes in level 3 instruments for the years ended December 31, 2013 and 2012:

For the year ended December 31, 2013	Opening balance	Gain or loss on valuation: Recognized in profit or loss	Gain or loss on valuation: Recognized in other comprehensive income	Acquired in the period: Buy or issuance	Acquired in the period: Transfers into level three	Disposed of in the period: Sell, disposal or settle	Disposed of in the period: Transfers out from level three	Ending balance
Financial assets at fair value through profit or loss								
Financial assets designated as at fair value through profit or loss on initial recognition	$ 537,460	$ 1,693	$ -	$ -	$ -	$ -	$ -	$ 539,153

For the year ended December 31, 2012	Opening balance	Gain or loss on valuation: Recognized in profit or loss	Gain or loss on valuation: Recognized in other comprehensive income	Acquired in the period: Buy or issuance	Acquired in the period: Transfers into level three	Disposed of in the period: Sell, disposal or settle	Disposed of in the period: Transfers out from level three	Ending balance
Financial assets at fair value through profit or loss								
Financial assets designated as at fair value through profit or loss on initial recognition	$ -	$ 37,460	$ -	$ 500,000	$ -	$ -	$ -	$ 537,460

Gain or loss on valuation recognized in profit or loss arising from the assets held for the years ended December 31, 2013 and 2012 was $1,693 and $37,460, respectively.

G. The fair value measurement that the Company made onto the financial instruments is deemed reasonable; however, different valuation model or input could result in different valuation result. Specifically, if the valuation input of financial instrument classified in Level 3 such as market interest rates increase or decrease by 50 basis points, the effects on profit and loss in the period are as follows:

	December 31, 2013		December 31, 2012	
	Change in fair value Recognized in profit and loss		Change in fair value Recognized in profit and loss	
	Favorable	Unfavorable	Favorable	Unfavorable
Financial assets at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss on initial recognition	$ 5,271	($ 3,816)	$ 1,521	($ 1,469)

H. Fair value of the financial instruments not measured at fair value

	December 31, 2013		December 31, 2012		January 1, 2012	
Financial assets	Book value	Fair value	Book value	Fair value	Book value	Fair value
Non-derivative financial instruments						
Assets						
Bond investments without active market	$ 3,176,695	$ 3,184,614	$ 1,603,852	$ 1,605,605	$ 1,227,455	$ 1,235,481

The following are the methods and assumption used by the Company to estimate fair value of financial instruments:

a) If the quoted market price of bond investments without active market is available in an active market, the quoted price is the fair value. If there is no quoted market price in an active market, quotation provided by brokers or custody institutions is used to determine the fair value.

b) Aside from bond investments without active markets, the book values of other financial instruments not measured at fair value are approximate to their fair values.

2) Assets and liabilities recoverable or payable within or over 12 months from the reporting date are as follows:

	December 31, 2013			December 31, 2012		
Assets	Book value	Within 12 months	Over 12 months	Book value	Within 12 months	Over 12 months
Cash and cash equivalents	$ 17,673,887	$ 17,673,887	$ -	$ 17,008,182	$ 17,008,182	$ -
Accounts receivable	183,877	183,877	-	310,154	310,154	-
Current income tax assets	111,284	111,284	-	63,080	63,080	-
Financial assets at fair value through profit or loss	963,635	424,482	539,153	2,025,562	1,525,562	500,000
Available-for-sale financial assets	4,966,826	4,597,372	369,454	5,527,325	4,886,000	641,325
Derivative financial assets for hedging	-	-	-	343	343	-
Bond investments without active market	3,176,695	176,715	2,999,980	1,603,852	-	1,603,852
Other financial assets	247,560	247,560	-	-	-	-
Investment property	459,570	-	459,570	460,057	-	460,057
Reinsurance contract assets	3,877,374	3,002,683	874,691	3,490,724	2,563,828	926,896
Property and equipment	203,973	-	203,973	207,133	-	207,133
Intangible assets	2,142	-	2,142	3,438	-	3,438
Other assets	1,022,984	12,090	1,010,894	1,161,068	7,785	1,153,283
Liabilities						
Accounts payable	$ 393,767	$ 393,245	$ 522	$ 852,881	$ 851,315	$ 1,566
Current income tax liabilities	25,040	25,040	-	80,785	80,785	-
Financial liabilities at fair value through profit or loss	11,785	11,785	-	927	927	-
Derivative financial liabilities for hedging	-	-	-	339	339	-
Insurance liabilities	23,382,630	11,710,227	11,672,403	23,090,610	11,358,166	11,732,444
Provisions	772	-	772	-	-	-
Other liabilities	38,243	37,007	1,236	37,885	34,685	3,200

	January 1, 2012		
Assets	Book value	Within 12 months	Over 12 months
Cash and cash equivalents	$ 16,112,004	$ 16,112,004	$ -
Accounts receivable	413,625	413,625	-
Current income tax assets	65,632	65,632	-
Financial assets at fair value through profit or loss	1,281,006	773,933	507,073
Available-for-sale financial assets	5,847,545	4,766,881	1,080,664
Derivative financial assets for hedging	294	294	-
Bond investments without active market	1,227,455	-	1,227,455
Investment property	461,744	-	461,744
Reinsurance contract assets	3,776,030	2,802,845	973,185
Property and equipment	209,550	-	209,550
Intangible assets	3,243	-	3,243
Other assets	1,144,960	14,078	1,130,882
Liabilities			
Accounts payable	$ 611,588	$ 611,587	$ 1
Current income tax liabilities	974	974	-
Insurance liabilities	22,934,621	10,982,103	11,952,518
Other liabilities	65,613	62,838	2,775

3) Calculation of retention earned premiums are shown below:

	For the year ended December 31, 2013									
Category of insurance		Gross premiums written (1)		Reinsurance premiums ceded (2)		Retention premiums (3)=(1)-(2)		Net changes in unearned premium reserve (4)		Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	$	13,378,562	$	908,808	$	12,469,754	$	125,332	$	12,344,422
Compulsory insurance		2,271,131		-		2,271,131		19,186		2,251,945
	$	15,649,693	$	908,808	$	14,740,885	$	144,518	$	14,596,367

	For the year ended December 31, 2012									
Category of insurance		Gross premiums written (1)		Reinsurance premiums ceded (2)		Retention premiums (3)=(1)-(2)		Net changes in unearned premium reserve (4)		Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	$	12,137,007	$	966,232	$	11,170,775	$	22,742	$	11,148,033
Compulsory insurance		2,231,561		-		2,231,561		20,478		2,211,083
	$	14,368,568	$	966,232	$	13,402,336	$	43,220	$	13,359,116

4) Calculation of retention reinsurance claims paid are shown below:

	For the year ended December 31, 2013		
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 6,809,101	$ 471,486	$ 6,337,615
Compulsory insurance	2,548,046	-	2,548,046
	$ 9,357,147	$ 471,486	$ 8,885,661

	For the year ended December 31, 2012		
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 6,814,177	$ 534,899	$ 6,279,278
Compulsory insurance	2,464,427	-	2,464,427
	$ 9,278,604	$ 534,899	$ 8,743,705

5) Details of balance, provision and recovery of each reserve for compulsory automobile liability insurance are as follows:

	2013			
	Beginning balance	Provision	Recovery	Ending balance
Unearned premium reserve	$ 1,414,744	$ 1,433,930	($ 1,414,744)	$ 1,433,930
Claims reserve	782,721	794,625	(782,721)	794,625
Equalization reserve	3,075,087	(266,338)	-	2,808,749
	$ 5,272,552	$ 1,962,217	($ 2,197,465)	$ 5,037,304

	2012			
	Beginning balance	Provision	Recovery	Ending balance
Unearned premium reserve	$ 1,394,266	$ 1,414,744	($ 1,394,266)	$ 1,414,744
Claims reserve	758,326	782,721	(758,326)	782,721
Equalization reserve	3,308,002	(232,915)	-	3,075,087
	$ 5,460,594	$ 1,964,550	($ 2,152,592)	$ 5,272,552

6) Balance sheets for compulsory automobile liability insurance are as follows:

	December 31, 2013	December 31, 2012	January 1, 2012
Assets			
Cash and cash equivalents	$ 4,659,796	$ 4,901,175	$ 5,092,172
Due from reinsurers and ceding companies	377,508	371,426	368,422
	$ 5,037,304	$ 5,272,601	$ 5,460,594
Liabilities			
Unearned premium reserve	$ 1,433,930	$ 1,414,744	$ 1,394,266
Claims reserve	794,625	782,721	758,326
Equalization reserve	2,808,749	3,075,087	3,308,002
Other liabilities	-	49	-
	$ 5,037,304	$ 5,272,601	$ 5,460,594

7) Details of revenues and costs for compulsory automobile liability insurance are as follows:

	2013	2012
Operating revenues		
Gross premiums written	$ 2,271,131	$ 2,231,561
Net change in unearned premium reserve	(19,186)	(20,478)
Retention earned premiums	2,251,945	2,211,083
Interest income	41,667	44,824
	$ 2,293,612	$ 2,255,907
Operating costs		
Reinsurance claims paid	$ 2,548,046	$ 2,464,427
Net change in claims reserve	11,904	24,395
Net change in equalization reserve	(266,338)	(232,915)
	$ 2,293,612	$ 2,255,907

13. RISK MANAGEMENT

The Company has established risk management policy and procedure being the highest directive of promoting enterprise risk management, to efficiently identify, assess, respond and monitor all the risks assumed and to ensure that all of them are within the limitations as planned. Reasonable consideration relationship between risk and reward has been taken into account to maximize the value of equity, maintain the capital adequacy and solvency capability and strengthen the long-term operations of business. The Company has also set up risk management committee which is in charge of executing risk management decisions made by the Board of Directors, as well as independent risk management unit which is responsible for executive affairs in daily monitoring, assessment and evaluation of risks.

With regard to the overall risk management of various circumstances, the Company implemented “Risk Managing Mechanism” covering market, credit, liquidity, operation, insurance, asset and liability, emerging market and others. In addition, in order to better improve the strategic risk management efficiency, risk quantitative module, finance of risk variance are put to use to analyze various businesses and calculate Value at Risk (VaR) and Risk-adjusted Return of Capital (RAROC). In addition, the Company set up risk capacity and risk bearing as the basis for risk management, and promoting the computerization of various risk modules to continually strengthen the efficiency of risk management at the same time.

1) Financial instruments

A. Financial risk management policies

Except for derivatives held by the Company, the Company's financial instruments mainly comprise cash and cash equivalents, and all kinds of investments. The Company utilizes those instruments to achieve adjustments to operating cash flows. The Company holds other financial assets and liabilities as well, such as notes receivable from operating activities, due from (to) reinsurers and ceding companies, reinsurance receivables (payables), other accounts receivable, and other accounts payable.

The Company undertakes derivative financial instruments such as futures, forward exchange contracts and FX swap contracts to hedge fair value risk arising from fluctuations in stock prices and exchange rates.

B. Significant financial risks and degrees of financial risks

a) Market risk

i. Foreign exchange risk

To hedge cash flow fair value risk arising from fluctuations in exchange rates, the Company undertakes derivative financial instruments such as FX swap contracts and forward exchange contracts to hedge recognized assets and liabilities denominated in foreign currencies.

The Company estimates that the conditions of the hedge instruments and the hedged items are the same, thus maximizing the hedging effectiveness.

(a) The Company's businesses involve some non-functional currency operations (the Company's functional currency: NTD). The information on assets and liabilities denominated in foreign currencies whose values would be materially affected by the exchange rate fluctuations is as follows:

	December 31, 2013			December 31, 2012		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial assets						
Monetary items						
AUD	371	26.709	9,902	2,137	30.266	64,679
CAD	137	28.133	3,853	7,056	29.306	206,797
CNY	457,586	4.947	2,263,482	28,316	4.676	132,393
EUR	1,094	41.274	45,170	936	38.602	36,149
GBP	77	49.537	3,812	759	46.941	35,648
HKD	104,811	3.863	404,851	59,007	3.759	221,788
IDR	5,913,798	0.002	14,550	4,146,907	0.003	12,332
INR	63,888	0.484	30,942	100,758	0.531	53,542
JPY	470,042	0.285	134,048	400,127	0.338	135,088
KRW	5,084,048	0.029	145,044	5,499,040	0.027	149,664
USD	85,011	29.950	2,546,090	104,550	29.136	3,046,158
Non-monetary items						
CAD	2,429	28.133	68,337	2,244	29.306	65,759
HKD	93,190	3.863	359,962	135,677	3.759	509,965
JPY	680,163	0.285	193,972	407,321	0.338	137,517
USD	22,238	29.950	666,026	38,027	29.136	1,107,945

	December 31, 2013			December 31, 2012		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial liabilities						
Monetary items						
CNY	45,409	4.947	224,619	25,345	4.676	118,499
EUR	2,112	41.274	87,153	2,637	38.602	101,781
GBP	317	49.537	15,696	321	46.941	15,050
HKD	1,985	3.863	7,666	13,862	3.759	52,103
IDR	18,841,732	0.002	46,358	10,800,738	0.003	32,118
INR	160,801	0.484	77,878	147,559	0.531	78,411
JPY	1,182,320	0.285	337,178	2,524,155	0.338	852,188
KRW	9,441,170	0.029	269,349	6,656,947	0.027	181,178
MYR	1,554	9.135	14,195	1,527	9.512	14,526
PHP	14,585	0.675	9,840	17,758	0.709	12,596
SAR	588	7.985	4,696	591	7.768	4,589
SGD	3,246	23.672	76,851	2,954	23.827	70,393
THB	91,434	0.913	83,489	182,855	0.952	174,050
USD	23,317	29.950	698,342	32,510	29.136	947,206

	January 1, 2012		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial assets			
Monetary items			
AUD	2,504	30.732	76,955
CAD	6,799	29.647	201,582
CNY	43,814	4.812	210,828
EUR	1,654	39.117	64,683
GBP	390	46.716	18,226
HKD	63,770	3.899	248,620
IDR	4,528,019	0.003	14,975
INR	53,390	0.568	30,326
JPY	1,158,262	0.390	451,877
KRW	13,864,948	0.026	364,414
MYR	750	9.534	7,151
SGD	654	23.271	15,210
THB	21,976	0.960	21,092
USD	102,115	30.290	3,093,065
Non-monetary items			
CAD	2,017	29.647	59,787
HKD	97,126	3.899	378,669
JPY	372,631	0.390	145,376
USD	23,841	30.290	722,142

	January 1, 2012		
	Foreign currency amount (in thousands)	Exchange rate	Book value (NTD)
Financial liabilities			
Monetary items			
CNY	30,766	4.812	148,043
DKK	3,708	5.262	19,512
EUR	3,156	39.117	123,467
GBP	472	46.716	22,059
HKD	1,615	3.899	6,296
IDR	16,881,820	0.003	55,830
INR	52,071	0.568	29,577
JPY	1,821,882	0.390	710,778
KRW	5,648,016	0.026	148,447
MYR	2,114	9.534	20,151
PHP	12,663	0.692	8,763
SGD	1,534	23.271	35,697
THB	56,799	0.960	54,513
USD	16,585	30.290	502,369

(b) Sensitivity analysis of foreign exchange risk listed in the table below is performed for reasonably possible changes in foreign exchange rates with other conditions held constant for monetary financial assets, showing the effect on profit or loss before tax.

	2013	2012
	Effect on profit or loss before tax	Effect on profit or loss before tax
Foreign currencies to NTD revalue by 5%	$ 182,164	$ 73,098
Foreign currencies to NTD devalue by 5%	(182,164)	(73,098)

ii. Price risk

(a) The values of financial instruments may be changed by economic situations, industrial circumstances, market capital flows and government monetary policies. To hedge market value risk exposures, the Company adopts diversified assets allocation strategy taking into account the current trends of financial markets to flexibly adjust assets portfolio under the provisions of Article 146 (1) ~ (8) of the Insurance Act, regulating the limits of funds utilization ratios and accordingly, disperse the market value risk.

(b) The Company adopts the FX swap contracts and forward exchange contracts to hedge exchange rate fluctuations risk on foreign-currency denominated assets. As the gain (loss) arising from exchange rate changes will mostly offset against the loss (gain) on hedged objectives, the Company estimates no material market value risk would arise. The Company is exposed to price risk because of investments in Taiwan Stock Index Futures, which have fair value in the active market. The Company sets limits to control the transaction volume and stop-loss amount of derivatives to reduce its market risk.

(c) The Company’s investments comprise equity securities and REITs, etc. Their fair value would change due to the change of the prices of equity securities. If the prices of these equity securities had increased/decreased by 1% with all other variables held constant, pre-tax profit for the years ended December 31, 2013 and 2012 would have increased/decreased by $4,101 and $9,860, respectively, as a result of gains on equity securities classified as at fair value through profit or loss. Other components of other comprehensive income would have increased/decreased by $42,974 and $45,461, respectively, as a result of gains on equity securities classified as available-for-sale.

iii. Interest rate risk

Sensitivity analysis of interest rate risk listed in the table below is performed for reasonably possible changes in interest rate with other conditions held constant, showing the effect on profit or loss before tax and other comprehensive income before tax. Measurement of interest rate risk only takes into consideration the duration but convexity. Relevant effects may differ from the actual values, but the differences are not significant.

	December 31, 2013		
	Changes in variables	Changes in profit or loss before tax	Changes in other comprehensive income before tax
Financial assets at fair value through profit or loss	Increase/decrease 50 basis points	Decrease $3,816/Increase $5,271	-
Available-for-sale financial assets	Increase/decrease 50 basis points	Increase $375/Decrease $375	Decrease $22,990/Increase $22,990

	December 31, 2012		
	Changes in variables	Changes in profit or loss before tax	Changes in other comprehensive income before tax
Financial assets at fair value through profit or loss	Increase/decrease 50 basis points	Decrease $1,471/Increase $1,524	-
Available-for-sale financial assets	Increase/decrease 50 basis points	Increase $375/Decrease $375	Decrease $30,495/Increase $30,495

The sensitivity analysis of interest rate did not consider the effect on structured notes if interest rate had been 50 basis points higher/lower because the impact is not significant.

b) Credit risk

i. When investing in financial instruments, the Company will probably encounter the risks that the transaction counterparties may default on contracts and the custodians may incur operating difficulties. The Company utilizes funds and makes investments in accordance with the Article 146 of Insurance Act and relevant laws, and conducts transactions only with counterparties with good credit ratings, or ensures that financial instruments are issued or guaranteed by reputable financial institutions, or acquires adequate collaterals. The Insurance Act also puts a limit to the transaction amount on an individual counterparty. Accordingly, the maximum loss to the Company is the total amount of all book value.

ii. The Company utilizes funds and makes investments in financial instruments except for short-term notes and bills, time deposits, demand deposits and cash equivalents in accordance with the Article 146 of Insurance Act and related laws, and sets limits to control the investment volume with an individual institution. Therefore, the Company has lower significant concentrations of credit risk. As for the management of credit risk of debt instruments, the Company identifies the credit risk by its rating provided by external institutions, credit quality, conditions of locations and risk of counterparties. For credit ratings of counterparties, the Company strictly complies with the Article 146 of Insurance Act, the relevant legal interpretations and the Company's internal regulations on risk control. The counterparties of bond investments are those financial institutions and companies with a certain degree of credit rating.

iii. The Company undertakes FX swap contracts and forward exchange contracts only with high-credit-quality financial institutions. If the counterparties of Taiwan Stock Index Futures default, the futures brokers will be liable for the losses incurred on the default. Accordingly, the Company estimates no material credit risk would arise.

iv. The credit quality information of financial instruments is as follows:

December 31, 2013

Financial instruments	Assets are neither past due nor impaired								
	Credit rating								
	S&P AAA or equivalent	Over S&P AA- or equivalent	Over S&P A- or equivalent	Over S&P BBB- or equivalent	Over S&P BBB- or equivalent	Without rating	Impaired assets	Impairment reserve (Note 2)	Total
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 539,153	$ -	$ -	$ -	$ 539,153
Available-for-sale financial assets	-	939,672	300,000	310,796	-	-	-	-	1,550,468
Bond investments without active market	910,845	382,230	1,236,885	246,735	400,000	-	87,567	(87,567)	3,176,695
	$ 910,845	$ 1,321,902	$ 1,536,885	$ 557,531	$ 939,153	$ -	$ 87,567	($ 87,567)	$ 5,266,316

December 31, 2012

Financial instruments	Assets are neither past due nor impaired								
	Credit rating								
	S&P AAA or equivalent	Over S&P AA- or equivalent	Over S&P A- or equivalent	Over S&P BBB- or equivalent	Over S&P BBB- or equivalent	Without rating (Note 1)	Impaired assets	Impairment reserve (Note 2)	Total
Financial assets at fair value through profit or loss	$ -	$ -	$ 463,103	$ -	$ 537,460	$ 35,615	$ -	$ -	$ 1,036,178
Available-for-sale financial assets	-	1,008,033	615,441	304,318	-	-	-	-	1,927,792
Bond investments without active market	458,934	260,000	145,680	-	400,000	-	1,205,835	(866,597)	1,603,852
	$ 458,934	$ 1,268,033	$ 1,224,224	$ 304,318	$ 937,460	$ 35,615	$ 1,205,835	($ 866,597)	$ 4,567,822

Note 1: Domestic convertible corporate bonds.

Note 2: The impairment reserve refers to a provision for impairment recognized appropriately in accordance with International Accounting Standards No. 39, “Financial Instruments: Recognition and Measurement”.

January 1, 2012

Financial instruments	S&P AAA or equivalent	Over S&P AA- or equivalent	Over S&P A- or equivalent	Over S&P BBB- or equivalent	Over S&P BBB- or equivalent	Without rating (Note 1)	Impaired assets	Impairment reserve (Note 2)	Total
	Assets are neither past due nor impaired								
	Credit rating								
Financial assets at fair value through profit or loss	$ -	$ 124,207	$ 345,487	$ -	$ -	$ 48,470	$ -	$ -	$ 518,164
Available-for-sale financial assets	-	994,196	618,583	309,087	-	-	-	-	1,921,866
Bond investments without active market	239,004	260,000	-	-	200,000	59,986	1,216,213	(747,748)	1,227,455
	$ 239,004	$ 1,378,403	$ 964,070	$ 309,087	$ 200,000	$ 108,456	$ 1,216,213	($ 747,748)	$ 3,667,485

Note 1: Domestic convertible corporate bonds, foreign structured notes and foreign collateralized debt obligation.

Note 2: The impairment reserve refers to a provision for impairment recognized appropriately in accordance with International Accounting Standards No. 39, “Financial Instruments: Recognition and Measurement”.

c) Liquidity risk

i. The Company uses short-term notes and bills, time deposits, demand deposits and other cash equivalents to adequately adjust its cash flows. When conducting investment evaluation, the Company will take into account the liquidity of financial instruments in secondary markets and may allocate some funds to lower-liquidity but higher-yield-rate financial instruments on condition that the risk is controlled. Even if those financial instruments are sold in the short-term, there is a less likelihood that liquidity risk would arise due to the selling price being significantly lower than the fair value. However, those financial instruments are not intended to be sold in the short-term.

ii. The nominal principal of FX swap contracts and forward exchange contracts is normally used as a calculation basis of receivables and payables for these transactions, and is not the actual settlement amount. The actual settlement amount is usually lower than the nominal principal. The Company has paid margins in advance before undertaking Taiwan Stock Index Futures transactions, and daily evaluates the unsettled futures positions. In case when additional margins have to be paid later on, the Company has sufficient working capital to fulfill its payment obligations. Accordingly, the Company estimates no material cash flow risk would arise.

iii. The table below analyses the Company's non-derivative financial liabilities and net-settled derivative financial instruments into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date for non-derivative financial liabilities and to the expected maturity date for derivative financial instruments.

(a) Non-derivative financial liabilities

December 31, 2013	Due in one year or less	Due after one year through three years	Total
Accounts payable	$ 393,245	$ 522	$ 393,767
Deposits-in (under other liabilities)	4,192	766	4,958

December 31, 2012	Due in one year or less	Due after one year through three years	Total
Accounts payable	$ 851,315	$ 1,566	$ 852,881
Deposits-in (under other liabilities)	1,834	3,200	5,034

January 1, 2012	Due in one year or less	Due after one year through three years	Total
Accounts payable	$ 611,587	$ 1	$ 611,588
Deposits-in (under other liabilities)	2,468	2,775	5,243

(b) Net-settled derivative financial instruments

December 31, 2013	Due in three months or less	Due after three months through one year	Total
FX swap contracts	($ 721)	$ -	($ 721)
Forward exchange contract	3,289	-	3,289

December 31, 2012	Due in three months or less	Due after three months through one year	Total
FX swap contracts	$ 729	$ 1,700	$ 2,429

January 1, 2012	Due in three months or less	Due after three months through one year	Total
FX swap contracts	$ 1,380	$ -	$ 1,380

2) Risk management of insurance contracts

After assessing the insurance contracts assumed by the Company, all insurance risk are transferred. Risk management and procedures are summarized below:

A. Measurement and management of insurance risk:

Insurance risk occurs when loss frequency, severity, timing and other possible risk factors are far from past experience. For example, natural and man-made catastrophes risk may occur randomly and thus actual claims may be more than expected.

The Company follows underwriting and risk management related guidelines to assume reinsurance business. The Company's internal quantitative model, external monitoring model, internal control system and other related systems are developed to ensure insurance risks are efficiently identified, measured, steered and monitored.

a) Underwriting policy

The reinsurance portfolio of the Company consists of various types of reinsurance and businesses from different countries and territories. The insurance types include life insurance, property and casualty insurance and others which are in compliance with regulatory requirement. The Company's core markets are in Asia.

b) Retrocession strategy

In consideration of financial strength, capacity and the operation strategies, the Company arranges retrocession to increase the capacity, diversify risks, mitigate retained risk and increase business competitiveness. Furthermore, the Company has purchased catastrophe cover to minimize the exposure to catastrophe loss which may greatly impact the Company’s financial performance. Stringent evaluation of the reputation and credit rating of the reinsurer is taken into account when the Company arranges a retrocession contract.

Although the Company adopts various prescribed methods to control insurance risk, given the random and unpredictable nature of insured incidents, deviation may occur between the actual result and the expectation derived from historical experience.

B. Concentration of insurance risk

Premium income and retention premium income ratio based on the business type for the years ended December 31, 2013 and 2012 are as follows:

Type \ Year	2013		2012	
	Premium	Retention premium	Premium	Retention premium
Domestic inward property reinsurance business	51.89%	50.63%	56.35%	55.46%
Domestic inward life reinsurance business	37.47%	38.72%	30.25%	31.24%
Subtotal-Domestic inward reinsurance business	89.36%	89.35%	86.60%	86.70%
Foreign inward reinsurance business	10.64%	10.65%	13.40%	13.30%
Total	100.00%	100.00%	100.00%	100.00%

C. Sensitivity analysis of insurance risk

The retention earned premium income of the Company (excluding the compulsory automobile liability insurance business) for the years ended December 31, 2013 and 2012 were $12,344,422 and $11,148,033, respectively. If the change of combined ratio of the Company is 1%, the estimated effect on gains and losses of underwriting for the years ended December 31, 2013 and 2012 is approximately $123,444 and $111,480, respectively.

D. Loss development pattern

a) As of December 31, 2013, the following table indicates the loss development pattern of the Company's inward business:

Year of underwriting	2009	2010	2011	2012	2013	Total
Non-statutory insurance						
Accumulated estimated claim amount						
At the end of the year	$ 3,250,772	$ 3,248,664	$ 4,764,133	$ 4,333,245	$ 5,222,485	
After the first year	7,020,137	7,946,701	8,406,636	7,341,226		
After the second year	6,823,086	7,717,952	7,872,830			
After the third year	6,681,568	7,409,328				
After the fourth year	6,574,057					
Accumulated estimated claim amount	6,574,057	7,409,328	7,872,830	7,341,226	5,222,485	$ 34,419,926
Accumulated claim payment	(5,925,410)	(6,546,155)	(6,326,833)	(4,470,756)	(1,295,666)	(24,564,820)
Accumulated unpaid claim	648,647	863,173	1,545,997	2,870,470	3,926,819	9,855,106
Add: Accumulated unpaid claim before 2008						1,645,268
Subtotal						11,500,374
Provision for statutory insurance claims reserve (Note)	(1)	18,647	110,583	366,028	299,391	794,648
Recognition in balance sheet						$ 12,295,022

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

b) As of December 31, 2013, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2009	2010	2011	2012	2013	Total
Non-statutory insurance						
Accumulated estimated claim amount						
At the end of the year	$ 2,788,623	$ 3,003,431	$ 4,455,722	$ 4,062,535	$ 4,924,699	
After the first year	6,268,228	7,292,393	7,768,781	6,797,370		
After the second year	6,088,240	7,085,938	7,312,008			
After the third year	5,970,669	6,812,135				
After the fourth year	5,870,459					
Accumulated estimated claim amount	5,870,459	6,812,135	7,312,008	6,797,370	4,924,699	$ 31,716,671
Accumulated claim payment	(5,264,857)	(5,997,755)	(5,856,797)	(4,172,888)	(1,266,253)	(22,558,550)
Accumulated unpaid claim	605,602	814,380	1,455,211	2,624,482	3,658,446	9,158,121
Add: Accumulated unpaid claim before 2008						1,467,562
Subtotal						10,625,683
Provision for statutory insurance claims reserve (Note)	(1)	18,647	110,583	366,028	299,391	794,648
Recognition in balance sheet						$ 11,420,331

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

c) As of December 31, 2012, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2007	2008	2009	2010	2011	2012	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,678,112	$ 2,980,127	$ 2,788,623	$ 3,003,431	$ 4,455,722	$ 4,062,535	
After the first year	6,308,375	6,577,559	6,268,228	7,292,393	7,768,781		
After the second year	5,969,882	5,738,360	6,088,240	7,085,938			
After the third year	5,910,992	5,690,175	5,970,669				
After the fourth year	5,888,858	5,649,643					
After the fifth year	5,881,504						
Accumulated estimated claim amount	5,881,504	5,649,643	5,970,669	7,085,938	7,768,781	4,062,535	$ 36,419,070
Accumulated claim payment	(5,420,066)	(5,264,001)	(5,177,043)	(5,681,738)	(4,601,626)	(848,246)	(26,992,720)
Accumulated unpaid claim	461,438	385,642	793,626	1,404,200	3,167,155	3,214,289	9,426,350
Add: Accumulated unpaid claim before 2006							646,305
Subtotal							10,072,655
Provision for statutory insurance claims reserve (Note)	-	(1)	27,613	105,722	350,152	299,258	782,744
Recognition in balance sheet							$ 10,855,399

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

d) As of January 1, 2012, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2007	2008	2009	2010	2011	Total
Non-statutory insurance						
Accumulated estimated claim amount						
At the end of the year	$ 3,678,112	$ 2,980,127	$ 2,788,623	$ 3,003,431	$ 4,455,722	
After the first year	6,308,375	6,577,559	6,268,228	7,292,393	-	
After the second year	5,969,882	5,738,360	6,088,240	-	-	
After the third year	5,910,992	5,690,175	-	-	-	
After the fourth year	5,888,858	-	-	-	-	
Accumulated estimated claim amount	5,888,858	5,690,175	6,088,240	7,292,393	4,455,722	$ 29,415,388
Accumulated claim payment	(5,363,035)	(5,147,360)	(4,974,657)	(4,404,521)	(847,279)	(20,736,852)
Accumulated unpaid claim	525,823	542,815	1,113,583	2,887,872	3,608,443	8,678,536
Add: Accumulated unpaid claim before 2006						780,599
Subtotal						9,459,135
Provision for statutory insurance claims reserve (Note)	(1)	27,057	96,652	334,018	300,644	758,370
Add: Provision for statutory insurance claims reserve before 2006						3
Subtotal						758,373
Recognition in balance sheet						$ 10,217,508

Note: Statutory insurance includes compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance.

14. THE OBJECTIVE, POLICY AND PROCEDURE OF CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to safeguard capital adequacy and solvency of the Company in order to support the Company's sustainable development and continuously create interests for shareholder.

Taiwan insurance enterprises usually measure whether the capital is adequate in accordance with the capital adequacy ratio. Pursuant to Article 143-4 of Insurance Act, an insurance enterprise's ratio of self-owned capital to risk-based capital may not be lower than 200%. The Company calculates the capital adequacy ratio once every six months in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" to ensure that it can continuously meet the statutory capital requirement.

In accordance with "Regulations Governing Capital Adequacy of Insurance Companies", capital adequacy ratio is calculated as self-owned capital divided by risk-based capital. Self-owned capital is the total capital approved by the competent authority, which includes recognized owners' equity and other adjustment items as regulated by the competent authority; risk-based capital is the total capital calculated based on the extent of risk that an insurance enterprise assumes in its actual operations. Capital adequacy ratios of the Company as at December 31, 2013 and 2012, were all above 300% in compliance with regulation.

15. OTHER DISCLOSURES

1) Information of significant transactions

A. Acquisition of real estate in excess of $100,000 or 20% of the paid-up capital: None.

B. Disposals of real estate in excess of $100,000 or 20% of the paid-up capital: None.

C. Related party transactions in excess of $100,000 or 20% of the paid-up capital: None.

D. Accounts receivable from related parties in excess of $100,000 or 20% of the paid-up capital: None.

E. Derivative business transactions: Please see Notes 6 (3) and 6 (7).

F. Business and significant transactions between the parent company and subsidiaries, and those between subsidiaries: None.

2) Information related to long-term investments

None.

3) Investments in Mainland China and business transactions

None.

16. SEGMENT INFORMATION

1) General information

The Company only operates reinsurance business and the chief operating decision-maker assesses performance and allocates resources as a whole; therefore, the Company has only one operating segment.

2) Information on product

The Company has only one kind of product; therefore, disclosure of financial information by product is not applicable.

3) Geographical information

Premiums income of the Company from domestic and foreign clients for 2013 and 2012 are as follows:

	2013	2012
Domestic inward reinsurance	$ 13,984,303	$ 12,443,203
Foreign inward reinsurance	1,665,390	1,925,365
	$ 15,649,693	$ 14,368,568

4) Major customer information

There are specific customers of Compulsory Motor Insurance Pool that contributed over 10% of the total revenues stated on the Company's statement of income. In 2013 and 2012, premiums income from these customers amounted to $2,271,131 and $2,231,561, constituting 14.51% and 15.53% of the related totals, respectively.

17. BORROWINGS RESULTED FROM PAYMENT OF CLAIMS

None.

18. ACQUISITION, CONSTRUCTION, IDLELIZATION AND SALES OF MAIN OPERATING ASSETS AND REAL ESTATE INVESTMENTS

None.

19. IMPORTANT LAWSUITS IN PROGRESS OR ADJUDICATED

None.

20. IMPORTANT CONTRACTS SIGNED, DISCHARGED BY PERFORMANCE, AGREEMENT, OR BREACHED

Aside from regular contracts related to the insurance business, the Company had no important contracts signed, discharged by performance, agreement, or breached.

21. INVESTMENT ITEMS AND INVESTMENT CEILINGS WITH THE INVESTMENT FUNDS BEING HANDLED AND MANAGED BY THE SECURITIES INVESTMENT TRUST COMPANIES OR SECURITIES INVESTMENT CONSULTING COMPANIES

None.

22. ADJUSTMENT OF ORGANIZATION AND SIGNIFICANT CHANGE OR REFORM OF MANAGEMENT MECHANISM

None.

23. EFFECTS OF GOVERNMENT LAWS' SIGNIFICANT CHANGE

Please see Note 6(8) for effect of equalization reserve on the financial statements according to the related insurance regulations.

24. INITIAL APPLICATION OF IFRSs

These financial statements are the first financial statements prepared by the Company in accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions" and the IFRSs. The Company has adjusted the amounts as appropriate that are reported in the previous R.O.C. GAAP financial statements to those amounts that should be presented under IFRSs in the preparation of the opening IFRS balance sheet. Information about exemptions elected by the Company, exceptions to the retrospective application of IFRSs in relation to initial application of IFRSs, and how it affects the Company's financial position, financial performance and cash flows in transition from R.O.C. GAAP to the IFRSs is set out below:

1) Major exemptions elected by the Company

A. Share-based payment

The Company has elected not to apply the requirements in IFRS No. 2, "Share-based Payment", retrospectively to equity instruments that were vested arising from share-based payment prior to transition to IFRSs.

B. Deemed cost

a) For properties that were accounted for under "Investments in real estate properties" which were revalued under R.O.C. GAAP before the transition date, the Company has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the "deemed cost" of these assets under IFRSs.

b) For properties that were accounted for under "Property and equipment" which were revalued under R.O.C. GAAP before the transition date, the Company has elected to use the revalued amount under R.O.C. GAAP at the date of the revaluation as the "deemed cost" of these assets under IFRSs.

C. Insurance contract

The Company has elected to apply the transitional provisions in IFRS 4, "Insurance Contracts", and apply IFRS 4 from the transition date.

D. Employee benefits

The Company has elected to recognize all cumulative actuarial gains and losses relating to all employee benefit plans in 'retained earnings' at the transition date, and to disclose the information of present value of defined benefit obligation, fair value of plan assets, gain or loss on plan assets and experience adjustments under the requirements of paragraph 120A (P), IAS 19, 'Employee Benefits', based on their prospective amounts for financial periods from the transition date.

2) Except non-controlling interest to which exceptions to the retrospective application of IFRSs specified in IFRS 1 are not applied as they have no relation with the Company, other exceptions to the retrospective application are set out below:

A. Accounting estimates

Accounting estimates made under IFRSs on January 1, 2012 are consistent with those made under R.O.C. GAAP on that date.

B. Derecognition of financial assets and financial liabilities

The derecognition requirements in IAS 39, "Financial Instruments: Recognition and Measurement" shall be applied prospectively to transactions occurring on or after January 1, 2004.

C. Hedge accounting

Hedge accounting can only be applied prospectively to transactions that qualify for hedge accounting in accordance with IAS 39 from the date of transition to IFRSs. Hedging relationship should not be designated retrospectively, and written documentation relating to hedge accounting should not be made retrospectively, either. Therefore, under IFRS 1, only a hedging relationship that satisfied the hedge accounting criteria on January 1, 2012 can be reflected as hedge in the Company's opening IFRS financial statements.

3) Requirement to reconcile from R.O.C. GAAP to IFRSs at the time of initial application

IFRS 1 requires that entity should make reconciliation for equity, comprehensive income and cash flows for the comparative periods. Reconciliation for equity and comprehensive income for the comparative periods as to transition from R.O.C. GAAP to IFRSs is shown below:

A. Reconciliation for equity on January 1, 2012:

R.O.C. GAAP		Effect of transition from R.O.C. GAAP to IFRSs		IFRSs		
Account	Amount	Recognized difference	Presentation difference	Amount	Account	Remark
Cash and cash equivalents	$ 16,112,004	$ -	$ -	$ 16,112,004	Cash and cash equivalents	
Accounts receivable	2,712,761	-	(2,299,136)	413,625	Accounts receivable	
	-	-	2,233,504	2,233,504	Reinsurance contract assets	
	-	-	65,632	65,632	Current income tax assets	
Investments						
Financial assets at fair value through profit or loss	1,281,006	-	-	1,281,006	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	5,847,545	-	-	5,847,545	Available-for-sale financial assets	
Derivative financial assets for hedging	294	-	-	294	Derivative financial assets for hedging	
Investment in bonds without active markets	1,227,455	-	-	1,227,455	Bond investments without active market	
Investments in real estate properties	461,744	-	-	461,744	Investment property	
Reinsurance reserve assets	1,542,526	-	-	1,542,526	Reinsurance contract assets	
Fixed assets (net amount)	209,550	-	-	209,550	Property and equipment	
Intangible asset	3,243	-	-	3,243	Intangible asset	
Other assets	1,376,355	870	(232,265)	1,144,960	Other assets	(a)
	-	1,295	232,265	233,560	Deferred income tax assets	(a)(b)(d)
Total assets	$ 30,774,483	$ 2,165	$ -	$ 30,776,648	Total assets	

R.O.C. GAAP		Effect of transition from R.O.C. GAAP to IFRSs		IFRSs		
Account	Amount	Recognized difference	Presentation difference	Amount	Account	Remark
Accounts payable	$ 605,932	$ 6,630	($ 974)	$ 611,588	Accounts payable	(b)
	-	-	974	974	Current income tax liabilities	
Liability reserves	22,934,621	-	-	22,934,621	Insurance liabilities	
Other liabilities	115,456	(49,843)	-	65,613	Other liabilities	(a)(e)
	-	43,280	-	43,280	Deferred income tax liabilities	(d)(e)
Total liabilities	23,656,009	67	-	23,656,076	Total liabilities	
Capital					Capital	
Common stock	5,512,500	-	-	5,512,500	Common stock	
Capital reserve					Capital reserve	
Additional paid-in capital	300,000	-	-	300,000	Additional paid-in capital	
Retained earnings					Retained earnings	
Legal reserve	960,360	-	-	960,360	Legal reserve	
Special reserve	378,897	126,557	-	505,454	Special reserve	(c)(f)
Undistributed earnings	681,972	8,031	-	690,003	Undistributed earnings	(a)(b)(d)~(f)
Other adjustments to stockholders' equity					Other equity	
Revaluation increment on properties	126,557	(126,557)	-	-		(e)
Unrealized gains or losses on financial instruments	(841,812)	(5,933)	-	(847,745)	Unrealized gain (loss) on available-for-sale financial assets	(d)
Total stockholders' equity	7,118,474	2,098	-	7,120,572	Total equity	
Total liabilities and stockholders' equity	$ 30,774,483	$ 2,165	$ -	$30,776,648	Total liabilities and equity	

B. Reconciliation for equity on December 31, 2012:

R.O.C. GAAP		Effect of transition from R.O.C. GAAP to IFRSs		IFRSs		
Account	Amount	Recognized difference	Presentation difference	Amount	Account	Remark
Cash and cash equivalents	$ 17,008,182	$ -	$ -	$ 17,008,182	Cash and cash equivalents	
Accounts payable	2,388,138	-	(2,077,984)	310,154	Accounts receivable	
	-	-	2,014,904	2,014,904	Reinsurance contract assets	
	-	-	63,080	63,080	Current income tax assets	
Investments						
Financial assets at fair value through profit or loss	2,025,562	-	-	2,025,562	Financial assets at fair value through profit or loss	
Available-for-sale financial assets	5,527,325	-	-	5,527,325	Available-for-sale financial assets	
Derivative financial assets for hedging	343	-	-	343	Derivative financial assets for hedging	
Investment in bonds without active markets	1,603,852	-	-	1,603,852	Bond investments without active market	
Investments in real estate properties	460,057	-	-	460,057	Investment property	
Reinsurance reserve assets	1,475,820	-	-	1,475,820	Reinsurance contract assets	
Fixed assets (net amount)	207,133	-	-	207,133	Property and equipment	
Intangible asset	3,438	-	-	3,438	Intangible asset	
Other assets	1,399,128	36	(238,096)	1,161,068	Other assets	(a)
		1,614	238,096	239,710	Deferred income tax assets	(a)(b)(d)
Total assets	$ 32,098,978	$ 1,650	$ -	$ 32,100,628	Total assets	

R.O.C.GAAP		Effect of transition from R.O.C.GAAP to IFRSs		IFRSs		
Account	Amount	Recognized difference	Presentation difference	Amount	Account	Remark
Accounts payable	$ 926,767	$ 6,899	($ 80,785)	$ 852,881	Accounts payable	(b)
			80,785	80,785	Current income tax liabilities	
Financial liabilities						
Financial liabilities at fair value through profit or loss	927	-	-	927	Financial liabilities at fair value through profit or loss	
Derivative financial liabilities for hedging	339	-	-	339	Derivative financial liabilities for hedging	
Liability reserve	23,090,610	-	-	23,090,610	Insurance liabilities	
Other liabilities	86,954	(49,069)	-	37,885	Other liabilities	(a)(e)
	-	43,280	-	43,280	Deferred income tax liabilities	(d)(e)
Total liabilities	24,105,597	1,110	-	24,106,707	Total liabilities	
Capital					Capital	
Common stock	5,512,500	-	-	5,512,500	Common stock	
Capital reserve					Capital reserve	
Additional paid-in capital	300,000	-	-	300,000	Additional paid-in capital	
Retained earnings					Retained earnings	
Legal reserve	991,944	-	-	991,944	Legal reserve	
Special reserve	1,108,975	126,557	-	1,235,532	Special reserve	(c)(f)
Undistributed earnings	599,678	6,473	-	606,151	Undistributed earnings	(a)(b) (d)~(f)
Other adjustments to stockholders' equity					Other equity	
Revaluation increment on properties	126,557	(126,557)	-	-		(e)
Unrealized gains or losses on financial instruments	(646,273)	(5,933)	-	(652,206)	Unrealized gain (loss) on available-for-sale financial assets	(d)
Total stockholders' equity	7,993,381	540	-	7,993,921	Total equity	
Total liabilities and stockholders' equity	$32,098,978	$ 1,650	$ -	$32,100,628	Total liabilities and equity	

C. Reconciliation for comprehensive income for the year ended December 31, 2012:

R.O.C. GAAP		Effect of transition from R.O.C. GAAP to IFRSs		IFRSs		
Account	Amount	Recognized difference	Presentation difference	Amount	Account	Remark
Operating revenues					Operating revenues	
Gross premiums written	$ 14,368,568	$ -	$ -	$ 14,368,568	Gross premiums written	
Less:Reinsurance premiums ceded	(966,232)	-	-	(966,232)	Less:Reinsurance premiums ceded	
Net change in unearned premium reserve	(43,220)	-	-	(43,220)	Net change in unearned premium reserve	
Retention earned premiums	13,359,116	-	-	13,359,116	Retention earned premiums	
Reinsurance commission revenue	279,402	-	-	279,402	Reinsurance commission revenue	
Overriding commission revenue	19,369	-	-	19,369	Overriding commission revenue	
Net gain from investment					Net gain from investment	
Interest income	377,143	-	(16,509)	360,634	Interest income	
		-	395,195	395,195	Loss or gain on financial asset or financial liability at fair value through profit or loss	
		-	142,260	142,260	Realized gain (loss) on available-for-sale financial assets	
Gain on valuation of financial assets	148,894	-	(148,894)	-		
Foreign exchange loss	(109,460)	-	-	(109,460)	Foreign exchange loss	
Disposal and investment gain (loss)	372,052	-	(372,052)	-		
Income from real estate investments-net	20,153	-	-	20,153	Income from investment property	
Loss on investment impairment	(118,849)	-	-	(118,849)	Loss on investment impairment	
Other operating revenues	2,695	-	-	2,695	Other operating revenues	
Total operating revenues	14,350,515	-	-	14,350,515	Total operating revenues	

R.O.C. GAAP		Effect of transition from R.O.C. GAAP to IFRSs		IFRSs		
Account	Amount	Recognized difference	Presentation difference	Amount	Account	Remark
Operating costs					Operating costs	
Reinsurance claims paid	($ 9,278,604)	$ -	$ -	($ 9,278,604)	Reinsurance claims paid	
Less: Reinsurance claims recovery	534,899	-	-	534,899	Less: Reinsurance claims recovery	
Retention reinsurance claims paid	(8,743,705)	-	-	(8,743,705)	Retention reinsurance claims paid	
Net change in liability reserves						
Total net change in liability reserves	(179,475)	-	-	(179,475)	Net change in other insurance liabilities reserves	
Reinsurance commission expenses	(4,279,255)	-	-	(4,279,255)	Reinsurance commission expenses	
Other operating costs	(13,676)	-	-	(13,676)	Other operating costs	
Total operating costs	(13,216,111)	-	-	(13,216,111)	Total operating costs	
Operating expenses					Operating expenses	
Selling expenses	(260,098)	(23)	-	(260,121)	Selling expenses	(a)(b)
Administration expenses	(99,026)	(500)	-	(99,526)	Administration expenses	(a)(b)
Training expenses	(1,058)	-	-	(1,058)	Training expenses	
Total operating expenses	(360,182)	(523)	-	(360,705)	Total operating expenses	
Net operating income	774,222	(523)	-	773,699	Net operating income	
Non-operating income and expense	19,947	-	-	19,947	Non-operating income and expense	
Income from continuing operations before tax	794,169	(523)	-	793,646	Income from continuing operations before tax	
Income tax expense	(114,801)	89	-	(114,712)	Income tax expense	(a)(b)
Income from continuing operations after tax	679,368	(434)	-	678,934	Income from continuing operations after tax	
					Other comprehensive income	
	-	-	197,031	197,031	Unrealized gain (loss) on valuation of available-for-sale financial assets	
	-	-	(1,354)	(1,354)	Actuarial gain (loss) on defined benefit plan	
	-	-	(1,262)	(1,262)	Income tax relating to the components of other comprehensive income	
	-	-	194,415	194,415	Other comprehensive income for the year, net of tax	
	$ 679,368	($ 434)	$ 194,415	$ 873,349	Total comprehensive income for the year	

Reasons for differences are outlined below:

a) Pensions

The discount rate used to calculate pensions shall be determined with reference to the factors specified in R.O.C. SFAS 18, paragraph 23. However, IAS 19, ‘Employee Benefits’, requires an entity to determine the rate used to discount employee benefits with reference to market yields at the end of the reporting period on high quality corporate bonds of a currency and term consistent with the currency and term of the benefit obligation; when there is no deep market in corporate bonds, an entity is required to use market yields on government bonds (at the end of the reporting period) instead.

In accordance with the Company’s accounting policies, unrecognized transitional net benefit obligation should be amortized on a straight-line basis over the average remaining service period of employees still in service and expected to receive benefits. However, the transitional provisions in IAS 19 are not applied to the Company as the first-time adopter of IFRSs, so the Company has no unrecognized transitional liabilities.

In addition, the Company chose the exemption of employee benefits (please refer to Note 24(1)) and recognized accumulated actuarial gains and loss in unappropriated earnings according to IFRS No. 1, “First-time Adoption of International Financial Reporting Standards”.

b) Employee benefits

R.O.C. GAAP does not specify the rules on the cost recognition for accumulated unused compensated absences. The Company recognizes such costs as expenses upon actual payment. However, IAS 19, ‘Employee Benefits’, requires that the costs of accumulated unused compensated absences should be accrued as expenses at the end of the reporting period.

c) Insurance contract

According to the R.O.C SFAS No. 40, paragraph 41, liabilities for catastrophe and stability reserve for insurance contracts under current related insurance regulations which have existed before effective date of the adoption (January 1, 2011) can still be recognized as liabilities. However, according to IFRS 4, “Insurance Contracts”, future potential claim expense derived from a contract which does not exist at the end of reporting period shall not be recognized as a liability. According to the related insurance regulations to be pronounced and effective in 2013 of FSC, equalization reserve recognized under liabilities prior to the date of December 31, 2012, except for other designation required by competent authorities under a supervisory purpose, shall be recognized as special reserve under equity after the deduction of income tax according to IAS No. 12 on January 1, 2013. However, according to Jin-Guan-Pao-Tsai Order No. 10102517491, “Directions for Strengthening Special Reserve by Reinsurance Enterprises”, Jin-Guan-Pao-Chan Order No. 10102531541, “Directions for Strengthening Co-insurance Reserve of Residential Earthquake Insurance” and Jin-Guan-Pao-Tsai Order No. 10102517091, “Regulations for Reserving Nuclear Energy Insurance Reserve by Non-Life Insurance Enterprises” dated December 28, 2012, subsequent equalization reserve recognized under liabilities by December 31, 2012 should still be recognized under liabilities starting from January 1, 2013.

d) Income taxes

Deferred income tax assets and liabilities arising from any unrealized gains or losses on foreign investment classified as available-for-sale financial assets at fair value shall be recognized as current gains and loss when there is a change in tax law according to R.O.C. GAAP. However, according to IAS No. 12, “Income Taxes”, the effects shall be classified as other adjustments to equity.

Deferred income tax assets and liabilities of the same entity are eligible to be offset each other based on R.O.C. GAAP. However, according to IAS No. 12, “Income Taxes”, only when an entity has the legal enforceable right to offset current income tax assets against current income tax liabilities, can deferred income tax assets and liabilities be offset against each other.

e) Deemed cost

The Company chose the exemption under IFRS No. 1, “First-time Adoption of International Financial Reporting Standards” at the opening IFRS balance sheet date (please refer to Note 24 (1)).

f) Special reserve

According to Jin-Guan-Zheng-Fa Order No. 1010012865 of FSC dated April 6, 2012, upon the first-time adoption of IFRSs, equivalent amounts of special reserve with regard to the unrealized revaluation increment under equity as well as the exemptions transferred from unappropriated retained earnings according to IFRS No. 1 shall be set aside.

D. Major adjustments for the statement of cash flows for the year ended December 31, 2012.

a) The transition of R.O.C. GAAP to IFRSs has insignificant effect on the Company’s cash flows reported.

b) The reconciliation between R.O.C. GAAP and IFRSs has insignificant net effect on the Company’s cash flows, except for the requirements under IAS No. 17, “Statement of Cash Flows”, whereby certain investing activities are classified under net cash flow from operating activities.