CENTRAL REINSURANCE CORPORATION

FINANCIAL STATEMENTS AND REPORT OF

INDEPENDENT ACCOUNTANTS

JUNE 30, 2016 AND 2015

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REPORT OF INDEPENDENT ACCOUNTANTS

PWCR16000070

To Central Reinsurance Corporation

We have audited the accompanying balance sheets of Central Reinsurance Corporation as of June 30, 2016, December 31, 2015 and June 30, 2015, and the related statements of comprehensive income for the three months and six months ended June 30, 2016 and 2015, as well as the statement of changes in equity and of cash flows for the six months ended June 30, 2016 and 2015. 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 statements 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 June 30, 2016, December 31, 2015 and June 30, 2015, and its financial performance for the three months and six months ended June 30, 2016 and 2015, as well as its cash flows for the six months ended June 30, 2016 and 2015 in conformity with the "Rules for the Preparation of Financial Reports by Insurance Institutions" and International Accounting Standard 34, "Interim Financial Reporting" as endorsed by the Financial Supervisory Commission.

PricewaterhouseCoopers, Taiwan

August 2, 2016
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
(Expressed in thousands of New Taiwan dollars)

	ASSETS	Notes	June 30, 2016 AMOUNT	%	December 31, 2015 AMOUNT	%	June 30, 2015 AMOUNT	%
11000	**Cash and cash equivalents**	6(1)	$ 14,931,202	44	$ 16,461,567	50	$ 16,985,448	50
12000	**Accounts receivable**	6(2)	167,081	-	248,065	1	373,513	1
12600	**Current income tax assets**		69,977	-	69,977	-	133,340	-
14110	**Financial assets at fair value through profit or loss**	6(3)	563,645	2	537,573	2	631,186	2
14120	**Available-for-sale financial assets**	6(4)	5,325,541	16	3,802,122	11	5,901,531	17
14160	**Investments in debt instrument without active market**	6(5)	4,850,150	14	5,478,882	17	3,930,479	12
14170	**Held-to-maturity financial assets**	6(6)	1,147,260	3	-	-	-	-
14180	**Other financial assets**	6(7)	1,563,309	5	1,422,932	4	518,905	2
14200	**Investment property, net**	6(9)	455,427	1	456,730	1	457,743	1
15000	**Reinsurance contract assets**	6(10)	3,917,828	11	3,455,783	10	3,912,522	11
16000	**Property and equipment, net**	6(13)	210,784	1	213,444	1	213,795	1
17000	**Intangible assets**		3,205	-	3,786	-	1,061	-
17800	**Deferred income tax assets**		38,190	-	28,124	-	13,427	-
18000	**Other assets**		1,049,502	3	1,086,086	3	1,060,209	3
	TOTAL ASSETS		$ 34,293,101	100	$ 33,265,071	100	$ 34,133,159	100
	LIABILITIES AND EQUITY							
21000	**Accounts payable**	6(14)	$ 1,041,030	3	$ 425,192	2	$ 1,287,723	4
21700	**Current income tax liabilities**		75,256	-	68,011	-	95,159	1
23200	**Financial liabilities at fair value through profit or loss**	6(3)	8,427	-	31,549	-	18,637	-
24000	**Insurance liabilities**	6(10)	23,925,500	70	23,279,625	70	23,279,274	68
27000	**Provisions**		7,467	-	8,015	-	5,675	-
28000	**Deferred income tax liabilities**		49,331	-	76,186	-	61,341	-
25000	**Other liabilities**		38,343	-	27,012	-	42,284	-
	TOTAL LIABILITIES		25,145,354	73	23,915,590	72	24,790,093	73
30000	**EQUITY**							
31000	**Capital**							
31100	Common stock	6(16)	5,622,750	16	5,622,750	17	5,622,750	16
32000	**Capital reserve**		300,000	1	300,000	1	300,000	1
33000	**Retained earnings**							
33100	Legal reserve		1,601,584	5	1,448,411	4	1,448,411	4
33200	Special reserve	6(18)	1,194,523	3	1,194,523	4	976,714	3
33300	Undistributed earnings		577,728	2	816,086	2	763,573	2
34000	**Other equity interest**		(148,838)	-	(32,289)	-	231,618	1
	TOTAL EQUITY		9,147,747	27	9,349,481	28	9,343,066	27
	TOTAL LIABILITIES AND EQUITY		$ 34,293,101	100	$ 33,265,071	100	$ 34,133,159	100

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

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

	Items	Notes	Three months ended June 30 2016 AMOUNT	%	Three months ended June 30 2015 AMOUNT	%	Six months ended June 30 2016 AMOUNT	%	Six months ended June 30 2015 AMOUNT	%
41000	**Operating revenues**									
41100	Gross premiums written		$ 3,614,484	106	$ 3,510,172	101	$ 7,362,633	111	$ 7,539,240	103
51100	Less: Reinsurance premiums ceded		(258,734)	(8)	(249,788)	(7)	(540,150)	(8)	(564,170)	(7)
51310	Net change in unearned premium reserve		(120,881)	(3)	(24,103)	(1)	(386,677)	(6)	(201,843)	(3)
41130	**Retention earned premiums**		3,234,869	95	3,236,281	93	6,435,806	97	6,773,227	93
41300	Reinsurance commission revenue		74,729	2	81,955	2	142,511	2	164,378	2
41400	Overriding commission revenue		3,481	-	3,659	-	6,720	-	7,186	-
41500	**Net gain from investment**									
41510	Interest income		89,636	3	139,519	4	159,714	2	206,883	3
41521	Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss	6(3)	4,714	-	(30,443)	(1)	100,426	2	13,353	-
41522	Realized gain or loss on available-for-sale financial assets		15,970	-	88,823	3	(69,115)	(1)	194,060	3
41524	Realized gain or loss on investments in debt instrument without active market		-	-	-	-	-	-	19,323	-
41550	Foreign exchange loss		(41,562)	(1)	(46,971)	(1)	(133,460)	(2)	(85,868)	(1)
41570	Gain on investment property	6(9)	4,555	-	4,298	-	10,949	-	10,507	-
	Total net gain from investment		73,313	2	155,226	5	68,514	1	358,258	5
41800	Other operating revenues		12,887	1	1,187	-	17,868	-	2,168	-
	Total operating revenues		3,399,279	100	3,478,308	100	6,671,419	100	7,305,217	100
51000	**Operating costs**									
51200	Reinsurance claims paid		(1,932,361)	(57)	(2,296,495)	(66)	(3,981,755)	(59)	(5,140,163)	(70)
41200	Less: Reinsurance claims recovery		104,042	3	113,421	3	207,824	3	235,430	3
51260	**Retention reinsurance claims paid**		(1,828,319)	(54)	(2,183,074)	(63)	(3,773,931)	(56)	(4,904,733)	(67)
51300	Net changes in other insurance liabilities		(102,650)	(3)	170,466	5	(179,351)	(3)	658,865	9
51500	Reinsurance commission expenses		(1,115,383)	(33)	(1,108,933)	(32)	(2,184,240)	(33)	(2,240,449)	(31)
51800	Other operating costs		(1)	-	(1,217)	-	(21)	-	(8,303)	-
	Total operating costs		(3,046,353)	(90)	(3,122,758)	(90)	(6,137,543)	(92)	(6,494,620)	(89)
58000	**Operating expenses**									
58100	Selling expenses		(48,634)	(1)	(54,467)	(1)	(98,662)	(1)	(110,301)	(1)
58200	Administration expenses		(28,290)	(1)	(29,451)	(1)	(61,024)	(1)	(63,396)	(1)
58300	Training expenses		(441)	-	(599)	-	(510)	-	(770)	-
	Total operating expenses		(77,365)	(2)	(84,517)	(2)	(160,196)	(2)	(174,467)	(2)
	Net operating income		275,561	8	271,033	8	373,680	6	636,130	9
59000	Non-operating income and expenses		-	-	(1)	-	4	-	-	-
62000	**Income from continuing operations before tax**		275,561	8	271,032	8	373,684	6	636,130	9
63000	Income tax expense	6(19)	(42,471)	(1)	(90,377)	(3)	(65,276)	(1)	(142,603)	(2)
64000	**Income from continuing operations after tax**		233,090	7	180,655	5	308,408	5	493,527	7
66000	**Net income**		233,090	7	180,655	5	308,408	5	493,527	7

(Continued)

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in thousands of New Taiwan dollars, except for earnings per share)

			Three months ended June 30				Six months ended June 30			
			2016		2015		2016		2015	
	Items	Notes	AMOUNT	%	AMOUNT	%	AMOUNT	%	AMOUNT	%
83000	**Other comprehensive income**									
83200	**Items may be reclassified to profit or loss subsequently**									
83210	Exchange differences on translation of foreign financial statements		($ 787)	-	$ -	-	($ 12,578)	-	$ -	-
83220	Unrealized gain or loss on available-for-sale financial assets	6(4)	(78,645)	(2)	(37,528)	(1)	(119,553)	(2)	63,427	1
83280	Income tax relating to the items may be reclassified to profit or loss subsequently	6(4)(19)	8,886	-	6,284	-	15,582	-	3,926	-
	Total other comprehensive (loss) income for the period (after tax)		(70,546)	(2)	(31,244)	(1)	(116,549)	(2)	67,353	1
85000	**Total comprehensive income for the period**		$ 162,544	5	$ 149,411	4	$ 191,859	3	$ 560,880	8
	Earnings per share									
97500	**Basic and Diluted (in NT dollars)**		$ 0.41		$ 0.32		$ 0.55		$ 0.88	

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

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CHANGES IN EQUITY
(Expressed in thousands of New Taiwan dollars)

				Retained Earnings			Other Equity		
	Notes	Common Stock	Capital Reserve	Legal Reserve	Special Reserve	Undistributed Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains or Losses on Available-For-sale Financial Assets	Total Equity
Six-month period ended June 30, 2015									
Balance at January 1, 2015		$ 5,622,750	$ 300,000	$ 1,274,236	$ 976,714	$ 1,118,951	$ -	$ 164,265	$ 9,456,916
Distributions of 2014 earnings									
Legal reserve		-	-	174,175	-	(174,175)	-	-	-
Cash dividends	6(18)	-	-	-	-	(674,730)	-	-	(674,730)
Net income for the period		-	-	-	-	493,527	-	-	493,527
Other comprehensive income for the period		-	-	-	-	-	-	67,353	67,353
Balance at June 30, 2015		$ 5,622,750	$ 300,000	$ 1,448,411	$ 976,714	$ 763,573	$ -	$ 231,618	$ 9,343,066
Six-month period ended June 30, 2016									
Balance at January 1, 2016		$ 5,622,750	$ 300,000	$ 1,448,411	$ 1,194,523	$ 816,086	$ -	($ 32,289)	$ 9,349,481
Distributions of 2015 earnings									
Legal reserve		-	-	153,173	-	(153,173)	-	-	-
Cash dividends	6(18)	-	-	-	-	(393,593)	-	-	(393,593)
Net income for the period		-	-	-	-	308,408	-	-	308,408
Other comprehensive loss for the period		-	-	-	-	-	(10,440)	(106,109)	(116,549)
Balance at June 30, 2016		$ 5,622,750	$ 300,000	$ 1,601,584	$ 1,194,523	$ 577,728	($ 10,440)	($ 138,398)	$ 9,147,747

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

CENTRAL REINSURANCE CORPORATION
STATEMENTS OF CASH FLOWS
(Expressed in thousands of New Taiwan dollars)

	Six-month periods ended June 30	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	$ 373,684	$ 636,130
Adjustments		
Adjustments to reconcile profit or loss		
Depreciation	4,569	4,519
Amortization	797	783
Net change in reserves	564,329	(457,022)
Net gain on financial assets and liabilities at fair value through profit or loss	(63,480)	(3,356)
Net gain or loss on available-for-sale financial assets	104,619	(173,000)
Net gain on investments in debt instruments without active market	-	(19,323)
Interest income	(167,512)	(215,706)
Dividend income	(35,581)	(21,060)
Unrealized foreign exchange loss	183,320	70,106
Changes in operating assets and liabilities		
Changes in operating assets		
Accounts receivable	100,160	48,814
Financial assets at fair value through profit or loss	11,363	273,656
Reinsurance contract assets	(380,499)	18,906
Other assets	32,121	(37,712)
Changes in operating liabilities		
Accounts payable	222,245	35,087
Provisions	(548)	(103)
Other liabilities	11,331	(1,927)
Cash inflow generated from operations	960,918	158,792
Interest received	176,671	204,568
Dividend received	20,820	13,399
Income tax paid	(79,370)	(152,607)
Net cash flows from operating activities	1,079,039	224,152
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(11,000)	(8,040)
Proceeds from disposal of financial assets at fair value through profit or loss	13,923	8,012
Acquisition of available-for-sale financial assets	(7,006,874)	(8,695,668)
Proceeds from disposal of available-for-sale financial assets	5,258,599	7,880,070
Acquisition of investments in debt instruments without active market	(807,532)	(1,315,018)
Proceeds from repayments of investments in debt instruments without active market	1,277,447	473,339
Acquisition of held-to-maturity financial assets	(1,364,455)	-
Proceeds from repayments of held-to-maturity financial assets	200,000	-
Acquisition of property and equipment	(606)	(2,258)
(Increase) decrease in other financial assets	(140,377)	5,391
Acquisition of intangible assets	(216)	(313)
Net cash flows used in investing activities	(2,581,091)	(1,654,485)
Effects of exchange rate changes	(28,313)	(15,129)
Net decrease in cash and cash equivalents	(1,530,365)	(1,445,462)
Cash and cash equivalents at beginning of period	16,461,567	18,430,910
Cash and cash equivalents at end of period	$ 14,931,202	$ 16,985,448

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

CENTRAL REINSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015
(Expressed in thousands of New Taiwan dollars, unless otherwise stated)

1. HISTORY AND ORGANIZATION

Central Reinsurance Corporation (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. In addition, the Company has obtained the certificate for establishment and business license for its offshore insurance branch, and commenced its operation on January 1, 2016. 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 August 2, 2016.

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")

None.

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

New standards, interpretations and amendments endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Investment entities: applying the consolidation exception (amendments to IFRS 10, IFRS 12 and IAS 28)	January 1, 2016
Accounting for acquisition of interests in joint operations (amendments to IFRS 11)	January 1, 2016
IFRS 14, 'Regulatory deferral accounts'	January 1, 2016
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Clarification of acceptable methods of depreciation and amortisation (amendments to IAS 16 and IAS 38)	January 1, 2016

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Agriculture: bearer plants (amendments to IAS 16 and IAS 41)	January 1, 2016
Defined benefit plans: employee contributions (amendments to IAS 19R)	July 1, 2014
Equity method in separate financial statements (amendments to IAS 27)	January 1, 2016
Recoverable amount disclosures for non-financial assets (amendments to IAS36)	January 1, 2014
Novation of derivatives and continuation of hedge accounting (amendments to IAS 39)	January 1, 2014
IFRIC 21, 'Levies'	January 1, 2014
Improvements to IFRSs 2010-2012	July 1, 2014
Improvements to IFRSs 2011-2013	July 1, 2014
Improvements to IFRSs 2012-2014	January 1, 2016

The standards and interpretations endorsed by the FSC effective from 2017 have no significant impact based on the Company's assessment.

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

New standards, interpretations and amendments issued by IASB but not yet included in the IFRSs endorsed by the FSC effective from 2017:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
Classification and measurement of share-based payment transactions (amendments to IFRS 2)	January 1, 2018
IFRS 9, 'Financial instruments'	January 1, 2018
Sale or contribution of assets between an investor and its associate or joint venture (amendments to IFRS 10 and IAS 28)	To be determined by International Accounting Standards Board
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
Clarifications to IFRS 15, 'Revenue from contracts with customers' (amendments to IFRS 15)	January 1, 2018
IFRS 16,'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017

Except for the following, the above standards and interpretations have no significant impact to the Company's financial position and financial performance based on the Company's assessment. The quantitative impact will be disclosed when the assessment is complete.

A.IFRS 9, 'Financial instruments'

(a)Classification of debt instruments is driven by the entity's business model and the contractual cash flow characteristics of the financial assets, which would be classified as financial asset at fair value through profit or loss, financial asset measured at fair value through other comprehensive income or financial asset measured at amortized cost. Equity instruments would be classified as financial asset at fair value through profit or loss, unless an entity makes an irrevocable election at inception to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading.

(b)The impairment losses of debt instruments are assessed using an 'expected credit loss' approach. An entity assesses at each balance sheet date whether there has been a significant increase in credit risk on that instrument since initial recognition to recognize 12-month expected credit losses ('ECL') or lifetime ECL (interest revenue would be calculated on the gross carrying amount of the asset before impairment losses occurred); or if the instrument that has objective evidence of impairment, interest revenue after the impairment would be calculated on the book value of net carrying amount (i.e. net of credit allowance).

(c)The amended general hedge accounting requirements align hedge accounting more closely with an entity's risk management strategy. Risk components of non-financial items and a group of items can be designated as hedged items. The standard relaxes the requirements for hedge effectiveness, removing the 80-125% bright line, and introduces the concept of 'rebalancing'; while its risk management objective remains unchanged, an entity shall rebalance the hedged item or the hedging instrument for the purpose of maintaining the hedge ratio.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

These financial statements are prepared by the Company in accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions" and IAS 34, 'Interim Financial Reporting' as endorsed by the FSC.

(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 and reinsurance reserve assets recognized in accordance with specific statutory requirements and regulations relevant to insurance enterprises.

C.The preparation of financial statements in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(3) Foreign currency translation

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

(a)Transactions denominated in foreign currencies are translated into functional currency 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.

B.The financial position and financial performance of offshore insurance branch that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a)Assets and liabilities for each balance sheet presented are translated at the spot exchange rate at the date of that balance sheet;

(b)Income and expenses for each statement of comprehensive income are translated at spot exchange rates of the trade date ; and

(c)All resulting exchange differences are recognized in other comprehensive income.

(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) <u>Investments in debt instruments without active market</u>

A. Investments in debt instruments 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, investments in debt instruments without active market are recognized and derecognized using trade date accounting.

C. Investments in debt instruments 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 investments in debt instruments without active market recognized in the statement of comprehensive income includes gain or loss arising from transactions except interest income.

(8) <u>Held-to-maturity financial assets</u>

A. Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity date that the Company has the positive intention and ability to hold to maturity other than those that meet the definition of loans and receivables and those that are designated as at fair value through profit or loss or as available-for-sale on initial recognition.

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

C. Held-to-maturity financial assets 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 held-to-maturity financial assets recognized in the statement of comprehensive income includes gain or loss arising from transactions except interest income.

(9) <u>Derivative financial instruments</u>

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. The gain or loss relating to derivative financial instrument 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".

(10) <u>Impairment of financial assets</u>

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 are 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 reorganization;

(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.

(11) 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 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 IAS 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.

(12) Lease

The Company's lease contracts are all operating leases, 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".

(13) Reinsurance contract assets

Reinsurance contract assets include due from reinsurers and ceding companies, ceded unearned premium reserve, ceded claims reserve, ceded premium deficiency reserve, ceded liability 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".

(14) 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 reinsurer, the Company should reduce its carrying amount accordingly and recognize the provision for impairment loss or allowance for doubtful accounts.

(15) 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.

(16) Impairment of non-financial assets

The Company assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognizing impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortized historical cost would have been if the impairment had not been recognized. 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.

(17) Allowance for doubtful accounts

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.

(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. 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.

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) 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.

(20) Offsetting financial assets and financial liabilities

Financial assets and financial 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.

(21) 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.

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

(22) 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 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 liabilities first. If such 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 IAS 12.

Among the reserves above, except for 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.

(23) 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.

(24) Employee benefits

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. 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.Remeasurement arising on defined benefit plan are recognized in other comprehensive income in the period in which they arise and are recorded as retained earnings.

iii.Pension cost for the interim period is calculated on a year-to-date basis by using the pension cost rate derived from the actuarial valuation at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-off events. And, the related information is disclosed accordingly.

C.Employees' remuneration and directors' remuneration

Employees' remuneration and directors' 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. Any difference between the resolved amounts and the subsequently actual distributed amounts should be recognized in profit or loss of the following year.

(25) 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 operates and generates 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 utilized. 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. The interim period income tax expense is recognized based on the estimated average annual effective income tax rate expected for the full financial year applied to the pretax income of the interim period, and the related information is disclosed accordingly.

(26) 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.

(27) Reinsurance revenues

Income from reinsurance business refers to various premiums earned from reinsurance operations, including those that meet the requirements in IFRS 4 and can be recognized as income. The Company's estimates for reinsurance premium income are assessed based on estimated premiums of reinsurance contracts, information provided by ceding companies, and historical trends. Reinsurance related revenues are recognized on the accrual basis.

(28) 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.

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. Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The related information is addressed below:

(1) Critical judgements in applying the Company's accounting policies

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.

(2) Critical accounting estimates and assumptions

A.Reinsurance premiums

The Company's estimates for reinsurance premiums 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, judgement over claim approval and other factors, appropriate actuarial calculation is adopted to recognize claims reserve except statutory insurance.

6. DETAILS OF SIGNIFICANT ACCOUNTS

(1) Cash and cash equivalents

	June 30, 2016	December 31, 2015	June 30, 2015
Cash:			
Petty cash	$ 123	$ 130	$ 123
Checking accounts	19,463	53,908	28,986
Demand deposits	5,375,728	5,427,107	4,138,856
Cash equivalents:			
Time deposits	9,535,888	10,980,422	12,817,483
	$ 14,931,202	$ 16,461,567	$ 16,985,448

A.The Company transacts 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 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 deposits which the Company deposited in the financial institutions are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Demand deposits	$ 1,308,857	$ 1,268,813	$ 1,098,897
Time deposits	2,231,975	2,251,185	2,974,898
	$ 3,540,832	$ 3,519,998	$ 4,073,795

D.Certain time deposits of the Company did not meet the definition of cash equivalents and are presented in other financial assets. Please see Note 6 (7).

(2) Accounts receivable

	June 30, 2016	December 31, 2015	June 30, 2015
Notes receivable	$ 4,210	$ 4,128	$ 8,927
Other receivables	162,871	243,937	364,586
Total	167,081	248,065	373,513
Less: allowance for doubtful accounts	-	-	-
Net amount	$ 167,081	$ 248,065	$ 373,513

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:

	June 30, 2016	December 31, 2015	June 30, 2015
Good	$ 167,037	$ 248,065	$ 373,467
Delayed previously	-	-	-
	$ 167,037	$ 248,065	$ 373,467

Accounts receivable that are neither past due nor impaired are accounted for in accordance with the "Guidelines for Handling Assessment of Assets, Loans Overdue, and Delinquent Accounts Receivable on Demand by Insurance Enterprises". The Company transacts 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 are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
31 to 90 days	$ 44	$ -	$ 46

(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 receivables were transferred to overdue accounts in three months after they were due.

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

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

(3) Financial assets and financial liabilities at fair value through profit or loss

	June 30, 2016	December 31, 2015	June 30, 2015
Financial assets held for trading			
Domestic listed and over-the-counter stocks	$ 27,303	$ 19,607	$ 49,807
Foreign index funds	41,854	60,913	61,698
Derivatives	45,824	4,119	9,837
	114,981	84,639	121,342
Valuation adjustment of financial assets held for trading	(4,632)	(5,759)	572
	110,349	78,880	121,914
Financial assets designated as at fair value through profit or loss on initial recognition			
Domestic convertible corporate bonds	1,500	3,504	2,500
Domestic mandatory convertible corporate bonds	500,000	500,000	500,000
	501,500	503,504	502,500
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	(48,204)	(44,811)	6,772
	453,296	458,693	509,272
	$ 563,645	$ 537,573	$ 631,186

	June 30, 2016	December 31, 2015	June 30, 2015
Financial liabilities held for trading			
Derivatives	$ 8,427	$ 31,549	$ 18,637

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

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Financial instruments held for trading	$ 517	$ 8,902
Financial instruments designated as at fair value through profit or loss on initial recognition	4,197	(39,345)
	$ 4,714	($ 30,443)

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Financial instruments held for trading	$ 95,428	$ 48,084
Financial instruments designated as at fair value through profit or loss on initial recognition	4,998	(34,731)
	$ 100,426	$ 13,353

B.The credit rating levels of the counterparties of the Company’s debt instrument investments are provided in Note 13 (1).

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

	June 30, 2016		December 31, 2015	
Derivative instruments	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
FX swap contracts	$ 5,389,819	2016.04.12~ 2017.04.05	$ 4,501,605	2015.10.27~ 2016.04.06
Forward foreign exchange contracts	2,470,540	2016.03.02~ 2016.08.16	1,035,417	2015.10.23~ 2016.02.26
Futures	24,873	2016.06.15~ 2016.07.15	-	-

	June 30, 2015	
Derivative instruments	Contract amount (Notional principal)	Contract period
FX swap contracts	$ 4,324,177	2015.04.29~ 2015.12.15
Forward foreign exchange contracts	308,856	2015.04.09~ 2015.10.15
Futures	3,670	2015.06.15~ 2015.07.15

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 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. However, these forward foreign exchange contracts are not accounted for under hedge accounting.

(c)Futures

The Company entered into futures contracts under the Taiwan Stock Index Futures. As of June 30, 2016, December 31, 2015 and June 30, 2015, margin deposits for these contracts were $102,142, $103,372 and $100,098, 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 and domestic mandatory convertible corporate bonds 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

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic items:			
Listed and over-the-counter common stocks	$ 1,412,786	$ 1,126,422	$ 1,812,684
Listed and over-the-counter preferred stocks	14,232	14,232	14,232
Securitized real estate products	613,947	613,947	613,947
Government bonds	935,694	1,040,841	922,832
Corporate bonds	-	-	299,990
Open-end funds	360,000	280,000	270,000
Index funds	152,434	110,859	341,315
Foreign items:			
Listed and over-the-counter common stocks	1,906,546	846,146	1,156,699
Open-end funds	593,543	353,276	490,724
Index funds	393,611	358,560	616,887
	6,382,793	4,744,283	6,539,310
Valuation adjustment of available-for-sale financial assets	(163,638)	(44,085)	237,097
Less: statutory deposits	(893,614)	(898,076)	(874,876)
	$ 5,325,541	$ 3,802,122	$ 5,901,531

A.The credit rating levels of the counterparties of the Company's debt instrument investments are provided in Note 13 (1).

B.Under the Insurance Act, the Company is required to deposit an amount equal to 15% of its paid-up capital. As of June 30, 2016, December 31, 2015 and June 30, 2015, the Company provided government bonds with a par value of $850,000 as statutory deposit.

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

	2016	2015
At January 1	($ 32,289)	$ 164,265
Recognized directly in other comprehensive income	(224,172)	236,427
Deducted in equity adjustment and recognized in profit or loss	104,619	(173,000)
Income tax from loss (gain) on valuation of foreign available-for-sale financial assets	13,444	3,926
At June 30	($ 138,398)	$ 231,618

(5) Investments in debt instruments without active market

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic items:			
Securitized financial asset products	$ -	$ -	$ 45,208
Corporate bonds	700,338	700,385	500,000
Financial bonds	705,731	908,287	503,932
Foreign items:			
Securitized financial asset products	955,786	974,958	929,517
Corporate bonds	832,977	1,376,918	750,943
Financial bonds	1,655,318	1,518,334	1,200,879
	4,850,150	5,478,882	3,930,479
Less: accumulated impairment	-	-	-
	$ 4,850,150	$ 5,478,882	$ 3,930,479

A.The Company recognized interest income of $35,578, $25,852, $72,489 and $46,793 from amortization costs through profit or loss for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

B.The credit rating levels of the counterparties of the Company's investments are provided in Note 13 (1).

C.Accumulated impairment resulted from domestic investments, which were reorganized due to changes in credit default rates leading to a decrease in future cash flows. Changes in analysis of accumulated impairment set aside by the Company are as follows:

	2016	2015
At January 1	$ -	$ 87,567
Disposal	-	(87,567)
At June 30	$ -	$ -

D.No investments in debt instruments without active market held by the Group were pledged to others.

(6) Held-to-maturity financial assets

	June 30, 2016	December 31, 2015	June 30, 2015
Domestic items:			
Corporate bonds	$ 300,763	$ -	$ -
Government bonds	441,873	-	-
Foreign items:			
Financial bonds	404,624	-	-
	$ 1,147,260	$ -	$ -

A.The Company recognized interest income of $2,683 and $3,818 from amortization costs through profit or loss for the three-month and six-month periods ended June 30, 2016, respectively.

B.The credit rating levels of the counterparties of the Company's investments are provided in Note 13 (1).

C.No held-to-maturity financial assets held by the Company were pledged to others.

(7) Other financial assets

	June 30, 2016	December 31, 2015	June 30, 2015
Time deposits	$ 1,563,309	$ 1,422,932	$ 518,905

A.The Company transacts with financial institutions all with high credit quality, so it expects that the probability of counterparty default is remote.

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

(8) Structured entities

A.In accordance with the regulations of IFRS 12, 'Disclosure of interests in other entities', information about the interests in structured entities that are not controlled by the Company is as follows:

June 30, 2016

Type of structured entities	Book value	Nature
Securitized real estate products	$ 897,324	The beneficial securities were issued by trustee to provide investor gain on transaction, rent and value increment of real estate market.
Securitized financial asset products	955,786	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.
Total	$ 1,853,110	

December 31, 2015

Type of structured entities	Book value	Nature
Securitized real estate products	$ 924,963	The beneficial securities were issued by trustee to provide investor gain on transaction, rent and value increment of real estate market.
Securitized financial asset products	974,958	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.
Total	$ 1,899,921	

June 30, 2015		
Type of structured entities	Book value	Nature
Securitized real estate products	$ 925,164	The beneficial securities were issued by trustee to provide investor gain on transaction, rent and value increment of real estate market.
Securitized financial asset products	974,725	The risks and rewards associated with the assets of the structured entity were passed on to investors through issuing bonds.
Total	$ 1,899,889	

The structured entities that are not controlled by the Company are held for the purpose of generating investment income.

B.The structured entities that are not controlled by the Company are accounted for as available-for-sale financial assets and investments in debt instrument without active market. The entity's maximum exposure is the carrying amount of assets held. The investment position is restricted by contract terms and conditions of issue and exposes the corresponding market risk. The Company has considered risk management approach of relevant market. Please see Note 13 (1).

(9) Investment property

	Land	Building	Total
At January 1, 2016			
Cost	$ 411,606	$ 85,110	$ 496,716
Accumulated depreciation	-	(39,986)	(39,986)
	$ 411,606	$ 45,124	$ 456,730
2016			
At January 1	$ 411,606	$ 45,124	$ 456,730
Depreciation	-	(1,303)	(1,303)
At June 30	$ 411,606	$ 43,821	$ 455,427
At June 30, 2016			
Cost	$ 411,606	$ 85,110	$ 496,716
Accumulated depreciation	-	(41,289)	(41,289)
	$ 411,606	$ 43,821	$ 455,427

	Land		Building		Total	
At January 1, 2015						
Cost	$	411,606	$	84,821	$	496,427
Accumulated depreciation		-	(	37,400)	(	37,400)
	$	411,606	$	47,421	$	459,027
2015						
At January 1	$	411,606	$	47,421	$	459,027
Depreciation		-	(	1,284)	(	1,284)
At June 30	$	411,606	$	46,137	$	457,743
At June 30, 2015						
Cost	$	411,606	$	84,821	$	496,427
Accumulated depreciation		-	(	38,684)	(	38,684)
	$	411,606	$	46,137	$	457,743

A.Rental income from the lease of the investment property and direct operating expenses arising from the investment property are as follows:

	Three-month period ended June 30, 2016		Three-month period ended June 30, 2015	
Rental revenue from the lease of the investment property	$	6,397	$	6,393
Direct operating expenses arising from the investment property that generated rental income in the period		1,842		2,095

	Six-month period ended June 30, 2016		Six-month period ended June 30, 2015	
Rental revenue from the lease of the investment property	$	13,513	$	13,504
Direct operating expenses arising from the investment property that generated rental income in the period		2,564		2,997

B.The Company leases investment properties to others under non-cancellable operating lease agreements. The lease terms are between 1 and 3 years, and the lessees enjoy preferential right to lease at the end of the lease period. The future aggregate lease payments receivable under leases contracted but not yet due are as follows:

	June 30, 2016		December 31, 2015		June 30, 2015	
Due in one year	$	16,569	$	18,608	$	21,549
Due after one year through three years		6,027		2,992		6,743
	$	22,596	$	21,600	$	28,292

C.The fair value of investment property held by the Company is estimated by an accredited external independent appraiser under "Regulations on Real Estate Appraisal" using valuation techniques of both the income approach and comparison approach, based on observable active market prices and the characteristics, locations and conditions of each asset on the measurement date– June 30, 2016, December 31, 2015 and June 30, 2015. The fair values of investment property for the aforementioned measurement dates were $1,232,138, $1,232,138 and $1,227,586, which is categorized as Level 2 within the fair value hierarchy. Key assumptions of income approach are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Capitalization rate	1.00%~1.66%	1.00%~1.66%	1.09%~1.70%

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

(10) Reinsurance contract assets and insurance liabilities

A.Details of reinsurance contract assets are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Due from reinsurers and ceding companies	$ 2,477,286	$ 2,095,207	$ 2,456,471
Due from reinsurers and ceding companies-overdue	38,754	40,334	46,700
Reinsurance reserve assets			
Ceded unearned premium reserve	414,326	369,344	458,425
Ceded claims reserve	811,200	836,328	853,782
Ceded liability reserve	226,057	164,881	147,243
Ceded premium deficiency reserve	2,348	1,832	2,044
	3,969,971	3,507,926	3,964,665
Less:allowance for doubtful accounts	(52,143)	(52,143)	(52,143)
	$ 3,917,828	$ 3,455,783	$ 3,912,522

(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:

	June 30, 2016	December 31, 2015	June 30, 2015
Group 1	$ 18,038	$ 18,465	$ 25,894
Group 2	1,596,804	1,207,676	1,378,261
Group 3	1,406,983	1,400,486	1,777,742
Group 4	26,367	13,991	29,902
Group 5	2,361	3,291	2,876
Group 6	674,158	654,570	664,054
	$ 3,724,711	$ 3,298,479	$ 3,878,729

Group 1: S&P AAA or equivalents.

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

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

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

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

Group 6: without credit rating etc.

Note:Reinsurances undertaken without a credit rating are primarily from domestic insurance companies.

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

	June 30, 2016	December 31, 2015	June 30, 2015
31 to 90 days	$ 184,624	$ 102,288	$ 21,984
91 to 180 days	32,537	75,300	25,235
181 to 270 days	10	3,219	3,118
Over 271 days	28,089	28,640	35,599
	$ 245,260	$ 209,447	$ 85,936

i.The ages of due from reinsurance and ceding companies, except for the estimated reinsurance receivables or payables on closing date, are classified 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 is as follows:

	2016	2015
At January 1	$ 52,143	$ 52,143
Write-off of bad debts	-	-
At June 30	$ 52,143	$ 52,143

(d)The Company does not hold any collateral as security.

B.Details of insurance liabilities are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Unearned premium reserve	$ 5,423,181	$ 4,993,221	$ 5,327,594
Claims reserve	14,168,031	14,063,219	13,706,393
Liability reserve	226,057	164,881	147,243
Equalization reserve	4,066,979	3,973,029	4,011,731
Premium deficiency reserve	41,252	85,275	86,313
	$ 23,925,500	$ 23,279,625	$ 23,279,274

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

	2016	2015
Ceded unearned premium reserve		
At January 1	$ 369,344	$ 414,183
Provision	414,453	458,425
Recovery	(369,344)	(414,183)
Exchange differences on translation of foreign financial statements	(127)	-
At June 30	$ 414,326	$ 458,425

Unearned premium reserve	2016	2015
At January 1	$ 4,993,221	$ 5,081,509
Provision	5,425,007	5,327,594
Recovery	(4,993,221)	(5,081,509)
Exchange differences on translation of foreign financial statements	(1,826)	-
At June 30	$ 5,423,181	$ 5,327,594

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

	June 30, 2016	December 31, 2015	June 30, 2015
Ceded claims reserve			
Outstanding losses	$ 315,800	$ 314,465	$ 288,842
Incurred but not reported losses	495,400	521,863	564,940
	$ 811,200	$ 836,328	$ 853,782

	June 30, 2016	December 31, 2015	June 30, 2015
Claims reserve			
Outstanding losses	$ 4,942,314	$ 4,592,182	$ 4,142,076
Incurred but not reported losses	9,225,717	9,471,037	9,564,317
	$ 14,168,031	$ 14,063,219	$ 13,706,393

	2016	2015
Ceded claims reserve		
At January 1	$ 836,328	$ 897,152
Provision	811,200	853,782
Recovery	(836,328)	(897,152)
At June 30	$ 811,200	$ 853,782

	2016	2015
Claims reserve		
At January 1	$ 14,063,219	$ 14,211,559
Provision	14,168,031	13,706,393
Recovery	(14,063,219)	(14,211,559)
At June 30	$ 14,168,031	$ 13,706,393

E.Movements of ceded liability reserve and liability reserve are as follows:

	2016				2015			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Ceded liability reserve								
At January 1	32,379	CNY	5.092	$ 164,881	14,590	CNY	5.101	$ 74,421
Provision	14,525			63,123	14,890			73,186
Recovery	(388)			(1,947)	(73)			(364)
At June 30	46,516	CNY	4.860	$ 226,057	29,407	CNY	5.007	$ 147,243

	2016				2015			
	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)	Foreign currency amount (in thousands)	Currency	Exchange rate	NTD (in thousands)
Liability reserve								
At January 1	32,379	CNY	5.092	$ 164,881	14,590	CNY	5.101	$ 74,421
Provision	14,525			63,123	14,890			73,186
Recovery	(388)			(1,947)	(73)			(364)
At June 30	46,516	CNY	4.860	$ 226,057	29,407	CNY	5.007	$ 147,243

The provisions above include the effects of foreign exchange gains and losses.

F.Equalization reserves

(a)Details of equalization reserves are as follows:

	June 30, 2016	December 31, 2015	June 30, 2015
Equalization reserve for statutory insurance	$ 1,485,901	$ 1,391,951	$ 1,430,653
Reserve for fluctuation of risk	2,055,296	2,055,296	2,055,296
Reserve for extraordinary business losses	525,782	525,782	525,782
	$ 4,066,979	$ 3,973,029	$ 4,011,731

(b)Movement of equalization reserves is as follows:

	2016	2015
At January 1	$ 3,973,029	$ 4,210,477
Provision	93,950	(198,746)
Recovery	-	-
At June 30	$ 4,066,979	$ 4,011,731

(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 six-month periods ended June 30, 2016 and 2015, are as follows:

	Six-month period ended June 30, 2016			
	Net income	Earnings per share (in dollars)	Total liabilities	Total equity
Applicable	$ 308,408	$ 0.55	$ 25,145,354	$ 9,147,747
Not applicable	308,408	0.55	22,844,874	11,448,227
Effect	$ -	$ -	($ 2,300,480)	$ 2,300,480

	Six-month period ended June 30, 2015			
	Net income	Earnings per share (in dollars)	Total liabilities	Total equity
Applicable	$ 493,527	$ 0.88	$ 24,790,093	$ 9,343,066
Not applicable	493,527	0.88	22,489,613	11,643,546
Effect	$ -	$ -	($ 2,300,480)	$ 2,300,480

G.Movements of ceded premium deficiency reserve and premium deficiency reserve are as follows:

	2016	2015
Ceded premium deficiency reserve		
At January 1	$ 1,832	$ 3,902
Provision	2,348	2,044
Recovery	(1,832)	(3,902)
At June 30	$ 2,348	$ 2,044

	2016	2015
Premium deficiency reserve		
At January 1	$ 85,275	$ 86,494
Provision	41,252	86,313
Recovery	(85,275)	(86,494)
At June 30	$ 41,252	$ 86,313

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

June 30, 2016	Due in one year	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	$ 2,399,923	$ 1,567,547	$ 3,967,470
Claims reserve	7,302,215	4,769,557	12,071,772
Liability reserve	-	226,057	226,057
Premium deficiency reserve	24,953	16,299	41,252

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,551,970).

December 31, 2015	Due in one year	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	$ 2,222,247	$ 1,345,335	$ 3,567,582
Claims reserve	7,490,376	4,534,629	12,025,005
Liability reserve	-	164,881	164,881
Premium deficiency reserve	53,118	32,157	85,275

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,463,853).

June 30, 2015		Due in one year		Due after one year		Total
Insurance liabilities						
Unearned premium reserve	$	2,437,727	$	1,475,784	$	3,913,511
Claims reserve		7,254,184		4,391,641		11,645,825
Liability reserve		-		147,243		147,243
Premium deficiency reserve		53,764		32,549		86,313

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is $3,474,651).

(11) 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.As of June 30, 2016, December 31, 2015 and June 30, 2015, the Company had no unqualified reinsurance premiums ceded.

C.Reserve for unqualified reinsurance as of June 30, 2016, December 31, 2015 and June 30, 2015 were $854, $1,024 and $1,313, respectively.

(12) Offsetting financial assets and financial liabilities

A.The Company has derivative assets that do not meet the offsetting criteria in paragraph 42 of IAS 32. However, the Company has transactions that are or are similar to net settled master netting arrangements. If one party breaches the contract (in the case of default and insolvency or bankruptcy), the counterparty can choose to use net settlement. The related amount of offsetting shall not exceed the gross amounts of recognized financial assets and liabilities.

B.The related information of financial assets and financial liabilities that can be settled under agreements of net settled master netting arrangements or similar arrangements are as follows:

(a)Financial assets

Description	Gross amounts of recognized financial assets	Financial instruments not set off in the balance sheet	Net amount
June 30, 2016			
Derivatives (under financial assets at fair value through profit or loss)	$ 45,824	$ 5,041	$ 40,783
December 31, 2015			
Derivatives (under financial assets at fair value through profit or loss)	$ 4,119	$ 4,119	$ -
June 30, 2015			
Derivatives (under financial assets at fair value through profit or loss)	$ 9,837	$ 5,269	$ 4,568

(b)Financial liabilities

Description	Gross amounts of recognized financial liabilities	Financial instruments not set off in the balance sheet	Net amount
June 30, 2016			
Derivatives (under financial liabilities at fair value through profit or loss)	$ 8,427	$ 5,041	$ 3,386
December 31, 2015			
Derivatives (under financial liabilities at fair value through profit or loss)	$ 31,549	$ 4,119	$ 27,430
June 30, 2015			
Derivatives (under financial liabilities at fair value through profit or loss)	$ 18,637	$ 5,269	$ 13,368

(13) Property and equipment

	Land		Building		Computer equipment		Transportation equipment		Miscellaneous equipment		Total
At January 1, 2016											
Cost	$	180,796	$	89,414	$	16,971	$	6,092	$	3,453	$ 296,726
Accumulated depreciation		-	(	65,687)	(	10,195)	(	4,637)	(	2,763)	(83,282)
	$	180,796	$	23,727	$	6,776	$	1,455	$	690	$ 213,444
2016											
At January 1	$	180,796	$	23,727	$	6,776	$	1,455	$	690	$ 213,444
Additions		-		-		514		-		92	606
Disposals-cost		-		-	(	609)		-		-	(609)
Disposals-accumulated depreciation		-		-		609		-		-	609
Depreciation		-	(	1,650)	(	1,368)	(	161)	(	87)	(3,266)
At June 30	$	180,796	$	22,077	$	5,922	$	1,294	$	695	$ 210,784
At June 30, 2016											
Cost	$	180,796	$	89,414	$	16,876	$	6,092	$	3,545	$ 296,723
Accumulated depreciation		-	(	67,337)	(	10,954)	(	4,798)	(	2,850)	(85,939)
	$	180,796	$	22,077	$	5,922	$	1,294	$	695	$ 210,784

	Land	Building	Computer equipment	Transportation equipment	Miscellaneous equipment	Total
At January 1, 2015						
Cost	$ 180,796	$ 87,570	$ 14,861	$ 6,092	$ 3,454	$ 292,773
Accumulated depreciation	-	(62,243)	(8,814)	(4,314)	(2,630)	(78,001)
	$ 180,796	$ 25,327	$ 6,047	$ 1,778	$ 824	$ 214,772
2015						
At January 1	$ 180,796	$ 25,327	$ 6,047	$ 1,778	$ 824	$ 214,772
Additions	-	1,575	666	-	17	2,258
Disposals-cost	-	-	(1,007)	-	(48)	(1,055)
Disposals-accumulated	-	-	1,007	-	48	1,055
Depreciation	-	(1,794)	(1,183)	(162)	(96)	(3,235)
At June 30	$ 180,796	$ 25,108	$ 5,530	$ 1,616	$ 745	$ 213,795
At June 30, 2015						
Cost	$ 180,796	$ 89,145	$ 14,520	$ 6,092	$ 3,423	$ 293,976
Accumulated depreciation	-	(64,037)	(8,990)	(4,476)	(2,678)	(80,181)
	$ 180,796	$ 25,108	$ 5,530	$ 1,616	$ 745	$ 213,795

The above assets were not pledged to others as collateral.

(14) Accounts payable

	June 30, 2016	December 31, 2015	June 30, 2015
Due to reinsurers and ceding companies	$ 186,370	$ 269,439	$ 396,598
Other payables	854,660	155,753	891,125
	$ 1,041,030	$ 425,192	$ 1,287,723

(15) Employee benefits

A.Defined benefit obligation

(a)The Company has established a defined benefit pension plan in accordance with the Labor Standards 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. Also, the Company would assess the balance in the aforementioned labor pension reserve account by the end of December 31, every year. If the account balance is insufficient to pay the pension calculated by the aforementioned method, to the employees expected to be qualified for retirement next year, the Company will make contributions to cover the deficit by next March.

(b)For the aforementioned pension plan, the Company recognized pension costs of $809, $1,093, $1,618 and $2,185 for the three-month and six-month periods ended June 30, 2016 and 2015, respectively.

(c)Expected contributions to the defined benefit pension plans of the Company for the year ending December 31, 2017 amounts to $4,561.

B.Defined contribution plan

(a)Effective July 1, 2005, the Company has established a defined contribution pension plan (the "New Plan") in accordance with the Labor Pension Act. 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.

(b)The pension costs under the above-mentioned pension plan of the Company for the three-month and six-month periods ended June 30, 2016 and 2015 were $1,576, $1,572, $3,155 and $3,103, respectively.

(16) Common stock

As of June 30, 2016, the Company's authorized capital was $6,000,000, and the paid-in capital was $5,622,750, with a par value of $10 (in dollars) per share.

(17) 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 capitalized 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.

(18) 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. Afterwards, the Company shall 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.

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.

Pursuant to the R.O.C. Insurance Act, 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, procedures for those requiring approval from competent authorities to use legal reserve for issuance of cash in accordance with Jin-Guan-Pao-Tzai Letter No. 10202501991 are set out in Note 6 (17).

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

B.Special reserve

	June 30, 2016	December 31, 2015	June 30, 2015
Equalization reserve	$ 1,067,966	$ 1,067,966	$ 850,157
Unrealized revaluation increment	126,557	126,557	126,557
	$ 1,194,523	$ 1,194,523	$ 976,714

(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 year 2015, the provision for equalization reserve amounting to $217,809 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.

C.On May 27, 2016, the distribution of earnings for 2015 resolved by stockholders was $393,593 (cash dividend of $0.7 (in dollars) per share). On May 27, 2015, the distribution of earnings for 2014 resolved by stockholders was $674,730 (cash dividend of $1.2 (in dollars) per share).

Detailed information on earnings appropriation resolved by the stockholders is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D.For information relating to employees' remuneration and directors' remuneration, please see Note 6 (20).

(19) Income tax

A.Components of income tax expense:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Current income tax:		
Current income tax on profits for the period	$ 56,970	$ 82,170
Adjustments in respect of prior years	(770)	19,357
Deferred income tax:		
Origination and reversal of temporary difference	(13,729)	(11,150)
Income tax expense	$ 42,471	$ 90,377

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Current income tax:		
Current income tax on profits for the period	$ 87,385	$ 112,782
Adjustments in respect of prior years	(770)	19,357
Deferred income tax:		
Origination and reversal of temporary difference	(21,339)	10,464
Income tax expense	$ 65,276	$ 142,603

B.The income tax relating to components of other comprehensive income are as follows:

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Exchange differences on translation of foreign financial statements	($ 134)	$ -
Changes in fair value of available-for-sale financial assets	(8,752)	(6,284)
	($ 8,886)	($ 6,284)

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Exchange differences on translation of foreign financial statements	($ 2,138)	$ -
Changes in fair value of available-for-sale financial assets	(13,444)	(3,926)
	($ 15,582)	($ 3,926)

C.Except for the Company's 2011 income tax return, the income tax returns have been assessed and approved by the Tax Authority up to 2014.

D.All undistributed earnings of the Company originated from years after 1998.

E.As of June 30, 2016, December 31, 2015 and June 30, 2015, the balance of the imputation tax credit account was $64,495, $127,937 and $48,100, respectively. The creditable tax rate was 23.96% and 17.82% for 2015 and 2014, respectively.

(20) Employee benefits expense, depreciation and amortization

Employee benefits expense, depreciation and amortization by function are as follows:

Function / Expense	Three-month period ended June 30, 2016		Three-month period ended June 30, 2015	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee Benefits Expense	$ -	$ 50,047	$ -	$ 51,638
Salaries	-	42,778	-	43,739
Employees' insurance	-	2,743	-	2,896
Pension	-	2,385	-	2,665
Other employee benefits expense (Note 1)	-	2,141	-	2,338
Depreciation (Note 2)	651	1,639	642	1,612
Amortization	-	399	-	396

Function / Expense	Six-month period ended June 30, 2016		Six-month period ended June 30, 2015	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee Benefits Expense	$ -	$ 100,140	$ -	$ 104,520
Salaries	-	85,649	-	88,696
Employees' insurance	-	5,872	-	6,113
Pension	-	4,773	-	5,288
Other employee benefits expense (Note 1)	-	3,846	-	4,423
Depreciation (Note 2)	1,303	3,266	1,284	3,235
Amortization	-	797	-	783

As of June 30, 2016 and 2015, the Company had 134 and 138 employees, respectively.

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

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

A.According to the Company Act amended in May 20, 2015, a company shall distribute employee compensation, based on the distributable profit of the current year, in a fixed amount or a ratio of profits. If a company has accumulated deficit, earnings should be channeled to cover losses. A company may, by a resolution adopted by a majority vote at a meeting of board of directors attended by two-thirds of the total number of directors, have the profit distributable as employees' compensation distributed in the form of shares or in cash; and in addition thereto a report of such distribution shall be submitted to the stockholders' meeting. The amended Articles of Incorporation of the Company was revised through the resolution of stockholders' meeting in 2016. According to the amended articles, after covering accumulated deficits with current year earnings, the remainder, if any, shall provision employees' compensation of no less than 0.5% and directors' remunerations of no more than 1%.

Distributions of 2014 earnings is according to the unrevised version of the Company's Articles of Incorporation, 0.5% to 5% of distributable earnings shall be provisioned as employees' bonus and a percentage not exceeding 1% shall be provisioned as directors' remuneration.

B.The Company's estimated employees' compensation of $1,864 and $2,530 for the three-month and six-month periods ended June 30, 2016, respectively, was determined from earnings on a pro-rata basis, which fell within the scope of the revised Company's Articles of Incorporation's requirements. The Company's estimated employees' bonus of $1,481 and $4,047 for the three-month and six-month periods ended June 30, 2015, respectively, was determined from income after taxes on a pro-rata basis, which fell within the scope of the original Company's Articles of Incorporation's requirements. The Company's estimated directors' remuneration for the three-month and six-month periods ended June 30, 2016 and 2015 were $675, $748, $1,350 and $1,495, respectively. The aforementioned amounts were recognized in salary expenses.

The 2015 employees' remuneration of $6,741 and directors' remuneration of $2,700 as approved by the Board of Directors of the Company were in agreement with the amounts recognized in the 2015 financial statements, and employees' bonus is distributed by cash.

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

(21) Supplemental cash flow information

Investing activities with partial cash payments:

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Increase in investment	($ 9,517,785)	($ 9,931,466)
Decrease in investment	6,645,739	8,308,741
Add: ending balance of payable on investment	379,904	127,012
opening balance of receivable on investment	115,224	287,929
Less: opening balance of payable on investment	(51,980)	(214,272)
ending balance of receivable on investment	(10,994)	(235,249)
Net cash used in investments	($ 2,439,892)	($ 1,657,305)

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	Other related parties
Directors, general managers, vice general managers, etc.	Key management of the Company

(2) Significant related party transactions and balances

A.Due from reinsurers and ceding companies (under reinsurance contract assets)

	June 30, 2016	December 31, 2015	June 30, 2015
Other related parties	$ 543	$ 510	$ 671

B.Other payables (under accounts payable)

	June 30, 2016	December 31, 2015	June 30, 2015
Parent	$ 1,375	$ 1,412	$ 2,234

C.Operating revenues and operating costs

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Other related parties		
Gross premiums written	$ 3,831	$ 7,590
Reinsurance premiums ceded	(439)	4
Reinsurance commission expenses	939	2,706
Reinsurance commission revenue	(34)	54
Reinsurance claims paid	22,038	1
Reinsurance claims recovery	71	316

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Other related parties		
Gross premiums written	$ 12,729	$ 13,065
Reinsurance premiums ceded	1,052	9
Reinsurance commission expenses	3,666	5,133
Reinsurance commission revenue	(32)	50
Reinsurance claims paid	22,039	141
Reinsurance claims recovery	75	426

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

D.Operating expenses

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	$ 3,799	$ 3,555

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	$ 7,116	$ 6,098

(3) Key management compensation

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Salaries and other short-term employee benefits	$ 6,678	$ 7,396
Post-employment benefits	125	178
	$ 6,803	$ 7,574

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Salaries and other short-term employee benefits	$ 13,184	$ 14,963
Post-employment benefits	246	355
	$ 13,430	$ 15,318

8. PLEDGED ASSETS

Please see Note 6 (4).

9. COMMITMENTS

None.

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

None.

12. OTHERS

(1) Fair value information

A.The fair value of the Company’s financial instruments not measured at fair value is provided in

Note 12 (1) K. The fair value of the Company's investment property measured at cost model is provided in Note 6 (9).

B.The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date. A market is regarded as active where a market in which transactions for the asset or liability takes place with sufficient frequency and volume to provide pricing information on an on-going basis. The fair value of the Company's investment in listed and over-the-counter stocks, beneficiary certificates and convertible corporate bonds is included in Level 1.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of the Company's investment in off-the-run government bonds, corporate bonds, financial bonds, derivative instruments and investment property is included in Level 2.

Level 3: Unobservable inputs for the asset or liability. The fair value of the Company's investment in part of investments in debt instrument and mandatory convertible corporate bonds without active market is included in Level 3.

C.The related information of financial instruments measured at fair value by level on the basis of the nature, characteristics and risks of the assets and liabilities at June 30, 2016, December 31, 2015 and June 30, 2015 is as follows:

June 30, 2016	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed and over-the-counter stocks	$ 29,381	$ -	$ -	$ 29,381
Index funds	35,144	-	-	35,144
Financial assets designated as at fair value through profit or loss on initial recognition				
Convertible corporate bonds	1,590	-	-	1,590
Mandatory convertible corporate bonds	-	-	451,706	451,706
Available-for-sale financial assets				
Securitized real estate products	897,324	-	-	897,324
Index funds	478,543	-	-	478,543
Government bonds	-	952,145	-	952,145
Listed and over-the-counter stocks	2,895,710	-	-	2,895,710
Listed and over-the-counter preferred stocks	-	22,330	-	22,330
Open-end funds	973,103	-	-	973,103
Derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 41,609	$ -	$ 41,609
Forward foreign exchange contracts	-	4,215	-	4,215
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	2,026	-	2,026
Forward foreign exchange contracts	-	5,717	-	5,717
Futures	-	684	-	684

December 31, 2015	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed and over-the-counter stocks	$ 19,623	$ -	$ -	$ 19,623
Index funds	55,138	-	-	55,138
Financial assets designated as at fair value through profit or loss on initial recognition				
Convertible corporate bonds	3,666	-	-	3,666
Mandatory convertible corporate bonds	-	-	455,027	455,027
Available-for-sale financial assets				
Securitized real estate products	924,963	-	-	924,963
Index funds	454,200	-	-	454,200
Government bonds	-	1,057,061	-	1,057,061
Listed and over-the-counter stocks	1,605,502	-	-	1,605,502
Listed and over-the-counter preferred stocks	-	21,643	-	21,643
Open-end funds	636,829	-	-	636,829
Derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 54	$ -	$ 54
Forward foreign exchange contracts	-	4,065	-	4,065
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	30,331	-	30,331
Forward foreign exchange contracts	-	1,218	-	1,218

June 30, 2015	Level 1	Level 2	Level 3	Total
Non-derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed and over-the-counter stocks	$ 59,034	$ -	$ -	$ 59,034
Index funds	53,043	-	-	53,043
Financial assets designated as at fair value through profit or loss on initial recognition				
Convertible corporate bonds	2,775	-	-	2,775
Mandatory convertible corporate bonds	-	-	506,497	506,497
Available-for-sale financial assets				
Securitized real estate products	925,164	-	-	925,164
Corporate bonds	-	303,119	-	303,119
Index funds	1,170,526	-	-	1,170,526
Government bonds	-	932,872	-	932,872
Listed and over-the-counter stocks	2,652,663	-	-	2,652,663
Listed and over-the-counter preferred stocks	-	22,935	-	22,935
Open-end funds	769,128	-	-	769,128
Derivative financial instruments				
Assets				
Recurring fair value measurements				
Financial assets at fair value through profit or loss				
FX swap contracts	$ -	$ 5,725	$ -	$ 5,725
Forward foreign exchange contracts	-	4,112	-	4,112
Liabilities				
Recurring fair value measurements				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	16,324	-	16,324
Forward foreign exchange contracts	-	2,298	-	2,298
Futures	-	15	-	15

D.The methods and assumptions the Company used to measure fair value are as follows:

(a)The instruments the Company used market quoted prices as their fair values (that is, Level 1) are listed below by characteristics:

Listed shares	Index funds	Convertible bond	Real estate securitization products	Open-end funds
Closing price	Closing price	Closing price	Closing price	Net asset value

(b)Except for financial instruments with active markets, the fair value of other financial instruments is measured by using valuation techniques or by reference to counterparty quotes. The fair value of financial instruments measured by using valuation techniques method can be referred to current fair value of instruments with similar terms and characteristics in substance, discounted cash flow method or other valuation methods, including calculated by applying model using market information available at the balance sheet date (i.e. yield curves on the Taipei Exchange, average commercial paper interest rates quoted from Reuters).

(c)When assessing non-standard and low-complexity financial instruments, for example, debt instruments without active market and swap contracts, the Company adopts valuation technique that is widely used by market participants. The inputs used in the valuation method to measure these financial instruments are normally observable in the market.

(d)For high-complexity financial instruments, the fair value is measured by using self-developed valuation model based on the valuation method and technique widely used within the same industry. The valuation model is normally applied to derivative financial instruments, debt instruments with embedded derivatives or securitized instruments. Certain inputs used in the valuation model are not observable at market, and the Company must make reasonable estimates based on its assumptions. The effect of unobservable inputs to the valuation of financial instruments is provided in Note 12 (1) I.

(e)The valuation of derivative financial instruments is based on valuation model widely accepted by market participants, such as present value techniques. Forward exchange contracts are usually valued based on the current forward exchange rate.

(f)The output of valuation model is an estimated value and the valuation technique may not be able to capture all relevant factors of the Company’s financial instruments. Therefore, the estimated value derived using valuation model is adjusted accordingly with additional inputs, for example, model risk or liquidity risk and etc. In accordance with the Company’s management policies and relevant control procedures relating to the valuation models used for fair value measurement, management believes adjustment to valuation is necessary in order to reasonably represent the fair value of financial instruments at the balance sheet. The inputs and pricing information used during valuation are carefully assessed and adjusted based on current market conditions.

(g)The Company takes into account adjustments for credit risks to measure the fair value of financial instruments to reflect credit risk of the counterparty and the Company’s credit quality.

E.For the six-month periods ended June 30, 2016 and 2015, there were no transfer between Level 1 and Level 2.

F.The following table presents the changes in level 3 instruments for the six-month periods ended June 30, 2016 and 2015:

	Six-month period ended June 30, 2016							
		Gain or loss on valuation		Acquired in the period		Disposed of in the period		
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3	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	$ 455,027	($ 3,321)	$ -	$ -	$ -	$ -	$ -	$ 451,706

	Six-month period ended June 30, 2015							
		Gain or loss on valuation		Acquired in the period		Disposed of in the period		
	Opening balance	Recognized in profit or loss	Recognized in other comprehensive income	Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3	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	$ 548,664	($ 42,167)	$ -	$ -	$ -	$ -	$ -	$ 506,497

Gain or loss on valuation recognized in profit or loss arising from the assets held for the six-month periods ended June 30, 2016 and 2015 was ($3,321) and ($42,167), respectively.

G.For the six-month periods ended June 30, 2016 and 2015, there were no transfer into or out from Level 3.

H.Financial segment is in charge of valuation procedures for fair value measurements being categorized within Level 3, which is to verify independent fair value of financial instruments. Such assessment is to ensure the valuation results are reasonable by applying independent information to make results close to current market conditions, confirming the resource of information is independent, reliable and in line with other resources and represented as the exercisable price, and frequently updating inputs used to the valuation model and making any other necessary adjustments to the fair value. Financial segment set up valuation policies, valuation processes and rules for measuring fair value of financial instruments and ensure compliance with the related requirements in IFRS.

I.The following is the qualitative information of significant unobservable inputs and sensitivity analysis of changes in significant unobservable inputs to valuation model used in Level 3 fair value measurement:

	Fair value at June 30, 2016	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Financial assets at fair value through profit or loss					
Financial assets designated as at fair value through profit or loss on initial recognition					
Domestic mandatory convertible corporate bonds (Note)	$ 451,706	The binary tree stock discount model of convertible bonds	Liquidity premium	2.97%	Liquidity premium lower, fair value higher

	Fair value at December 31, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Financial assets at fair value through profit or loss					
Financial assets designated as at fair value through profit or loss on initial recognition					
Domestic mandatory convertible corporate bonds (Note)	$ 455,027	The binary tree stock discount model of convertible bonds	Liquidity premium	4.47%	Liquidity premium lower, fair value higher

	Fair value at June 30, 2015	Valuation technique	Significant unobservable input	Range (weighted average)	Relationship of inputs to fair value
Hybrid instrument:					
Financial assets at fair value through profit or loss					
Financial assets designated as at fair value through profit or loss on initial recognition					
Domestic mandatory convertible corporate bonds (Note)	$ 506,497	The binary tree stock discount model of convertible bonds	Liquidity premium	3.73%	Liquidity premium lower, fair value higher

Note: Items that affect the fair value measurement of mandatory convertible corporate bonds include observable stock prices.

J.The Company has carefully assessed the valuation models and assumptions used to measure fair value; therefore, the fair value measurement is 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:

	June 30, 2016		June 30, 2015	
	Change in fair value recognized in profit and loss		Change in fair value recognized in profit and loss	
	Favorable	Unfavorable	Favorable	Unfavorable
Hybrid instrument:				
Financial assets at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss on initial recognition	$ 5,754	($ 5,584)	$ 5,770	($ 4,362)

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

Except for the financial instruments below and investment property, the carrying amounts of the Company's financial instruments not measured at fair value (including cash and cash equivalents, accounts receivable, other financial assets and accounts payable) are approximate to their fair values.

	June 30, 2016			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Investments in debt instruments without active market	$ 4,850,150	$ -	$ 3,953,293	$ 944,605
Held-to-maturity financial assets	1,147,260	-	1,156,382	-

	December 31, 2015			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Investments in debt instruments without active market	$ 5,478,882	$ -	$ 3,872,178	$ 1,574,806

	June 30, 2015			
		Fair value		
	Book value	Level 1	Level 2	Level 3
Non-derivative financial instruments				
Investments in debt instruments without active market	$ 3,930,479	$ -	$ 2,581,315	$ 1,346,522

The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined in Note 12 (1) B, and the methods and assumptions are as follows:

If recent transaction prices or market maker quotes are available, the fair value is based on such information. If there is no quoted market price available, the fair value is determined by using valuation techniques and calculated as the present value of the estimated cash flows.

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

	June 30, 2016			December 31, 2015		
Assets	Book value	Within 12 months	Over 12 months	Book value	Within 12 months	Over 12 months
Cash and cash equivalents	$ 14,931,202	$ 14,931,202	$ -	$ 16,461,567	$ 16,461,567	$ -
Accounts receivable	167,081	167,081	-	248,065	248,065	-
Current income tax assets	69,977	69,977	-	69,977	69,977	-
Financial assets at fair value through profit or loss	563,645	110,349	453,296	537,573	78,880	458,693
Available-for-sale financial assets	5,325,541	5,267,010	58,531	3,802,122	3,743,455	58,667
Investments in debt instruments without active market	4,850,150	267,721	4,582,429	5,478,882	1,320,441	4,158,441
Held-to-maturity financial assets	1,147,260	383,138	764,122	-	-	-
Other financial assets	1,563,309	1,563,309	-	1,422,932	1,422,932	-
Investment property	455,427	-	455,427	456,730	-	456,730
Reinsurance contract assets	3,917,828	3,106,628	811,200	3,455,783	2,619,455	836,328
Property and equipment	210,784	-	210,784	213,444	-	213,444
Intangible assets	3,205	-	3,205	3,786	-	3,786
Other assets	1,049,502	5,915	1,043,587	1,086,086	30,071	1,056,015
Liabilities						
Accounts payable	$ 1,041,030	$ 1,039,952	$ 1,078	$ 425,192	$ 423,575	$ 1,617
Current income tax liabilities	75,256	75,256	-	68,011	68,011	-
Financial liabilities at fair value through profit or loss	8,427	8,427	-	31,549	31,549	-
Insurance liabilities	23,925,500	13,279,061	10,646,439	23,279,625	13,229,593	10,050,032
Provisions	7,467	-	7,467	8,015	-	8,015
Other liabilities	38,343	37,632	711	27,012	25,707	1,305

	June 30, 2015		
Assets	Book value	Within 12 months	Over 12 months
Cash and cash equivalents	$ 16,985,448	$ 16,985,448	$ -
Accounts receivable	373,513	373,513	-
Current income tax assets	133,340	133,340	-
Financial assets at fair value through profit or loss	631,186	121,914	509,272
Available-for-sale financial assets	5,901,531	5,843,536	57,995
Investments in debt instruments without active market	3,930,479	1,303,956	2,626,523
Other financial assets	518,905	271,405	247,500
Investment property	457,743	-	457,743
Reinsurance contract assets	3,912,522	3,058,740	853,782
Property and equipment	213,795	-	213,795
Intangible assets	1,061	-	1,061
Other assets	1,060,209	22,024	1,038,185
Liabilities			
Accounts payable	$ 1,287,723	$ 1,287,723	$ -
Current income tax liabilities	95,159	95,159	-
Financial liabilities at fair value through profit or loss	18,637	18,637	-
Insurance liabilities	23,279,274	13,220,326	10,058,948
Provisions	5,675	-	5,675
Other liabilities	42,284	39,129	3,155

(3) Calculation of retention earned premiums are shown below:

	Three-month period ended June 30, 2016				
Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	$ 3,038,616	$ 258,734	$ 2,779,882	$ 113,040	$ 2,666,842
Compulsory insurance	575,868	-	575,868	7,841	568,027
	$ 3,614,484	$ 258,734	$ 3,355,750	$ 120,881	$ 3,234,869

	Three-month period ended June 30, 2015				
Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
Non-Compulsory insurance	$ 2,954,909	$ 249,788	$ 2,705,121	$ 32,850	$ 2,672,271
Compulsory insurance	555,263	-	555,263	(8,747)	564,010
	$ 3,510,172	$ 249,788	$ 3,260,384	$ 24,103	$ 3,236,281

Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
	Six-month period ended June 30, 2016				
Non-Compulsory insurance	$ 6,168,719	$ 540,150	$ 5,628,569	$ 358,534	$ 5,270,035
Compulsory insurance	1,193,914	-	1,193,914	28,143	1,165,771
	$ 7,362,633	$ 540,150	$ 6,822,483	$ 386,677	$ 6,435,806

Category of insurance	Gross premiums written (1)	Reinsurance premiums ceded (2)	Retention premiums (3)=(1)-(2)	Net change in unearned premium reserve (4)	Retention earned premiums (5)=(3)-(4)
	Six-month period ended June 30, 2015				
Non-Compulsory insurance	$ 6,409,274	$ 564,170	$ 5,845,104	$ 214,283	$ 5,630,821
Compulsory insurance	1,129,966	-	1,129,966	(12,440)	1,142,406
	$ 7,539,240	$ 564,170	$ 6,975,070	$ 201,843	$ 6,773,227

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

Category of insurance	Three-month period ended June 30, 2016 Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 1,458,864	$ 104,042	$ 1,354,822
Compulsory insurance	473,497	-	473,497
	$ 1,932,361	$ 104,042	$ 1,828,319

Category of insurance	Three-month period ended June 30, 2015 Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 1,688,162	$ 113,421	$ 1,574,741
Compulsory insurance	608,333	-	608,333
	$ 2,296,495	$ 113,421	$ 2,183,074

Category of insurance	Six-month period ended June 30, 2016 Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 2,960,292	$ 207,824	$ 2,752,468
Compulsory insurance	1,021,463	-	1,021,463
	$ 3,981,755	$ 207,824	$ 3,773,931

Category of insurance	Six-month period ended June 30, 2015 Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	$ 3,723,360	$ 235,430	$ 3,487,930
Compulsory insurance	1,416,803	-	1,416,803
	$ 5,140,163	$ 235,430	$ 4,904,733

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

	June 30, 2016	December 31, 2015	June 30, 2015
Assets			
Cash and cash equivalents	$ 4,429,818	$ 4,259,498	$ 4,321,295
Due from reinsurers and ceding companies	395,849	386,720	380,492
	$ 4,825,667	$ 4,646,218	$ 4,701,787
Liabilities			
Unearned premium reserve	$ 1,434,819	$ 1,406,676	$ 1,401,173
Claims reserve	2,095,532	2,038,176	2,060,546
Equalization reserve	1,295,316	1,201,366	1,240,068
	$ 4,825,667	$ 4,646,218	$ 4,701,787

Note: As of June 30, 2016, December 31, 2015 and June 30, 2015, certain time deposits, which amounted to $888,986, $739,500 and $247,500 included above as cash and cash equivalents of compulsory automobile liability insurance did not meet the definition of cash equivalents, consequently they are presented under other financial assets.

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

	Three-month period ended June 30, 2016	Three-month period ended June 30, 2015
Operating revenues		
Reinsurance premiums	$ 575,868	$ 555,263
Net change in unearned premium reserve	(7,841)	8,747
Retention earned premiums	568,027	564,010
Interest income	3,379	4,874
	$ 571,406	$ 568,884
Operating costs		
Reinsurance claims paid	$ 473,497	$ 608,333
Net change in claims reserve	(12,789)	(20,152)
Net change in equalization reserve	110,698	(19,297)
	$ 571,406	$ 568,884

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Operating revenues		
Reinsurance premiums	$ 1,193,914	$ 1,129,966
Net change in unearned premium reserve	(28,143)	12,440
Retention earned premiums	1,165,771	1,142,406
Interest income	6,998	9,748
	$ 1,172,769	$ 1,152,154
Operating costs		
Reinsurance claims paid	$ 1,021,463	$ 1,416,803
Net change in claims reserve	57,356	(65,903)
Net change in equalization reserve	93,950	(198,746)
	$ 1,172,769	$ 1,152,154

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 risks 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 other risks. 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 sets 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 foreign 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 foreign 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:

	June 30, 2016		
	Foreign currency amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
AUD	709	24.014	$ 17,025
CNY	426,712	4.860	2,073,732
EUR	2,409	35.902	86,481
GBP	512	43.470	22,264
HKD	109,269	4.161	454,684
IDR	7,683,110	0.002	18,821
JPY	1,351,452	0.314	424,445
KRW	1,760,332	0.028	49,343
MYR	2,877	8.025	23,086
USD	119,243	32.286	3,849,846
Non-monetary items			
CAD	2,592	24.924	64,599
CNY	185,105	4.860	899,571
EUR	3,012	35.902	108,153
HKD	198,073	4.161	824,211
JPY	922,401	0.314	289,695
USD	18,403	32.286	594,143
Financial liabilities			
Monetary items			
CNY	98,529	4.860	478,828
EUR	2,057	35.902	73,863
GBP	365	43.470	15,867
HKD	9,109	4.161	37,903
IDR	17,608,791	0.002	43,128
INR	133,070	0.478	63,617
JPY	755,585	0.314	237,304
KRW	5,761,215	0.028	161,492
MYR	2,898	8.025	23,252
SGD	2,136	23.924	51,095
USD	42,312	32.286	1,366,100

	December 31, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
AUD	699	24.165	$ 16,884
CNY	581,148	5.092	2,959,348
EUR	2,025	36.105	73,114
GBP	384	49.027	18,803
HKD	182,136	4.266	777,076
IDR	6,711,244	0.002	16,104
JPY	949,112	0.275	260,659
KRW	2,429,935	0.028	68,378
USD	81,440	33.066	2,692,879
Non-monetary items			
CAD	2,588	23.812	61,632
CNY	57,540	5.092	293,009
HKD	136,564	4.266	582,648
JPY	463,993	0.275	127,429
USD	14,487	33.066	479,012
Financial liabilities			
Monetary items			
CNY	102,632	5.092	522,629
EUR	1,948	36.105	70,344
GBP	351	49.027	17,201
HKD	11,715	4.266	49,980
IDR	20,307,710	0.002	48,730
INR	167,784	0.500	83,815
JPY	669,702	0.275	183,923
KRW	7,767,588	0.028	218,578
MYR	2,188	7.701	16,847
PHP	10,708	0.705	7,549
SGD	2,243	23.416	52,519
USD	20,968	33.066	693,325

	June 30, 2015		
	Foreign currency amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
AUD	549	23.843	$ 13,084
CNY	512,022	5.007	2,563,698
EUR	1,911	34.696	66,313
GBP	329	48.886	16,086
HKD	125,446	4.008	502,775
IDR	8,003,813	0.002	18,655
INR	22,969	0.487	11,191
JPY	1,138,508	0.254	289,590
KRW	3,002,011	0.028	83,616
MYR	1,320	8.239	10,874
USD	69,013	31.070	2,144,242
Non-monetary items			
CAD	2,683	25.050	67,216
CNY	56,517	5.007	282,983
HKD	251,863	4.008	1,009,442
JPY	1,387,147	0.254	352,834
USD	20,506	31.070	637,109
Financial liabilities			
Monetary items			
CNY	59,557	5.007	298,203
DKK	1,886	4.650	8,769
EUR	2,034	34.696	70,576
GBP	344	48.886	16,821
HKD	17,431	4.008	69,863
IDR	24,017,641	0.002	55,980
INR	183,050	0.487	89,189
JPY	561,147	0.254	142,733
KRW	7,758,232	0.028	216,092
MYR	2,190	8.239	18,046
SGD	2,712	23.107	62,663
THB	9,955	0.920	9,162
TRY	795	11.558	9,187
USD	20,514	31.070	637,362

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.

	Six-month period ended June 30, 2016	Six-month period ended June 30, 2015
Foreign currencies to NTD appreciate by 1%	$ 43,988	$ 40,191
Foreign currencies to NTD depreciate by 1%	(43,988)	(40,191)

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 foreign 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 and REITs had increased/decreased by 1% with all other variables held constant, pre-tax profit for the six-month periods ended June 30, 2016 and 2015 would have increased/decreased by $645 and $1,121, 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 $52,670 and $55,404, 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 not only takes into consideration the duration but also convexity. Relevant effects may differ from the actual values, but the differences are not significant.

	June 30, 2016		
	Changes in variables	Changes in profit or loss	Changes in other comprehensive income
Financial assets at fair value through profit or loss	Increase/decrease 50 basis points	Decrease $5,597/Increase $5,767	-
Available-for-sale financial assets	Increase/decrease 50 basis points	-	Decrease $11,844/Increase $11,844

	June 30, 2015		
	Changes in variables	Changes in profit or loss	Changes in other comprehensive income
Financial assets at fair value through profit or loss	Increase/decrease 50 basis points	Decrease $4,373/Increase $5,781	-
Available-for-sale financial assets	Increase/decrease 50 basis points	-	Decrease $14,280/Increase $14,280

(b)Credit risk

i.When investing in financial instruments, the Company will 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 foreign 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:

	Assets are neither past due nor impaired								
	Credit rating								
	S&P AAA or equivalents	Over S&P AA- or equivalents	Over S&P A- or equivalents	Over S&P BBB- or equivalents	Over S&P BB- or equivalents	Without credit rating etc. (Note)	Impaired assets	Impairment reserve	Total
June 30, 2016									
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 451,706	$ 1,590	$ -	$ -	$ 453,296
Available-for-sale financial assets	-	952,145	-	-	-	-	-	-	952,145
Investments in debt instruments without active market	955,786	898,507	1,753,509	1,042,348	200,000	-	-	-	4,850,150
Held-to-maturity financial assets	-	624,450	522,810	-	-	-	-	-	1,147,260
	$ 955,786	$ 2,475,102	$ 2,276,319	$ 1,042,348	$ 651,706	$ 1,590	$ -	$ -	$ 7,402,851
December 31, 2015									
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 455,027	$ 3,666	$ -	$ -	$ 458,693
Available-for-sale financial assets	-	1,057,061	-	-	-	-	-	-	1,057,061
Investments in debt instruments without active market	974,958	278,229	2,050,622	1,975,073	200,000	-	-	-	5,478,882
	$ 974,958	$ 1,335,290	$ 2,050,622	$ 1,975,073	$ 655,027	$ 3,666	$ -	$ -	$ 6,994,636
June 30, 2015									
Financial assets at fair value through profit or loss	$ -	$ -	$ -	$ -	$ 506,497	$ 2,775	$ -	$ -	$ 509,272
Available-for-sale financial assets	-	932,872	-	303,119	-	-	-	-	1,235,991
Investments in debt instruments without active market	929,517	320,453	1,026,623	1,251,244	402,642	-	-	-	3,930,479
	$ 929,517	$ 1,253,325	$ 1,026,623	$ 1,554,363	$ 909,139	$ 2,775	$ -	$ -	$ 5,675,742

Note: Domestic convertible corporate bonds.

(c)Liquidity risk

i. The Company uses time deposits 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 notional principal of FX swap contracts and forward foreign 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 notional 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 analyzes the Company's non-derivative financial liabilities and net-settled derivative financial liabilities into groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

a)Non-derivative financial liabilities

June 30, 2016	Due in one year	Due after one year through three years	Total
Accounts payable	$ 1,039,952	$ 1,078	$ 1,041,030
Deposits-in (under other liabilities)	4,131	711	4,842

December 31, 2015	Due in one year	Due after one year through three years	Total
Accounts payable	$ 423,575	$ 1,617	$ 425,192
Deposits-in (under other liabilities)	3,537	1,305	4,842

June 30, 2015	Due in one year	Due after one year through three years	Total
Accounts payable	$ 1,287,723	$ -	$ 1,287,723
Deposits-in (under other liabilities)	1,712	3,155	4,867

b)Net-settled derivative financial liabilities

June 30, 2016	Due in three months	Due after three months through one year	Total
FX swap contracts	$ 2,026	$ -	$ 2,026
Forward foreign exchange contract	5,717	-	5,717
Futures	684	-	684

December 31, 2015	Due in three months	Due after three months through one year	Total
FX swap contracts	$ 30,331	$ -	$ 30,331
Forward foreign exchange contract	1,218	-	1,218

June 30, 2015	Due in three months	Due after three months through one year	Total
FX swap contracts	$ 16,324	$ -	$ 16,324
Forward foreign exchange contract	-	2,298	2,298
Futures	15	-	15

(2) Risk management of insurance contracts

All insurance contracts assumed by the Company, after assessment, were considered risks transferred by reinsurance. 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 are as follows:

Type \ Year	Six-month period ended June 30, 2016		Six-month period ended June 30, 2015	
	Reinsurance premiums	Retention premiums	Reinsurance premiums	Retention premiums
Domestic inward property reinsurance business	62.96%	62.31%	59.40%	58.48%
Domestic inward life reinsurance business	25.48%	25.74%	29.44%	30.02%
Subtotal-Domestic inward reinsurance business	88.44%	88.05%	88.84%	88.50%
Foreign inward reinsurance business	11.56%	11.95%	11.16%	11.50%
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 six-month periods ended June 30, 2016 and 2015 were \$5,270,035 and \$5,630,821, respectively. If the change of combined ratio of the Company is 1%, the estimated effect on gains and losses of underwriting for the six-month periods ended June 30, 2016 and 2015 would be approximately \$52,700 and \$56,308, respectively.

D.Loss development pattern

(a)As of June 30, 2016, the following table indicates the loss development pattern of the Company's inward business:

Year of underwriting	2011	2012	2013	2014	2015	Six-month period ended June 30, 2016	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 4,764,133	$ 4,333,245	$ 5,222,485	$ 4,482,819	$ 5,067,741	$ 2,053,907	
After the first year	8,406,636	7,341,226	9,666,215	7,292,566	6,820,528		
After the second year	7,872,830	7,077,263	9,033,742	6,964,297			
After the third year	7,621,219	6,703,107	8,876,331				
After the fourth year	7,445,767	6,521,047					
After the fifth year	7,425,506						
Accumulated estimated claim amount	7,425,506	6,521,047	8,876,331	6,964,297	6,820,528	2,053,907	$ 38,661,616
Accumulated claim payment	(6,816,359)	(5,841,661)	(7,779,919)	(5,421,304)	(3,053,974)	176,745	(28,736,472)
Accumulated unpaid claim	609,147	679,386	1,096,412	1,542,993	3,766,554	2,230,652	9,925,144
Add: accumulated unpaid claim before 2010							2,146,628
Subtotal							12,071,772
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	-	-	128,839	558,770	937,472	471,178	2,096,259
Recognition in balance sheet (under claims reserve of insurance liabilities)							$ 14,168,031

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

(b)As of June 30, 2016, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2011	2012	2013	2014	2015	Six-month period ended June 30, 2016	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 4,455,722	$ 4,062,535	$ 4,924,699	$ 4,218,773	$ 4,796,487	$ 1,963,921	
After the first year	7,768,781	6,797,370	9,076,191	6,809,108	6,374,739		
After the second year	7,312,008	6,596,777	8,505,546	6,520,354			
After the third year	7,078,121	6,262,364	8,357,318				
After the fourth year	6,914,609	6,083,689					
After the fifth year	6,893,079						
Accumulated estimated claim amount	6,893,079	6,083,689	8,357,318	6,520,354	6,374,739	1,963,921	$ 36,193,100
Accumulated claim payment	(6,309,298)	(5,431,685)	(7,366,463)	(5,079,377)	(2,865,301)	146,759	(26,905,365)
Accumulated unpaid claim	583,781	652,004	990,855	1,440,977	3,509,438	2,110,680	9,287,735
Add: accumulated unpaid claim before 2010							1,972,837
Subtotal							11,260,572
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	-	-	128,839	558,770	937,472	471,178	2,096,259
Recognition in balance sheet							$ 13,356,831

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

(c)As of December 31, 2015, the following table indicates the loss development pattern of the Company's inward business:

Year of underwriting	2010	2011	2012	2013	2014	2015	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,248,664	$ 4,764,133	$ 4,333,245	$ 5,222,485	$ 4,482,819	$ 5,067,741	
After the first year	7,946,701	8,406,636	7,341,226	9,666,215	7,292,566		
After the second year	7,717,952	7,872,830	7,077,263	9,033,742			
After the third year	7,409,328	7,621,219	6,703,107				
After the fourth year	7,351,080	7,445,767					
After the fifth year	7,242,534						
Accumulated estimated claim amount	7,242,534	7,445,767	6,703,107	9,033,742	7,292,566	5,067,741	$ 42,785,457
Accumulated claim payment	(6,767,151)	(6,790,394)	(5,790,309)	(7,620,738)	(4,688,427)	(987,353)	(32,644,372)
Accumulated unpaid claim	475,383	655,373	912,798	1,413,004	2,604,139	4,080,388	10,141,085
Add: accumulated unpaid claim before 2009							1,883,920
Subtotal							12,025,005
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year			42, 435	294, 281	929, 354	772, 144	2,038,214
Recognition in balance sheet (under claims reserve of insurance liabilities)							$ 14,063,219

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

(d)As of December 31, 2015, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2010	2011	2012	2013	2014	2015	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,003,431	$ 4,455,722	$ 4,062,535	$ 4,924,699	$ 4,218,773	$ 4,796,487	
After the first year	7,292,393	7,768,781	6,797,370	9,076,191	6,809,108		
After the second year	7,085,938	7,312,008	6,596,777	8,505,546			
After the third year	6,812,135	7,078,121	6,262,364				
After the fourth year	6,761,218	6,914,609					
After the fifth year	6,653,693						
Accumulated estimated claim amount	6,653,693	6,914,609	6,262,364	8,505,546	6,809,108	4,796,487	$ 39,941,807
Accumulated claim payment	(6,207,146)	(6,284,574)	(5,382,933)	(7,219,451)	(4,407,007)	(953,731)	(30,454,842)
Accumulated unpaid claim	446,547	630,035	879,431	1,286,095	2,402,101	3,842,756	9,486,965
Add: accumulated unpaid claim before 2009							1,701,712
Subtotal							11,188,677
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year			42,435	294,281	929,354	772,144	2,038,214
Recognition in balance sheet							$ 13,226,891

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

(e)As of June 30, 2015, the following table indicates the loss development pattern of the Company's inward business:

Year of underwriting	2010	2011	2012	2013	2014	Six-month period ended June 30, 2015	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,248,664	$ 4,764,133	$ 4,333,245	$ 5,222,485	$ 4,482,819	$ 1,663,306	
After the first year	7,946,701	8,406,636	7,341,226	9,666,215	6,636,141		
After the second year	7,717,952	7,872,830	7,077,263	9,447,783			
After the third year	7,409,328	7,621,219	7,022,364				
After the fourth year	7,351,080	7,483,311					
After the fifth year	7,264,046						
Accumulated estimated claim amount	7,264,046	7,483,311	7,022,364	9,447,783	6,636,141	1,663,306	$ 39,516,951
Accumulated claim payment	(6,744,916)	(6,758,049)	(5,704,841)	(7,372,841)	(3,321,729)	5,963	(29,896,413)
Accumulated unpaid claim	519,130	725,262	1,317,523	2,074,942	3,314,412	1,669,269	9,620,538
Add: accumulated unpaid claim before 2009							2,025,287
Subtotal							11,645,825
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(11)	(196)	81,195	537,514	1,080,471	361,595	2,060,568
Recognition in balance sheet (under claims reserve of insurance liabilities)							$ 13,706,393

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

(f)As of June 30, 2015, the following table indicates the loss development pattern of the Company's retention business:

Year of underwriting	2010	2011	2012	2013	2014	Six-month period ended June 30, 2015	Total
Non-statutory insurance							
Accumulated estimated claim amount							
At the end of the year	$ 3,003,341	$ 4,455,722	$ 4,062,535	$ 4,924,699	$ 4,218,773	$ 1,575,208	
After the first year	7,292,393	7,768,781	6,797,370	9,076,191	6,206,406		
After the second year	7,085,938	7,312,008	6,596,777	8,888,073			
After the third year	6,812,135	7,078,121	6,553,187				
After the fourth year	6,761,218	6,952,074					
After the fifth year	6,676,270						
Accumulated estimated claim amount	6,676,270	6,952,074	6,553,187	8,888,073	6,206,406	1,575,208	$ 36,851,218
Accumulated claim payment	(6,185,878)	(6,254,175)	(5,303,077)	(6,992,568)	(3,151,956)	(8,738)	(27,896,392)
Accumulated unpaid claim	490,392	697,899	1,250,110	1,895,505	3,054,450	1,566,470	8,954,826
Add: accumulated unpaid claim before 2009							1,837,217
Subtotal							10,792,043
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(11)	(196)	81,195	537,514	1,080,471	361,595	2,060,568
Recognition in balance sheet							$ 12,852,611

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.

In practice, Taiwan insurance enterprises usually measure whether the capital is adequate by using 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 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, 2015 and 2014 were all above 300% and in compliance with regulation.

15. OTHER DISCLOSURES

(1) Information of significant transactions

A. Acquisition of real estate in excess of $300,000 or 20% of the paid-up capital: None.

B. Disposals of real estate in excess of $300,000 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 Note 6 (3).

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

The Company operates business only in reinsurance services. The Company allocates resources and assesses performance of the Company as a whole, and has identified that the Company has only one reportable operating segment.

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

    For status of the Company’s application to establish an offshore insurance branch, please refer to the explanations in Note 1.

23. EFFECTS OF SIGNIFICANT CHANGES IN GOVERNMENT LAWS

    None.