

Central Reinsurance Corporation

2015 ANNUAL REPORT

Notice to readers

This English version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English version and Chinese version, the Chinese version shall prevail.

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Nil

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I. LETTER TO SHAREHOLDERS

Dear Shareholders,

Central Reinsurance Corporation (Central Re) is the only professional reinsurer, founded in Taiwan providing reinsurance coverage for Life and non-life insurers worldwide for nearly 50 years.

Despite adverse operating environments in 2015 like customers' increasing retention, price softening, turmoil in financial markets and persistent low interest rate etc., the company was still able to perform exceptionally well. In 2015, our operating revenue achieved NT\$14.1 billion with after-tax profit amounting NT\$766 million which is in excess of our target and earnings per share at NT\$1.36.

As to our financial strength and capital structure, our reserves of retained business amounted to NT\$21.9 billion and our paid-up capital was NT\$5.6 billion with equity before distribution of dividends at NT\$9.3 billion demonstrating a level of pretty strong adequacy.

Based on our solid domestic market position, very strong capital level, strong earning capability and liquidity profile, and satisfactory underwriting results, the rating agency Standard & Poor's reaffirmed our A rating and stable outlook in January 2016. Taiwan Ratings Corp. also reaffirmed our rating of twAA+. In addition, another international rating agency A.M. Best has continuously recognized our operation performance and reaffirmed our A rating and stable outlook in July 2015. Long term good credit ratings will not only be beneficial for the acquisition of quality business, but also demonstrate our good solvency capability to protect our commitment to our customers.

During the early half of 2015, to enhance the competitiveness of Taiwan financial industry in the international market, regulators have allowed domestic insurers to apply for the establishment of offshore insurance units (OIU) to do international business. Central Re was approved to set up OIU in September, 2015 and started doing business on January 1, 2016. With the establishment of OIU and its tax benefit, Central Re will be able to enhance its competitiveness and improve the quality of its overseas business to achieve a better mixture of overall portfolios.

We hereby submit the operation results of our business plan, budget accomplishment, profitability analysis, research and development status of 2015 and the business plan for 2016 in the following pages for your perusals.

Looking into the future, our management team will remain committed to our corporate philosophy of "Challenge, Innovation and Teamwork" to intensify the

management of customer relationship to further cultivate the local market, to focus on the operation of our core business, to prudently expand our international business and in the meantime to practice appropriate capital management and sound investment activities to achieve our goals of steady increase of revenue and profit and everlasting operation of our enterprise. I respectfully request the support and guidance from you and hope you will all have good health and wishes come true.

Chairman

A handwritten signature in black ink, appearing to read "Chen Fumei". The signature is written in a cursive, flowing style.

Operating Performance in 2015

Central Reinsurance Corporation (Central Re) is the only professional reinsurer, founded in Taiwan providing reinsurance coverage for Life and non-life insurers worldwide for nearly 50 years. We are committed to achieve ethical corporate management, stabilization of insurance market, and the fulfillment of corporate social responsibility. In order to ensure sustainable management and adaption to the changing market, it is our strategy to utilize our domestic advantage to further cultivate the Taiwan market, to focus on better customer services, to prudently expand our international business, and to enhance the quality of business portfolio.

a. Operating Results

1. Underwriting Operations

The gross premium written in 2015 was NT\$14,194,290 thousand, a 10.24% decrease from NT\$15,813,621 thousand in budget estimation. The breakdown by source is shown in below table.

NT\$ thousands

Gross Premium Written				
Item \ Year	Actual	Budget	Increase(+)/Decrease(-)	
			Amount	%
Non-Life Business	9,760,104	9,797,682	-37,578	-0.38%
Life Business	4,434,186	6,015,939	-1,581,753	-26.29%
Total	14,194,290	15,813,621	-1,619,331	-10.24%

2. Financial Situation

By the end of 2015, the company's paid-up capital was NT\$5,622,750 thousand and the total equity before distribution of dividends was NT\$9,349,481 thousand, maintaining solid capital level.

To build up financial strength and reinforce the liquidity and solvency, the company holds adequate reserves. By the end of 2015, total reserves reached NT\$21,907,240 thousand.

The company's total net gain from investment at the end of 2015 was up 10.71% to NT\$416,161 thousand compared to budget estimation.

3. Credit Ratings

Based on Central Re's solid domestic market position, capital and earnings at very strong level, strong liquidity profile and satisfactory underwriting performance, rating agency Standard & Poor's reaffirmed our A rating and

stable outlook in January 2016. Taiwan Ratings Corp. also reconfirmed our rating of twAA+.

A.M. Best reaffirmed our A rating and stable outlook in July of 2015. Long term good credit ratings will not only be beneficial for the acquisition of quality business, but also demonstrate our good solvency capability to protect our commitment to our customers.

The latest ratings are shown as follows.

Rating Agency	Rating	Outlook
A.M. Best	A	Stable
Standard & Poor's	A	Stable
Taiwan Ratings	twAA+	Stable

b. Budget Accomplishment

The results of budget accomplishment are shown as follows.

Item	NT\$ thousands		
	Actual	Budget	Achievement (%)
Operating Revenues	14,068,010	15,486,497	90.84%
Operating Costs	12,748,976	14,225,703	89.62%
Gross Operating Income	1,319,034	1,260,794	104.62%
Operating Expenses	335,428	364,320	92.07%
Net Operating Income	983,606	896,474	109.72%
Non-Operating Income and Expenses	-1,790	0	-100.00%
Income from Continuing Operations Before Tax	981,816	896,474	109.52%
Income Tax Expense	215,951	152,446	141.66%
Income from Continuing Operations After Tax	765,865	744,028	102.93%

c. Profitability Analysis

Earnings per share (after tax) decreased by NT\$0.19, to NT\$1.36 for 2015. This was mainly due to the decrease in gross operating income from insurance business and investment business during the year.

Ratio \ Year		2015	2014	Average
Profitability	Return on Assets (%)	2.28	2.60	2.44
	Return on Equity (%)	8.14	9.42	8.78
	Net Operating Income / Paid-Up Capital (%)	17.49	17.80	17.65
	Income from Continuing Operations Before Tax/Paid-Up Capital (%)	17.46	17.80	17.63
	Net Profit Margin (%)	5.44	5.35	5.40
	Earnings Per Share (After Tax)(NT\$)	1.36	1.55	1.46

d. Research and Development

1. Human Resources Development

In order to enhance the work efficiency and the career development of our employees, we have established a variety of personal and professional curricula, based on Central Re's training framework, toward every level and with all functions. Currently, training courses of our employees are related to (re)insurance, finance, risk management, compliance training, interpersonal skills, and so on. Training detail in 2015 is shown in the below table.

Training Program		Attendance Number
Mandatory Training	Orientation Training	8
	The Acknowledgement and Training for Legal and Compliance	215
	Internal Control, Auditing and Self-inspection Training	60
	The Regulatory On-job Training for Money Laundering Prevention	81
	The Acknowledgement and Training for Personal Information Protection	37
	Ethical Corporate Management Training	53
	Risk Management Training	115
Professional Training	Administrative Management Courses (e.g. human resources, shareholder services, occupational safety and health)	9
	Specialized Finance and Investment Courses	37
	Specialized (Re)insurance and Actuarial Courses	227
	Risk Management Courses	53
Compliance Training	External Finance-related Professional Courses, held by a competent authority-designated institution, for Internal auditors	18
	External Courses, offered by institutes recognized by the competent authority, for compliance personnel	8

To extend colleagues' global perspective, we also provided overseas training

opportunities, such as insurance seminars or financial conferences, which were attended by 15 people in 2015.

Meanwhile, we constantly inspire our employees to obtain the professional certifications and licenses of the non-life and life insurance and financial related exams held by domestic and international institutions. There are 61 colleagues who have passed the following professional examinations and enrolled correlated designations.

Item		Number Passing
Domestic Certification	The certificate as a qualified insurance underwriter of non-life insurance	20
	The certificate as a qualified claim adjuster of non-life insurance	8
	The certificate as a qualified insurance underwriter of life insurance	5
	The certificate as a qualified claim adjuster of life insurance	3
	Fellow of Actuarial Institute of the Chinese Taipei (FAICT)	2
	Associate of Actuarial Institute of the Chinese Taipei	1
	Basic Proficiency Test on Bank Internal Controls	2
International Certification	Chartered Property Casualty Underwriter (CPCU)	2
	Associateship of the Chartered Insurance Institute (ACII)	1
	Associate of the Society of Actuaries (ASA)	2
	Associate of the Casualty Actuarial Society (ACAS)	1
	The Academy of Life Underwriting	1
	The Fellow, Life Management Institute (FLMI)	5
	Associate, Customer Service (ACS)	3
	Associate, Annuity Products and Administration (AAPA)	1
	The Chartered Financial Analyst	1
	Financial Risk Manager	2
	Associate in Risk Management (ARM)	1

Furthermore, we offer diversified human resource programs in accordance with job requirements and personal interests to our employees to sharpen and exercise their talents. In 2015, we not only hired 8 new employees, but also provided 7 job rotations and 18 job promotions to enhance employees' expertise and career development.

2. Business Development and Service

(1) Central Re was approved to set up offshore insurance units (OIU) in

September, 2015 and started doing business on January 1, 2016. With the establishment of OIU and its tax benefit, we will be able to enhance our competitiveness and improve the quality of overseas business to achieve a better mixture of overall portfolios.

- (2) We continue to expand business and increase underwriting profit by prudently writing facultative business, joining domestic insurance pool and life coinsurance business.
- (3) Enhancing customer satisfaction. We assist our clients to design and price innovative products by providing market information and reliable statistics. In addition, we also provide regulation support, risk management advisory, actuarial advisory, and skill training seminars with regard to underwriting and claim handling.
- (4) In order to improve efficiency and strengthen internal control, we continue to develop our IT system and construct remote backup mechanism. The management uses related statistical analysis to establish future operating strategies.
- (5) Set up talent pool to support the development of business and customer service.
- (6) Keep promoting our company's "Key Risk Indicator".

Business Plan for 2016

Central Re established the business plan for 2016 as below.

a. Operating Strategies

1. Implement corporate governance activities, ethical corporation management and fulfillment of corporate social responsibility
2. Strengthen capital and financial structure to enhance company's solvency
3. Business development and capital allocation consider relation between risk and return, and aim to maximize capital allocation efficiency and benefits of shareholders.
4. Integrate risk management and operation decisions by means of practicing risk management as a mechanism to enhance the ability of risk governance.
5. Satisfy clients by tailor-made solutions based on their requirements to gain the profitable business.

6. Prudently expand international business to diversify our business portfolio and increase profit
7. Maintain client relationships by providing actuarial services, support of new products development, professional seminar, discussion of regulation, etc.
8. Adopt a sound investment strategy to achieve our goals of steady revenue and earnings growth

b. Operating Objective

The growth of global economy is lack of momentum, and the prolonged low interest rate continues to attract new capitals into reinsurance market. Consequently, the rating agencies assigned a conservative outlook to the reinsurance sector, and we expect soft global reinsurance market to be continued in 2016. In the face of competition and the challenging business environment, we will prudently assume our business and adopt a sound investment strategy to create business portfolio with risk control and profit stability.

Development Strategy

Based on the changing operational environment, market trend and our visions, we build up our development strategy as below.

- a. Implement legal compliance, risk management, internal control and corporate governance activities
- b. Uphold sound business ethics, contribute to the insurance market, and fulfillment of corporate social responsibility
- c. Promote our professional image, strengthen employee's training and career development
- d. Focus on providing tailor-made reinsurance solutions to increase customer satisfactions and values
- e. Cultivate Taiwan market to pursue long term and steady underwriting profit
- f. Prudently expand international business and increase overseas business from direct market
- g. Strengthen capital structure and enhance utilization efficiency of capital

External Competitive, Regulatory and Macroeconomic Conditions

a. External Competitive Conditions

By the end of 2015, there are 3 professional reinsurers in Taiwan. Our company is the only domestic reinsurer and the other two foreign reinsurers are General Reinsurance AG, Taiwan Branch and RGA Global Reinsurance Company Limited Taiwan Branch. We are in the presence of a challenge in 2016 due to the domestic insurers' continuously increase of their retentions, sluggish growth of local reinsurance's requirement, and abundance capacity from global reinsurance market.

b. Regulatory Conditions

1. Insurance Act

The Insurance Act was amended on February 4, 2015, with key points as follows:

- (1) To enhance the quality and the reliability of Appointed Actuary's actuarial report, an insurance enterprise shall employ external actuaries to periodically review the actuarial report with regard to accuracy, rationality and reliability. The competent authority also added the penal provisions to regulate external actuaries if there is any misrepresentation, concealment, omission, or incorrect information of external actuary's review report. (Amendments of Article 144 and 171).
- (2) In order to enhance the insurance enterprises to pay more attention to the internal control and auditing systems, the competent authority increase the sum of administrative fine if the insurance enterprises fail to establish or enforce internal control or auditing systems. (Amendment of Article 171-1)

2. Offshore Banking Act

For the purpose of enlarging the market scale of offshore financial center and inviting international investors to participate in financial activities of our country, the legislatures authorizes insurance enterprises may conduct international financial activities and be entitled to handle the relevant insurance businesses. The preceding Act was amended on February 4, 2015, with key points as follows:

- (1) The insurance enterprises are authorized to conduct offshore insurance business. (Amendments of Article 1 and 2)
- (2) Stipulate the qualification of insurance enterprises to apply for a license to establish an offshore insurance unit within the ROC with independent

accounting to conduct offshore insurance business. And the term “insurance enterprises” referred to in the preceding sentence shall mean non-life insurance enterprises, life insurance enterprises and professional reinsurance enterprises. An offshore insurance unit established by insurance enterprises hereof shall allocate working capital for its operations.(Amendment of Article 22-12)

- (3) Stipulate the types of business an offshore insurance unit may only conduct in its operations.(Amendment of Article 22-13)
- (4) Unless otherwise provided in this Act, the conducting of businesses specified under the subparagraphs of paragraph 1, Article 22-13 herein by an offshore insurance branch is not subject to the restrictions in relevant articles of the Foreign Exchange Control Act and the Insurance Act.(Amendment of Article 22-15)
- (5) Stipulate income, sales revenue from offshore insurance business and all types of certificates used in offshore insurance business, which for all above were operated by offshore insurance unit, shall be individually exempt from business income tax, business tax, stamp tax and income tax withholding. However, income and sales revenue derived from utilization of funds within the territory of the ROC shall be subject to taxation or exemptions as specified in the Income Tax Act and the Value-Added and Non-Value-Added Business Tax Act. And certificates issued in connection with utilization of funds within the territory of the R.O.C shall be subject to taxation or exemption as specified in the Stamp Tax Act.(Amendment of Article 22-16)

The Company has been approved by the competent authorities to establish an offshore insurance unit within the ROC.

3. Regulations Governing Use of Insurer’s funds in Special Projects, Public Utilities and Social Welfare Enterprises

In order to guide insurance enterprises in investing public utilities, the Executive Yuan continuously promoted and improved the flexibility in operation of insurance enterprises’ funds. The competent authority amended the preceding Regulations on April 7, 2015 with key points as follows:

- (1) An insurance enterprise, that intends to invest in special projects, public utilities and social welfare enterprises, shall formulate a procedure for internal handling systems.(Amendment of Article 6)
- (2) The stipulation regulates the limit of investment amount made onto an

enterprise with the items enumerated under Article 3 and 4 shall not exceed 45% of the paid-in capital of the invested entity, now is not applied to an insurance enterprise qualified with the specific conditions and obtains the approval of the competent authority.(Amendment of Article 7)

- (3) When an insurance enterprise investing in one invested entity and the total amount of the said investment exceeds half of the paid-in capital or half of the total outstanding voting shares of such entity, it shall comply with the monitoring and audit management system. And in the specific situation, an insurance enterprise must disclose the investing information publicly.(Amendment of Article 7-1)

The Company has established internal rules to comply with in accordance with the preceding Regulations.

4. Regulations Governing Implementation of Internal Control and Audit System of Insurance Enterprises

The competent authority amended the preceding Regulations on May 12, 2015 with key points as follows:

- (1) Revised the objective and ingredients of internal control systems. Meanwhile, the insurance enterprises shall comply with the relevant laws, and all other internal rules and the Articles of Incorporation of the insurance enterprise of their own. Also, the management of the audit committee meeting shall incorporate into the internal control system.(Amendments of Article 2, 4, 5, 7, 8, 15, 30, 30-1, 31, 32, 33 and 38)
- (2) For an insurance enterprise established an audit committee, the adoption or amendment of an internal control system and the appointment or discharge of a general auditor shall be subject to the consent of audit committee. Even if the preceding matters have not been approved with the consent of audit committee, the resolution of that committee shall also be recorded in the minutes of the directors meeting.(Amendments of Article 3 and 11)
- (3) The deputies in place for the internal auditors shall only be any other auditors of the same unit.(Amendment of Article 13)
- (4) For an insurance enterprise established an audit committee, the management of that committee meeting shall be included in the internal audit report for routine auditing.(Amendment of Article 19)

The Company has revised internal rules to comply with in accordance with the preceding Regulations.

c. Macroeconomic Conditions

According to Taiwan's Directorate-General of Budget, Accounting and Statistics report, the steady growth of the US's economy and the recovery of the EU and Japan economy, prosperity among developed countries has a better outlook than last year. However, the growth of developing countries including China has slow down the pace, which may exacerbate the volatility and uncertainty of global economy. Citing from the report issued by Global Insight which predicts that 2016 world economic growth rate will be at 2.8%, of which US at 2.7%, Euro area at 1.9%, China at 6.3%, South Korea at 2.5%, Hong Kong at 2.3% and Singapore at 1.5%. Taiwan economic growth is predicted at 1.47% from the Taiwan's Directorate-General of Budget, Accounting and Statistics' view due to its pessimistic outlook toward the foreign demand.

Based on the current environment, our economy is highly related to the global economy in 2016. There is downward risk among ambiguous worldwide condition. Thus, without an optimistic outlook of the economy, the reinsurance market continues to be influenced by excess capacity, deterioration of pricing and weakened terms and conditions. In the face of competition and the challenging business environment, we will prudently assume our business and adopt a sound investment strategy to create business portfolio with risk control and profit stability.

II. COMPANY PROFILE

Date of Incorporation

October 31, 1968

Company History

Central Re was established by the Ministry of Finance (MOF) on October 31, 1968 with the mission of promoting the sound development and sustainable growth of the domestic insurance industry. Central Re was founded with capital stock of NT\$15 million, but after numerous capital injections, the company's paid-up capital reached its current NT\$5,622.75 million.

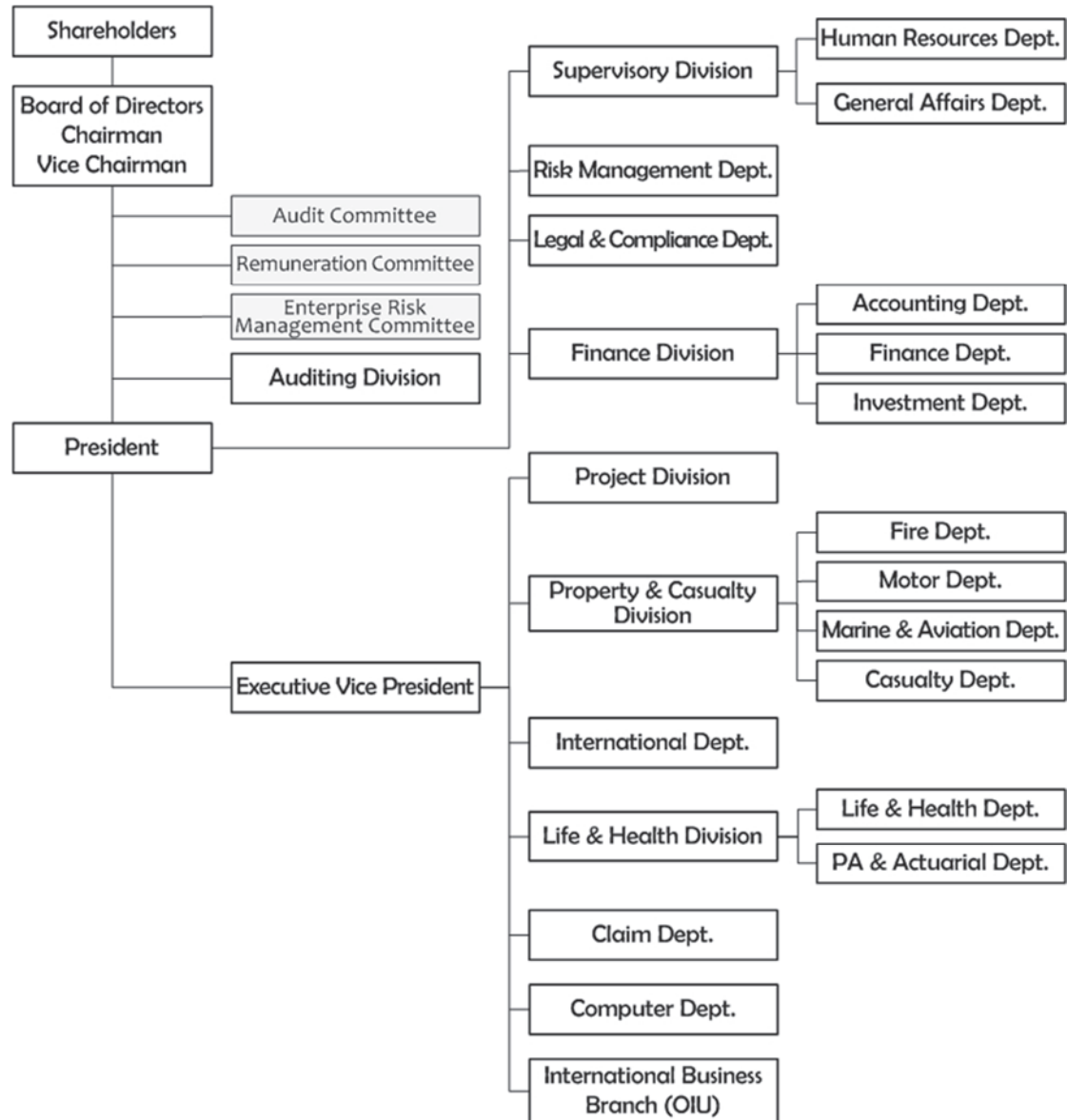
Central Re is the sole domestic reinsurance company in Taiwan and specializes in undertaking reinsurance of domestic and international non-life and life insurance companies. In line with the trends of liberalization and globalization, Central Re completed its privatization process on July 11, 2002. However, at present, the Taiwan's Ministry of Finance remains the second-largest shareholder of Central Re. Meanwhile, the Evergreen Group, one of the top transportation groups in the world, is Central Re's largest shareholder.

Central Re was approved to set up OIU in September, 2015 and started doing business on January 1, 2016. With the establishment of OIU and its tax benefit, Central Re will be able to enhance its competitiveness and improve the quality of its overseas business to achieve a better mixture of overall portfolios.

To increase its competitiveness, Central Re adopted the Evergreen Group's motto of "Challenge, Innovation and Teamwork". The company will continue to become a market paradigm to enhance clients' value. Its vision is to become Asia's best reinsurer.

III. CORPORATE GOVERNANCE REPORT

Organization



Directors and Management Team

a. Information on Directors

Title	Nationality And Registration	Name	Date Elected	Tenure (Years)	Date of Initial Election, Appointment	Shareholding when Elected		Present Shareholding		Spouse & Dependents Shareholding		Shareholding by Other Nominee		Experience & Education	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other
						Shares	%	Shares	%	Shares	%	Shares	%			
Chairman	Republic of China	Evergreen International Corp.	2014.06.11	3 Years	2002.10.29	197,541,037	35.13	197,541,037	35.13	-	-	0	0	-	-	-
		Representative: Yang, Cheng-Tui	2014.06.11	3 Years	1993.09.29	0	0	1,000,735	0.18	0	0	0	0	Deputy Director General, Dept. of Insurance, Ministry of Finance President, Central Reinsurance Corp. MBA, The College of Insurance, New York City	Adjunct Associate Professor, Dept. of Risk Management and Insurance, National Chengchi University	-
Vice Chairman	Republic of China	Evergreen International Corp.	2014.06.11	3 Years	2002.10.29	197,541,037	35.13	197,541,037	35.13	-	-	0	0	-	-	-
		Representative: Chang, Kuo-Cheng	2014.06.11	3 Years	2007.06.12	0	0	6,541,899	1.16	0	0	0	0	Chairman, Evergreen Marine Corp. (Taiwan) Ltd. Boston University	-	-

March 29, 2016

Title	Nationality And Registration	Name	Date Elected	Tenure (Years)	Date of Initial Election, Appointment	Shareholding when Elected		Present Shareholding		Spouse & Dependents Shareholding		Experience & Education	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other		
						Shares	%	Shares	%	Shares	%			Title	Name	Relation
Director	Republic of China	Evergreen International Corp.	2014. 06.11	3 Years	2002. 10.29	197,541,037	35.13	197,541,037	35.13	-	0	-	-	-	-	-
		Representative: Tai, Jiin-Chyuan	2014. 06.11	3 Years	2014. 06.11	0	0	0	0	0	0	Legal Executive Vice President, Evergreen International Corp. Master degree in Maritime Law, National Taiwan Ocean University	President, Evergreen International Corp. Director: EVA Airways Corp., Evergreen International Storage & Transport Corp., Uni Airways Corp., Evergreen Sky Catering Corp., Evergreen Aviation Technologies Corp., Taipei Port Container Terminal Corp., Super Max Engineering Enterprise Corp., Chang Yung-Fa Foundation, Chang Yung-Fa Charity Foundation	-	-	-

Title	Nationality And Registration	Name	Date Elected	Tenure (Years)	Date of Initial Election, Appoint- ment	Shareholding when Elected		Present Shareholding		Spouse & Sharehold- Dependents Sharehold- -ing		Experience & Education	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other		
						Shares	%	Shares	%	Shares	%			Title	Name	Rela- tion
Director	Republic of China	Representative: Ku Lai, Mei-Hsueh	2014. 06.11	3 Years	2014. 06.11	0	0	0	0	0	0	Senior Vice President, Finance Division of Evergreen International Corp. Ming Chuan University	Finance Executive Vice President, Evergreen International Corp. Supervisor: Evergreen Marine Corp. (Taiwan) Ltd., EVA Airways Corp., Evergreen Sky Catering Corp., Uni Airways Corp., Ever Accord Construction Corp., Evergreen Logistics Corp.	-	-	-
Director	Republic of China	Ministry of Finance, R.O.C.	2014. 06.11	3 Years	1968. 10.31	127,539,689	22.68	124,632,689	22.17	-	0	-	-	-	-	-
Director	Republic of China	Representative: Lee, Yi-Fen	2014. 06.11	3 Years	2011. 06.15	0	0	0	0	0	0	Senior Executive Officer, Department of Planning Ministry of Finance, R.O.C Master Graduate Institute of	Deputy Director- General, Department of Planning Ministry of Finance, R.O.C	-	-	-

Title	Nationality And Registration	Name	Date Elected	Tenure (Years)	Date of Initial Election, Appointment	Shareholding when Elected		Present Shareholding		Spouse & Dependents Shareholding -ing		Sharehold - ing by Other Nominee		Experience & Education	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
														Public Policy Science National Chung Hsing University				
Director	Republic of China	Representative: Chen, Kuan-Pao	2014. 07.25	2.83 Years	2014. 07.25	0	0	0	0	0	0	0	0	Director, Northern Region Office National Property Administration	Acting Director General, Training Institute, Ministry of Finance	-	-	-
Independent Director	Republic of China	Yau, Sea-Wain	2014. 06.11	3 Years	2008. 06.13	0	0	0	0	0	0	0	0	Dean, Chinese Culture University College of Law Juris Doctor, University of Iowa	Dean, Office of International & Cross-Strait Academic Exchange, Soochow University Professor, Soochow University School of Law Chief Executive	-	-	-

Title	Nationality And Registration	Name	Date Elected	Tenure (Years)	Date of Initial Election, Appoint- ment	Shareholding when Elected		Present Shareholding		Spouse & Sharehold- Dependents Sharehold- -ing		Sharehold- - ing by Other Nominee		Experience & Education	Other Position	Other Managers, Directors or Supervisors Related by Marriage or Within Second-degree kinship of Each Other		
						Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Rela- tion
															Officer, John Tung Foundation Member, Administrative Appeal Review Committee, Executive Yuan			
Independent Director	Republic of China	Tsen, Ron-Syou	2014. 06.11	3 Years	2014. 06.11	0	0	0	0	0	0	0	0	Life Insurance Products Review Committee Member, Insurance Bureau, Financial Supervisory Commission Director, Global Life Insurance Company Master of Science Department of Risk Management and Insurance Georgia State University USA	-	-	-	-
Independent Director	Republic of China	Chou, Yu-Cheng	2014. 06.11	3 Years	2014. 06.11	0	0	0	0	0	0	0	0	Pricewaterhouse Coopers- Partner University of Alabama- School of Business- Master of Accountancy	Vice President, Yuanta Futures Co., Ltd.	-	-	-

1. Major Shareholders of Institutional Shareholders

March 29, 2016

Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	
	Name	Percentage (%)
Evergreen International Corp.	Chang Yung-Fa Foundation	28.86%
	Chang Kuo-Cheng	16.67%
	Chang Kuo-Hua	12.90%
	Chang Kuo-Ming	12.19%
	Lee Yu-Mei	7.14%
	Chen Hui-Chu	5.81%
	Yang Mei-Chen	5.10%
	Chang Yung-Fa Charity Foundation	5.00%
	Chang Yung-Fa	5.00%
	Tseng Chiung-Hui	1.33%
Ministry of Finance, R.O.C.	Non-profit organization	NA

2. If the Shareholders of above-mentioned table are corporation, the Principal Shareholders of these corporation are as follows:

March 29, 2016

Legal Entity	Name of Institutional Shareholders	Major Shareholders of the Institutional Shareholders	
		Name	Percentage (%)
Evergreen International Corp.	Chang Yung-Fa Foundation	Non-profit organization	NA
	Chang Yung-Fa Charity Foundation		

3. Professional qualifications and independence analysis of directors

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Yang, Cheng-Tui	✓		✓	✓	✓	✓		✓	✓	✓	✓	✓	✓		0
Chang, Kuo-Cheng			✓	✓	✓	✓		✓	✓		✓	✓	✓		0
Yau, Sea-Wain	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Tsen, Ron-Syou	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Chou, Yu-Cheng	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lee, Yi-Fen			✓	✓	✓	✓		✓	✓	✓	✓	✓			0
Chen, Kuan-Pao			✓	✓	✓	✓		✓	✓	✓	✓	✓			0
Tai, Jiin-Chyuan			✓			✓	✓					✓	✓		0
Ku Lai, Mei-Hsueh			✓		✓	✓	✓					✓	✓		0

Note: Please tick the corresponding boxes if directors or supervisors have been any of the following during the two years prior to being elected or during the term of office.

1. Not an employee of the Company or any of its affiliates.
2. Not a director or supervisor of any of the Company's affiliates. The same does not apply, however, in cases where the person is an independent director of the Company's parent company, or any subsidiary in which the Company holds, directly or indirectly, more than 50% of the voting shares.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the fifth degree of kinship, of any of the persons in the preceding three subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% or more of the total number of outstanding shares of the Company or that holds shares ranking in the top five in holdings.
6. Not a director, supervisor, officer, or shareholder holding 5% or more of the share, of a specified company or institution that has a financial or business relationship with the Company.
7. Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. These restrictions do not apply to any member of the remuneration committee who exercises powers pursuant to Article 7 of the "Regulations Governing the Establishment and Exercise of Powers of Remuneration Committees of Companies whose Stock is Listed on the TWSE or Traded on the TPEX".
8. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company.
9. Not been a person of any conditions defined in Article 30 of the Company Law.
10. Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.

b. Information on Management Team

Title	Nationality And Registration	Name	Date of Accession	Shares Held Directly		Spouse & Dependents Shareholding		Shareholding by Other Nominee		Principal Work Experience and Academic Qualifications	Current Position(s) in Other Companies	Spouse or Relatives within the Second Degree Holding Position as Manager		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
President	Republic of China	Juang, Chong-Tsang	2006.08.07	0	0	0	0	0	0	1. Executive Vice President, Risk Management Division of Evergreen International Corp. 2. B.B.A. in Maritime Science and Management, National Taiwan Ocean University	None	None	-	-
Executive Vice President	Republic of China	Tsai, Bai-Long	2012.07.25	0	0	0	0	0	0	1. Senior Vice President, Risk Management Division of Evergreen International Corp. 2. B.S. in Maritime Science, National Taiwan Ocean University	None	None	-	-
Acting Chief Auditor (SVP)	Republic of China	Wu, Hsien-Hung	2016.01.01	107,100	0.02	0	0	0	0	1. Auditor (DSVP), Auditing Division of Central Re 2. B.B.A., Feng Chia University	None	None	-	-
Executive Vice President	Republic of China	Cheng, Ching-Fen	2006.01.01	33,736	0.01	0	0	0	0	1. Junior Vice President, Finance Division of Evergreen International Corp. 2. M.B.A., Chung Hua University	None	None	-	-
Senior Vice President	Republic of China	Chang, Yung-Ning	2011.01.01	0	0	0	0	0	0	1. Junior Vice President, Computer Division of Evergreen International Corp. 2. B.B.A., National Taiwan University	None	None	-	-
Senior Vice President	Republic of China	Chen, Yueh-Ying	2011.01.01	404,838	0.07	0	0	0	0	1. Junior Vice President, Accounting Department of Central Re 2. B.B.A., National Chengchi University	None	None	-	-

Title	Nationality And Registration	Name	Date of Accession	Shares Held Directly		Spouse & Dependents Shareholding		Shareholding by Other Nominee		Principal Work Experience and Academic Qualifications	Current Position(s) in Other Companies	Spouse or Relatives within the Second Degree Holding Position as Manager		
				Shares	%	Shares	%	Shares	%			Title	Name	Relationship
Appointed Actuary (SVP)	Republic of China	Lin, Yu-Te	2016.01.01	0	0	0	0	0	0	1. Deputy Senior Vice President, Project Division of Central Re 2. M.B.A. in Actuarial Science, Feng Chia University	None	None	-	-
Senior Vice President	Republic of China	Chung, Chih-Hung	2015.04.01	51,000	0.01	0	0	0	0	1. Senior Vice President, Project Division of Central Re 2. M.B.A., National Taipei University	None	None	-	-
Senior Vice President	Republic of China	Lin, Cheng-Yen	2015.04.01	227	0.00	0	0	0	0	1. Senior Vice President, Property & Casualty Division of Central Re 2. M.S. in Chemical Engineering, National Cheng Kung University	None	None	-	-
Deputy Senior Vice President	Republic of China	Hsu, Tzu-Cheng	2014.06.16	5,000	0.00	0	0	0	0	1. Junior Vice President, Personnel Division of Evergreen International Corp. 2. B.L., National Chung Hsin University	None	None	-	-
Deputy Senior Vice President	Republic of China	Hsiung, Pei-Ching	2008.01.01	0	0	0	0	0	0	1. Junior Vice President, Investment Department of Central Re 2. B.B.A., National Taiwan University	None	None	-	-
Deputy Senior Vice President	Republic of China	Ting, Wen-Cheng	2013.01.01	288,809	0.05	0	0	0	0	1. Junior Vice President, Legal & Claim Department of Central Re 2. M.B.A., College of Insurance, New York City, U.S.A.	None	None	-	-
Deputy Senior Vice President	Republic of China	Liu, Yu-Hsueh	2012.01.01	0	0	0	0	0	0	1. Junior Vice President, Life & Health Department of Central Re 2. B.B.A. in Statistics, National Chengchi University	None	None	-	-

Implementation of Corporate Governance

a. The Composition and Operations of the Board of Directors

1. The Board of Directors consists of nine directors (three independent directors are included).
2. The Board Meetings were convened seven (7) times in 2015.

The directors' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate in Person (%)	Remarks
Chairman	Evergreen International Corp. Representative : Yang, Cheng-Tui	7	0	100 %	None
Vice Chairman	Evergreen International Corp. Representative : Chang, Kuo-Cheng	5	2	71.43%	None
Independent Director	Yau, Sea-Wain	7	0	100 %	None
Independent Director	Tsen, Ron-Syou	7	0	100 %	None
Independent Director	Chou, Yu-Cheng	7	0	100 %	None
Director	Ministry of Finance, R.O.C. Representative: Lee, Yi-Fen	7	0	100 %	None
Director	Ministry of Finance, R.O.C. Representative: Chen, Kuan-Pao	7	0	100 %	None
Director	Evergreen International Corp. Representative: Tai, Jiin-Chyuan	5	2	71.43 %	None
Director	Evergreen International Corp. Representative: Ku Lai, Mei-Hsueh	6	1	85.71 %	None

b. The Composition and Operations of the Supervisor and Audit Committee

1. Audit Committee

- (1) The Audit Committee consists of all of the independent directors of the Company. Six regular meetings were convened in 2015.
- (2) The members' attendance status is as follows:

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Independent Director	Yau, Sea-Wain	6	0	100 %	None
Independent Director	Tsen, Ron-Syou	6	0	100 %	None
Independent Director	Chou, Yu-Cheng	6	0	100 %	None

c. Corporate Governance Execution Status and Deviations from the “Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies”

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”?	☐		The Company has established the Corporate Governance Best-Practice Principles based on “Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies” on Oct/29/2014. The information has been disclosed on the Company’s website.	None
2. Shareholding structure & shareholders’ rights (1) Does the company establish an internal operating procedure to deal with shareholders’ suggestions, doubts, disputes and litigations, and implement based on the procedure? (2) Does the company possess the list of its major shareholders as well as the ultimate owners of those shares?	☐		(1) The dedicated unit of the Company handles stock affairs including legal and non-legal issues according to the existing procedure. All shareholders of the Company are able to ask for our stock service via the hotline, email or the Company’s website. (2) The Company submits a monthly report listing the shareholdings of directors, managers and major shareholders (over 10% shareholdings) to the authorities according to Article 25 of Securities and Exchange Act. Moreover, the Company also discloses the latest	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish and execute the risk management and firewall system within its conglomerate structure? (4) Does the company establish internal rules against insiders trading with undisclosed information?			shareholdings of major shareholders (over 5% shareholdings) and the top ten shareholders on the Company’s annual report. (3) Rules are made to strictly regulate the activities of trading, endorsement and loans between the Company and its affiliates. (4) To protect shareholders’ rights and fairly treat shareholders, the Company has established the internal rules to forbid insiders trading on undisclosed information. The Company has also strongly advocated these rules in order to prevent any violations.	
3. Composition and Responsibilities of the Board of Directors (1) Does the Board develop and implement a diversified policy for the composition of its members? (2) Does the company voluntarily establish other functional committees in addition to the Remuneration Committee and the	○		(1) The Company has implemented rules regarding member diversification of the Board. Factors taken into account include, but are not limited to gender, age, cultures, educational background, race, professional experience, skills, knowledge and terms of service. (2) In order for the sound supervision and reinforcement of management, the Company established the Enterprise Risk Management Committee in addition to the Remuneration	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
Audit Committee? (3) Does the company establish a standard to measure the performance of the Board, and implement it annually? (4) Does the company regularly evaluate the independence of CPAs?			Committee and the Audit Committee. These functional committees shall be responsible for the Board of Directors. (3) The company has formulated rules and procedures for evaluating the Board’s performance and conducted it since year 2014. The Company uses two methods to evaluate the performance of the Board. i. Self-assessment of Board members: Board members fill in the “Self-Assessment Questionnaire for Board Members” at the end of each year. ii. Assessment of the Board: The dedicated unit of the Company conducts the assessment of the Board’s performance at the end of each year too. (4) The Company evaluates the independence of CPAs annually, ensuring that they are not stakeholders such as a Board member, supervisor, shareholder or person paid by the Company.	

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
4. Does the company establish a communication channel and build a designated section on its website for stakeholders, as well as handle all the issues they care for in terms of corporate social responsibilities?	☐		The Company provides detailed contact information, including telephone numbers and email addresses in the “Stakeholder Area” section of the corporate website. In addition, personnel are in place to exclusively deal with issues of social responsibility, ensuring that various interested parties have channels to communicate with the Company.	None
5. Does the company appoint a professional shareholder service agency to deal with shareholder affairs?		☐	The Company sets up a dedicated unit to handle its stock affairs.	The Company thoroughly complies with the laws and regulations and the Company’s Articles of Incorporation to deal with stock affairs and convene the shareholders’ meeting effectively.
6. Information Disclosure (1) Does the company have a corporate website to disclose both financial standings and the status of corporate governance? (2) Does the company have other information	☐		(1) The Company has set up a Chinese/English website (www.centralre.com) to disclose information regarding the Company’s financials, business and corporate governance status. (2) The Company has assigned appropriate persons to handle	None

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
disclosure channels (e.g. building an English website, appointing designated people to handle information collection and disclosure, creating a spokesman system, webcasting investor conferences)?			information collection and disclosure. The Company has established a spokesman system. No investor conference was held in the year 2015.	
7. Is there any other important information to facilitate a better understanding of the company’s corporate governance practices (e.g., including but not limited to employee rights, employee wellness, investor relations, supplier relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, and purchasing insurance for directors and supervisors)? (1) Status of employee rights and employee wellness: Please refer to the “Labor relations” section on pages 62 of this annual report. (2) Status of risk management policies and risk evaluation: Please refer to the “<i>Risk Management</i>” section on pages 154 of the Chinese annual report. (3) The Company has purchased D&O insurance for its directors and supervisors since year 2015. (4) Directors’ and supervisors’ training records in the year of 2015 and 2016:				

Title	Name	Training hours	Study Date	Sponsoring Organization	Course
Chairman	Yang, Cehng-Tui	3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation
Independent Director	Yau, Sea-Wain	3H	2015/1/22	Securities and Futures Institute	Corporate Social Responsibility Reports – Seminar on Demonstrating the Value of Sustainable Operation

Evaluation Item			Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
			Yes	No	
Title	Name	Training hours	Study Date	Sponsoring Organization	Course
Independent Director	Yau, Sea-Wain	3H	2015/8/27	Securities and Futures Institute	TWSE/GTSM Listed Companies Directors and Supervisors Forum-Corporate Ethical Risk Control and Social Responsibility
		3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation
		3H	2015/11/6	Taiwan Corporate Governance Association	2015 Corporate Governance Summit XI
Independent Director	Tsen, Ron-Syou	6H	2015/6/26	Taiwan Stock Exchange Corporation	International Forum on Corporate Governance, Financial Supervision, and Law.
		3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation
		3H	2015/11/24	Taiwan Corporate Governance Association	Duties of Independent Directors and Functions of Audit Committee
		3H	2016/3/15	Taiwan Corporate Governance Association	How to Protect Trade-Secret and Prevent Fraud to Strengthen Corporate Governance
Independent Director	Chou, Yu-Cheng	3H	2015/1/22	Securities and Futures Institute	Corporate Social Responsibility Reports – Seminar on Demonstrating the Value of Sustainable Operation
		6H	2015/6/26	Taiwan Stock Exchange Corporation	International Forum on Corporate Governance, Financial Supervision, and Law.
		3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation
		3H	2016/1/13	Taiwan Securities Association	The Introduction of the Newest Tax Law and Regulation
		3H	2016/1/26	Securities and Futures Institute	2016 Corporate Governance Forum – Insider Trading and Corporate Social Responsibility
		3H	2016/3/16	Taiwan Securities Association	Digital Finance – Challenges, Opportunities and Corporate Governance

Evaluation Item			Implementation Status ¹			Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
			Abstract Illustration			
Title	Name	Training hours	Study Date	Sponsoring Organization	Course	
Director	Lee, Yi-Fen	3H	2015/1/22	Securities and Futures Institute	Corporate Social Responsibility Reports – Seminar on Demonstrating the Value of Sustainable Operation	
		6H	2015/6/26	Taiwan Stock Exchange Corporation	International Forum on Corporate Governance, Financial Supervision, and Law.	
		3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation	
Director	Chen, Kuan-Pao	3H	2015/8/27	Securities and Futures Institute	TWSE/GTSM Listed Companies Directors and Supervisors Forum- Corporate Ethical Risk Control and Social Responsibility	
		3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation	
		3H	2015/11/5	Taiwan Corporate Governance Association	2015 Corporate Governance Summit XI	
Director	Tai, Jiin-Chyuan	3H	2016/1/26	Securities and Futures Institute	2016 Corporate Governance Forum – Insider Trading and Corporate Social Responsibility	
Director	Ku Lai, Mei-Hsueh	3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation	
		3H	2015/1/22	Securities and Futures Institute	Corporate Social Responsibility Reports – Seminar on Demonstrating the Value of Sustainable Operation	
		3H	2015/8/27	Securities and Futures Institute	TWSE/GTSM Listed Companies Directors and Supervisors Forum- Corporate Ethical Risk Control and Social Responsibility	
		3H	2015/9/24	Securities and Futures Institute	Necessary Risk Management Policies for Business Operation	
		3H	2015/11/6	Taiwan Corporate Governance Association	2015 Corporate Governance Summit XI	

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies” and Reasons
	Yes	No	
8. Has the company implemented a self-evaluation report ² on corporate governance or has it authorized any other professional organization to conduct such evaluation? If so, please describe the opinion from the Board, the result of self or authorized evaluation, the major deficiencies, suggestions, or improvements. According to the FSC Insurance Bureau correspondence, the insurance companies should complete their own assessment before the end of February and August respectively since year 2014 with regard to the checklist of the Provisions of the Insurance Code of Practice for Corporate Governance. The results of our assessment for the year of 2015 are “Totally Suitable”.			

Note : 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

2. A self-evaluation report is defined as the company assessing its corporate governance evaluation items with appropriate explanations on current corporate operations and implementation.

d. The Composition and Operations of the Remuneration Committee

1. The Remuneration Committee was established in 2011 and consists of three (3) members.
2. The duties of the Remuneration Committee are as follows :
 - (1) Establish and periodically review the performance evaluation and remuneration policy, system, standards, and structure for directors, supervisors and managerial officers.
 - (2) Periodically evaluate and establish the remuneration of directors, supervisors, and managerial officers.
3. The Remuneration Committee convened three (3) meetings in 2015.
The members' attendance status is as follows :

Title	Name	Attendance in Person	By Proxy	Attendance Rate (%)	Remark
Convener	Yau, Sea-Wain	3	0	100%	None
Member	Tsen, Ron-Syou	3	0	100%	None
Member	Chou, Yu-Cheng	3	0	100%	None

Corporate Social Responsibility

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Corporate Governance Implementation (1) Does the company declare its corporate social responsibility policy and examine the results of the implementation? (2) Does the company provide educational training on corporate social responsibility on a regular basis? (3) Does the company establish exclusively (or concurrently) dedicated first-line managers authorized by the board to be in charge of proposing the corporate social	○		None
			(1) Corporate Social Responsibility Policy of Central Reinsurance Corporation and Corporate Social Responsibility Principal of Central Reinsurance Corporation have established and disclose on our website, http://www.centralre.com/content/information/information09.htm (2) In order that our employees realize the importance of corporate social responsibility, every year we regularly hold a variety of CSR-related courses, such as the business ethics training, personal information protection training, legal & compliance training and internal control training. In addition, we also provide corporate governance and corporate social responsibility trainings or seminars to our employees. (3) The annual performance of corporate social responsibility is prepared by Project Division as Corporate Social Responsibility Report, and accepted by Board of Directors.

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
responsibility policies and reporting to the board? (4) Does the company declare a reasonable salary remuneration policy, and integrate the employee performance appraisal system with its corporate social responsibility policy, as well as establish an effective reward and disciplinary system?			(4) We have established fair and rational salary policies in order to recruit and retain talents. The evaluation indicators of employees' performance include “Work performance”, “Character”, “Knowledge, Experience & Skills” and “Reliability”. If any employee violates laws or relevant internal regulations such as Work Rules, Guidelines for the Adoption of Codes of Ethical Conduct and ethical corporate management standards, the evaluation should also include the aforementioned items, and punishments will be given according to the Work Rules. On the contrary, those who contribute to the Company should also be rewarded according to their contributions.
2. Sustainable Environment Development (1) Does the company endeavor to utilize all resources more efficiently and use renewable materials which have low impact on the environment?	○		(1) Energy-saving office equipment and electric equipment are now in widespread use in Central Re to improve energy efficiency. Furthermore, we are actively promoting various paper-saving programs such as using the internet bulletin message and initiative paperless meeting. The thermostat of air conditioning is also set higher in summer.
			None

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(2) Does the company establish proper environmental management systems based on the characteristics of their industries? (3) Does the company monitor the impact of climate change on its operations and conduct greenhouse gas inspections, as well as establish company strategies for energy conservation and carbon reduction?			(2) To ensure a sound environmental protection system, Central Re has the action plan for energy efficiency and carbon reduction. We also conduct education and training regularly in the fields of environmental management propaganda. (3) Our specific action plan for energy conservation and carbon reduction are as follows. i. To conduct propaganda regularly for water and electricity conservation. ii. To keep electric equipment in good condition for improvement in energy efficiency and set the thermostat of air conditioning higher in summer. iii. To introduce T5 lamps and turn off the lighting for one hour at noon. iv. To promote paperless office. v. To encourage our staff to use more of public transportation

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
3. Preserving Public Welfare (1) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights? (2) Has the company set up an employee hotline or grievance mechanism to handle complaints with appropriate solutions? (3) Does the company provide a healthy and safe working environment and organize training on health and safety	○	(1) In order to protect the employee work to right and eliminate any work discrimination, we not only strictly follow the Employment Service Act and the Act of Gender Equality in Employment, but also regulate all of company’s human resource policies and rules in accordance with the Labor Standards Law. Furthermore, we neither compel our employees to perform work nor hire child workers. (2) We have a grievance hotline and email that provide a channel for employees to express their opinions regarding their work and the overall work environment. We also devise a complaint-handling procedure, in case we get employee’s grievance or complaint cases. The dedicated management unit will handle and investigate as soon as possible. In 2015, there were no grievance or violation cases. (3) In order to ensure the healthy and safe working environment, we concentrate our attention on preventing the occurrence of any occupational hazards, and providing comfortable and clean	None

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
for its employees on a regular basis? (4) Does the company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them? (5) Does the company provide its employees with career development and training sessions?			workplace. Therefore, we have the relevant standard operating procedures and programme, and authorize the dedicated management unit to be in charge of the related jobs. (4) In order to effectively communicate the issue of our employees’ rights and obligations, we offer the two-way communication channel with employees, such as the face-to-face discussion with the first immediate supervisor, specific email, and monthly meeting. If there are any significant changes in operations, we will adopt all open and reasonable ways in advance to inform our employees, and reduce any impact on them as far as possible. (5) In order to enhance the work efficiency and the career development of our employees, we have established a variety of personal and professional curricula. We always provide our employees with training courses related to (re)insurance, finance, risk management, and so on. There were 325 attendances in 2015. At the same time, we constantly inspire our employees to obtain the professional certifications and licenses of the non-life and life insurance and financial related exams held by domestic and

Evaluation Item	Implementation Status ¹		Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
Abstract Explanation ² international institutions. (6) Central Re is the reinsurance company, and offers the related reinsurance services to our clients. We also set up a communication channel with our client. If they have any question, they can obtain information and solutions via the company website, email and hotline. (7) This item is not applicable, since Central Re is a reinsurance company. (8) This item is not applicable, since Central Re is a reinsurance company. (9) This item is not applicable, since Central Re is a reinsurance company.			
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, purchasing, producing, operating and service? (7) Does the company advertise and label its goods and services according to relevant regulations and international standards? (8) Does the company evaluate the records of suppliers’ impact on the environment and society before taking on business partnerships? (9) Do the contracts between the company and its major suppliers include termination clauses which come into force once the suppliers breach the corporate social responsibility policy and cause appreciable impact on the environment and society?			

Evaluation Item	Implementation Status ¹			Deviations from “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Explanation ²	
4. Enhancing Information Disclosure (1) Does the company disclose relevant and reliable information regarding its corporate social responsibility on its website and the Market Observation Post System (MOPS)?	☐		(1) The Corporate Social Responsibility Report has been published on both the official website and MOPS. The report was prepared in accordance with the GRI G4 guidelines published in 2013.	None
5. If the Company has established the corporate social responsibility principles based on “the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies”, please describe any discrepancy between the Principles and their implementation: Central Re has established corporate social responsibility principles based on “ the Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies” in 2015. There is no discrepancy between the Principles and our implementation.				
6. Other important information to facilitate better understanding of the company’s corporate social responsibility practices: Central Re has published the Corporate Social Responsibility Report annually since 2014 in accordance with the GRI G4 guidelines published in 2013. The reports are available on our website, http://www.centralre.com/content/information/information09.htm and MOPS.				
7. A clear statement shall be made below if the corporate social responsibility reports were verified by external certification institutions: The Corporate Social Responsibility reports have not been assured, verified or certified by a third party.				

Note: 1. Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.
 2. Companies who have compiled CSR reports may cite the source from specific pages of their CSR reports instead.

Ethical Corporate Management

Ethical corporate management at the Company and related implementation

Evaluation Item	Implementation Status ¹		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
1. Establishment of ethical corporate management policies and programs (1) Does the company declare its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its board to implement the policies? (2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	○		None
		(1) The Company has established the Ethical Corporate Management Best-Practice Principles to provide high ethical standards for all employees. The principles are disclosed on the company website. When engaging in commercial activities, the Board of Directors and the management shall comply with the principles. Bribery, corruption, deception, and all other forms of improper conduct are prohibited. (2) The Company has established both the Ethical Corporate Management Best-Practice Principles and the Ethical Corporate Management Procedures and Behavior Guidelines to prevent unethical conduct. The aforementioned principles and guidelines were announced and disseminated to employees, managers and Board of Directors to enhance integrity and self-discipline.	

Evaluation Item	Implementation Status ¹			Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	Abstract Illustration	
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated in Article 2, Paragraph 7 of the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies?			(3) The Company has amended the internal procedures to prevent any unethical conduct especially regarding procurement and investment activities.	
2. Fulfill operations integrity policy (1) Does the company evaluate business partners' ethical records and include ethics-related clauses in business contracts? (2) Does the company establish an exclusively (or concurrently) dedicated unit supervised by the Board to be in charge of corporate integrity?	○		(1) The Company engages the reinsurance business. Both the insurance contracts and the reinsurance contracts are utmost good faith contract. Either party of the contract violates the utmost good faith principle, the contract is void. Additionally, the Company includes relevant clauses as appropriate in the business contracts to prevent doing business with those involved in unethical conduct. (2) The Company has assigned the Human Resources Department of Supervisory Division in charge of promotion and execution of the Company's Ethical Corporate Management Best Practice Principles. The Audit Office has reported annually the related implementation situation to the Board of Directors Meetings and	None

Evaluation Item	Implementation Status ¹		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
(3) Does the company establish policies to prevent conflicts of interest and provide appropriate communication channels, and implement it? (4) Has the company established effective systems for both accounting and internal control to facilitate ethical corporate management, and are they audited by either internal auditors or CPAs on a regular basis? (5) Does the company regularly hold internal and external educational trainings on operational integrity?			submits reports to the Board of Directors. (3) The Company follows the Company Act, the Securities and Exchange Act, Business Entity Accounting Act, Political Donations Act, Law Against Accepting Bribes Act, Government Procurement Act, Act on Recusal of Public Servants Due to Conflicts of Interest and other relevant regulations for listed companies. The Company also provides procedures and mailboxes on the Company’s website to prevent conflicts of interest. (4) The Company has established accounting and internal control systems to ensure integrity in our operations. The internal auditors reviewed annually the implementation situation of the Company’s Ethical Corporate Management Best Practice Principles and reported to the Board of Directors Meetings. The reports also sent to the Company’s CPAs. (5) The Company carries out regular training for employees every year. For new employees, training on ethical rules, conflicts of interest, business morals, and all other related subjects are carried out during their first week of work.

Evaluation Item	Implementation Status ¹		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
3. Operation of the integrity channel (1) Does the company establish both a reward/punishment system and an integrity hotline? Can the accused be reached by an appropriate person for follow-up? (2) Does the company establish standard operating procedures for confidential reporting on investigating accusation cases? (3) Does the company provide proper whistleblower protection?	○	(1) The Company establishes various reporting channels so that employees and relevant people can report improper business behaviors through the system. After a confidential investigation, anyone who violates the regulations on operational integrity will be punished according to the Company's regulations on reward and punishment. In cases of illegal conduct, legal actions will be taken as well. (2) The Company's Ethical Corporate Management Procedures and Behavior Guideline has included procedures and secret mechanism to protect prosecutors and publish the persons violating the policies. (3) The Company takes whistleblower protection seriously since the core purpose is protection from unlawful reprisal for diligent employees who step forward to identify potential wrongdoing. The Company has assigned the Human Resource Department to review and determine appropriate actions against reprisal of complaints.	None

Evaluation Item	Implementation Status ¹		Deviations from “the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies” and Reasons
	Yes	No	
4. Strengthening information disclosure (1) Does the company disclose its ethical corporate management policies and the results of its implementation on the company's website and MOPS?	☐	The Company's Ethical Corporate Management Best-Practice Principles have been posted on the Company's Chinese / English website and MOPS. The results of the implementation have been reported to the Board of Directors Meetings since year 2014.	None
5. If the company has established the ethical corporate management policies based on the Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies, please describe any discrepancy between the policies and their implementation. The Company has established its Ethical Corporate Management Best Practice Principles based on “Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies. No discrepancy has found between the policies and the implementation.			
6. Other important information to facilitate a better understanding of the company's ethical corporate management policies (e.g., review and amend its policies). (1) To implement the basics of ethical corporate management policies, the Company operates under the Company Act, Securities and Exchange Act, Businesses Entity Accounting Act, related regulations for TWSE/TPEX-Listed Companies, and other laws and decrees concerning business transactions. (2) The Company has set up the "Management Procedures for Preventing Insiders Trading", which specifies that directors, managers, and employees are not allowed to reveal inside information to others or to inquire non-public information that is irrelevant to his/her business scope.			

Note: Regardless of whether the evaluation item is achieved or not, the company shall state an appropriate explanation.

Material Resolutions of Shareholders Meeting and Board of Directors Meeting

a. Material Resolutions of Shareholders Meeting

Date	Major Resolutions	Execution
May 27, 2015	Approval of the distribution of earnings of the year 2014 1. Cash Dividends: NT\$674,730,000. Cash dividend per share NT\$1.2. 2. Remuneration to Directors and Superiors: NT\$2,878,000. 3. Bonus to Employees: NT\$7,141,169.	1. The Board Meeting convened on May 27, 2015 resolved the record date for distribution of cash dividends on June 25, 2015 and payment date on July 17, 2015. 2. The cash dividend was distributed on July 17, 2015.
	Amending Procedures for Transaction of Financial Derivatives.	Related actions on behalf of the Company have been conducted in accordance with revised Procedures for Transaction of Financial Derivatives.

b. Material Resolutions of Board of Directors Meeting

Date	Major Proposals
Feb 11, 2015	(1) To stipulate the date and venue for the 2015 Annual General Meeting of Shareholders. (2) To approve the 2014 year-end bonus to managers. (3) To approve the 2014 year-end bonus to the Chairman and Vice Chairman.
Mar. 25, 2015	(1) To approve the 2014 remuneration to directors and supervisors of the Company. (2) To approve the 2014 bonus to employees. (3) To approve the Business Report of the year 2014. (4) To approve the Financial Statements of the year 2014. (5) To approve the distribution of earnings of the year 2014. (6) To amend the Internal Control System and Internal Audit Implementation Rules, Procedures for Transaction of Financial Derivatives, Policies and Procedures for Transaction and Risk Management of Financial Derivatives. (7) To establish Procedures for Ethical Management and Guidelines for Conduct. (8) To approve the 2014 Internal Control Statement. (9) To discuss lifting the restriction of “non-competition” for the Vice Chairman, Mr. Chang, Kuo-Cheng.

Date	Major Proposals
Apr. 29, 2015	(1) To amend Internal Control System of Shareholder Services. (2) To amend the Corporate Social Responsibility Report of 2014. (3) To donate NTD 300,000 to Chang Yung-Fa Foundation for sponsoring its Evergreen Symphony Orchestra concert tour in Australia.
May 27, 2015	(1) To amend Procedures for Use of the Company's funds in Special Projects, Public Utilities and Social Welfare Enterprises, and Internal Control System and Internal Audit Implementation Rules. (2) To amend Internal Control and Audit System Information Cycle, and Assessment Program for Information Security of Computerization System. (3) To resolve the record date for distribution of cash dividends is on Jun. 25, 2015 and payment date is on Jul. 17, 2015.
Aug. 12, 2015	(1) To approve the Financial Statements of the first half of year 2015. (2) To set up Offshore Insurance Unit. (3) To establish the Corporate Social Responsibility Principles. (4) To amend the Internal Control System and Internal Audit Implementation Rules. (5) To amend the Company's Legal Compliance System.
Oct. 28, 2015	(1) To amend the Process System and Procedure for Handling Assessment of Assets, Claims Overdue, Receivable on Demand and Bad Debts by Central Reinsurance Corporation. (2) To amend the Process Procedures for Investing in Publicly Issued Securities Not Listed on Exchange or OTC Market, and in privately Placed Securities. (3) To approve Headquarters to handle of business of Offshore Insurance Unit. (4) To approve the Risk Appetite and Risk Tolerance. (5) To establish Own Risk and Solvency Assessment Policy of 2015. (6) To appoint Mr. Wu Hsien-Hung, Deputy Senior Vice President, as Acting Chief Auditor.
Dec. 24, 2015	(1) To approve Business Plan and Budget for the year 2016. (2) To approve the result of Self Assessment of Capacity for making Financial Statements. (3) To approve the 2016 Annual Audit Plan. (4) To amend Corporate Governance Principles, Ethical Corporate Management Best Practice Principles, and Procedures for Ethical Management and Guidelines for Conduct. (5) To approve the Offshore Insurance Unit Opening Date is set on Jan. 1, 2016. (6) To approve The Company's Legal Compliance Plan 2016. (7) To establish Procedures for Halt and Resumption Applications. (8) To amend the Internal Control System and Internal Audit Implementation Rules. (9) To renew the Directors' and Officers' Liability Insurance. (10) To approve 2016 Compensation Structure and Performance Incentive

Date	Major Proposals
	System for Managers. (11) To approve the 2016 remuneration for managers. (12) To approve 2016 Compensation Structure and Performance Incentive System for Directors. (13) To approve 2016 remuneration for the Chairman and Vice Chairman. (14) To approve 2016 transportation allowances for the directors. (15) To approve 2016 remuneration and the compensation of functional committee for the Independent Directors.
Jan. 29, 2016	(1) To stipulate the date and venue for the 2016 Annual General Meeting of Shareholders (2) To approve the 2015 year-end bonus to managers. (3) To approve the 2015 year-end bonus to the Chairman and Vice Chairman.
Mar. 17, 2016	(1) To amend Articles of Incorporation. (2) To amend Compensation Structure and Performance Incentive System for Managers, and re-named it as Regulation of Payment for Managers. (3) To approve 2015 employees' compensation. (4) To amend Compensation Structure and Performance Incentive System for Directors, and re-named it as Regulation of Payment for Directors. (5) To approve 2015 directors' remuneration. (6) To approve the Business Report of the year 2015. (7) To approve the Financial Statements of the year 2015. (8) To approve the distribution of earnings of the year 2015. (9) To approve the 2015 Internal Control Statement. (10) To appoint the Company's Certified Public Accountants. (11) To appoint Ms. Yeh Shih-Hsuan, Deputy Junior Vice President, as Accounting Supervisor.

Information on CPA Professional Fees and Replacement of Certified Public Accountant

a. Audit Fee

Unit: NT\$ thousands

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others	Subtotal		
Pricewaterhouse Coopers, Taiwan	Kuo, Pao-Ju	4,030	-	-	-	-	-	2015/01/01	
	Lai, Chung-Hsi							~ 2015/12/31	

1. The non-audit fee paid to certified CPA, certified Office of CPA and affiliated companies accounts for over 1/4 to audit fee: None.
2. Alter the CPA Firm and the audit fee in altering year is less than that in the previous year: None.
3. The audit fee is reduced by over 15% compared with the previous year: None.

b. Replacement of CPA

1. Regarding the Former CPA

Replacement Date	April 30, 2014(Proposal by the Board of Directors meeting)		
Replacement reasons and explanations	Due to internal adjustments of PwC Taiwan.		
Describe whether the Company terminated or the CPA did not accept the appointment	Parties	CPA	The Company
	Status	Note	Note
	Termination of appointment	Note	Note
Other issues (except for unqualified issues) in the audit reports within the last two years	No longer accepted (continued) appointment	Note	Note
	Modified Unqualified Opinion of Audit Opinion in 2012, due to starting from January 1, 2013, Central Re prepares the financial statements in accordance with International Financial Reporting Standards, International Accounting Standards, and relevant interpretations and interpretative bulletins developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee (Collectively referred herein as the IFRSs) as recognized by the Financial Supervisory Commission (hereinafter "FSC") and the "Rules for the Preparation of Financial Reports by Insurance Institutions" effective in 2013. The Company discloses the relating information in Financial Statements notes in advance prior to the adoption of IFRSs in accordance with Jin-Guan-Pao-Tzai letter No. 10002506141 dated April 15, 2011.		

Differences with the company	Yes	-	Accounting principles or practices
		-	Disclosure of Financial Statements
		-	Audit scope or steps
		-	Others
	None	Note	
	Remarks/specify details:		
Other Revealed Matters	None		

Note: Due to internal adjustments of PwC Taiwan, the CPAs of Central Re were changed beginning 1st Quarter, 2014.

2. Regarding the Successor CPA

Name of accounting firm	PricewaterhouseCoopers, Taiwan
Name of CPA	Kuo, Puo-Ju and Lai, Chung-Hsi
Date of appointment	Note
Consultation results and opinions on accounting treatments or principles with respect to specified transactions and the company's financial reports that the CPA might issue prior to the engagement.	None
Succeeding CPA's written opinion of disagreement toward the former CPA	None

Note: Due to internal adjustments of PwC Taiwan, the CPAs of Central Re were changed beginning 1st Quarter, 2014.

3. Reply of the Previous Accountant : None.

Changes in Shareholdings and shares Pledged by Directors, Managers and Major Shareholders

Title	Name	2015		As of March 29, 2016	
		Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged	Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged
Chairman	Evergreen International Corp.	0	0	0	0
	Representative: Yang, Cheng-Tui	0	0	0	0
Vice Chairman	Evergreen International Corp.	0	0	0	0
	Representative: Chang, Kuo-Cheng	0	0	0	0
Independent Director	Yau, Sea-Wain	0	0	0	0
Independent Director	Tsen, Ron-Syou	0	0	0	0
Independent Director	Chou, Yu-Cheng	0	0	0	0
Director	Ministry of Finance, R.O.C.	(2,907,000)	0	0	0
	Representative: Lee, Yi-Fen	0	0	0	0
	Representative: Chen, Kuan-Pao	0	0	0	0
Director	Evergreen International Corp.	0	0	0	0
	Representative: Tai, Jiin-Chyuan	0	0	0	0
	Representative: Ku Lai, Mei-Hsueh	0	0	0	0
President	Juang, Chong-Tsang	0	0	0	0
Major Shareholder	Ministry of Finance, R.O.C.	(2,907,000)	0	0	0
Major Shareholder	Evergreen International Corp.	0	0	0	0
Executive Vice President	Tsai, Bai-Long	0	0	0	0
Chief Auditor (Note 1)	Ko, Hsiao-Nan	0	0		

Title	Name	2015		As of March 29, 2016	
		Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged	Increase (Decrease) In Shareholding	Increase (Decrease) Share Pledged
Acting Chief Auditor (Note 2)	Wu, Hsien-Hung	0	0	0	0
Executive Vice President	Cheng, Ching-Fen	0	0	0	0
Senior Vice President	Chang, Yung-Ning	0	0	0	0
Senior Vice President	Chen, Yueh-Ying	0	0	0	0
Appointed Actuary	Lin, Yu-Te	0	0	0	0
Senior Vice President	Chung, Chih-Hung	0	0	0	0
Senior Vice President	Lin, Cheng-Yen	0	0	0	0
Deputy Senior Vice President	Hsu, Tzu-Cheng	0	0	0	0
Deputy Senior Vice President	Hsiung, Pei-Ching	0	0	0	0
Deputy Senior Vice President	Ting, Wen-Cheng	0	0	0	0
Deputy Senior Vice President	Liu, Yu-Hsueh	0	0	0	0

Note 1: Ko, Hsiao-Nan retired from Jan. 1, 2016.

Note 2: Wu, Hsien-Hung was appointed as Acting Chief Auditor from Jan. 1, 2016.

IV. CAPITAL OVERVIEW

Source of Capital Stock

a. Issued Share

Unit: thousand shares / NT\$ thousands

Month/ Year	Par Value (NTD)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount	Shares	Amount	Sources of Capital	Capital Increased by Assets Other than Cash
08/2007	10	600,000	6,000,000	525,000	5,250,000	Capitalization of retained earnings 250,000	-
08/2008	10	600,000	6,000,000	551,250	5,512,500	Capitalization of retained earnings 262,500	-
07/2013	10	600,000	6,000,000	562,275	5,622,750	Capitalization of retained earnings 110,250	-

b. Type of Stock

Unit: thousand shares / NT\$ thousands

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	562,275	37,725	600,000	Based on Total Shares Outstanding as of March 30, 2016

Shareholders Structure

As of March 29, 2016

Item	Government Agencies	Financial Institutions	Other Juridical Person	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	1	1	39	8,339	39	8,419
Shareholding (shares)	124,632,689	2,020	336,324,359	88,465,549	12,850,383	562,275,000
Percentage	22.17%	0.00%	59.81%	15.73%	2.29%	100%

Diffusion of Ownership and List of Principal Shareholders

a. Diffusion of Ownership (Common Shares)

As of March 29, 2016

Range of Shareholdings	Number of Shareholders	Number of Shares	Holding (%)
1 - 999	2,693	326,371	0.06
1,000 - 5,000	3,520	7,672,213	1.36
5,001 - 10,000	844	6,158,021	1.10
10,001 - 15,000	422	5,035,753	0.90
15,001 - 20,000	210	3,763,767	0.67
20,001 - 30,000	243	5,907,618	1.05
30,001 - 50,000	190	7,423,205	1.32
50,001 - 100,000	147	10,261,358	1.82
100,001 - 200,000	74	10,107,370	1.80
200,001 - 400,000	39	11,144,132	1.98
400,001 - 600,000	14	6,641,510	1.18
600,001 - 800,000	5	3,273,105	0.58
800,001 - 1,000,000	1	859,877	0.15
1,000,001 and above	17	483,700,700	86.03
Total	8,419	562,275,000	100

b. List of Principal Shareholders

As of March 29, 2016

Entity \ Shareholding	Number of Shares	Holding (%)
Evergreen International Corp.	197,541,037	35.13
Ministry of Finance, R.O.C.	124,632,689	22.17
Evergreen International Storage & Transport Corp.	48,788,966	8.68
Evergreen Marine Corp. (Taiwan) Ltd.	47,491,873	8.45
EVA Airways Corp.	33,526,675	5.96
EFG Bank	7,337,707	1.31
Chang, Kuo-Cheng	6,541,899	1.16
Tsai, Han-Chang	3,030,076	0.54
Hsiang-Li Investment Corp.	2,610,040	0.46
Jung, Ji-Cheng	1,973,000	0.35

Disclosure of the Share Prices and Related Information for the Past Two Fiscal Years

NT\$

Items \ Year	2015	2014	01/01/2016 ~ 03/30/2016
Market Prices per Share			
Highest	18.00	18.20	15.40
Lowest	13.65	14.15	14.05
Average	16.45	16.00	14.80
Net Worth per Share			
Before Distribution	16.63	16.82	NA
After Distribution	(Note)	15.62	NA
Earnings per Share			
Weighted Average Shares	562,275,000	562,275,000	NA
Diluted Earnings per Share	1.36	1.55	NA
Adjusted Diluted Earnings per Share	(Note)	1.55	NA
Dividends per Share			
Cash Dividends	(Note)	1.20	NA
Stock Dividends			
Dividends from Retained Earnings	(Note)	-	NA
Dividends from Capital Surplus	(Note)	-	NA
Accumulated Undistributed Dividends	(Note)	-	NA

Items \ Year	2015	2014	01/01/2016 ~ 03/30/2016
Return on Investment			
Price/Earnings Ratio	11.84	10.23	NA
Price/Dividend Ratio	(Note)	13.21	NA
Cash Dividend Yield Rate	(Note)	7.57%	NA

Note: Earnings distribution for 2015 has not yet been ratified at the stockholders' meeting as of the reporting date.

Dividend Policy and Earnings Distribution Implementation Status

a. 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.

b. Earnings Distribution Implementation Status

On March 17, 2016, the Board of Directors proposed that total dividends for the distribution of earnings for 2015 was \$393,593 thousand (cash dividend of \$0.7 (in dollars) per share). Earnings distribution for 2015 has not yet been ratified at the stockholders' meeting as of the reporting date.

V. BUSINESS OPERATIONS OVERVIEW

Business Activities

a. Business Scope

1. Breakdown by Source

NT\$ thousands

Gross Premium				
Item \ Year	2014		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic Non-Life Business	8,422,688	51.51	8,315,563	58.58
Domestic Life Business	6,472,138	39.59	4,361,695	30.73
Subtotal	14,894,826	91.10	12,677,258	89.31
International Non-Life Business	1,385,164	8.47	1,444,541	10.18
International Life Business	69,878	0.43	72,491	0.51
Subtotal	1,455,042	8.90	1,517,032	10.69
Total	16,349,868	100.00	14,194,290	100.00

2. Breakdown By Line

NT\$ thousands

Gross Premium				
Line \ Year	2014		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Fire	1,804,408	11.04	1,688,744	11.90
Marine Hull	271,699	1.66	330,286	2.33
Marine Cargo	420,628	2.57	393,372	2.77
Automobile	3,305,225	20.21	3,319,786	23.39
Aviation	5,081	0.03	3,425	0.02
Engineering	305,696	1.87	261,745	1.84
Miscellaneous Casualty	1,331,595	8.14	1,361,784	9.59
Fish Vessel	23,796	0.15	23,230	0.16
Compulsory Automobile Liability	1,402,150	8.58	1,414,125	9.96
Compulsory Motorcycle liability	884,062	5.41	912,379	6.43
Residential Earthquake	53,512	0.33	51,228	0.36
Life	2,346,284	14.35	2,325,930	16.39
Personal Accident	846,340	5.18	763,239	5.38
Health	3,349,392	20.48	1,345,017	9.48
Total	16,349,868	100.00	14,194,290	100.00

3. Further Development of new products, clients and markets

(1) Domestic Non-Life Business

The non-life insurers will be approved to sell three-year term personal accident insurance and health insurance in 2016. Central Re, as the only domestic reinsurer, takes this opportunity to deliver innovative and tailor-made solutions for our clients in the area of product development and underwriting. We work with our clients to grow their profession and business. Such relationship enhancement is beneficial to Central Re in expanding our market share.

(2) Domestic Life Business

To cope with the problems presented by an aging population in Taiwan, Financial Supervisory Commission encourages life insurance companies to develop protection insurance such as annuity, health insurance and long term care insurance, etc. Moreover, life insurance policyholders are allowed to transfer their policies into other categories, such as annuity, health insurance and long term care insurance, etc. The transfers are expected to allow the insured to get compensation while they are still alive and financially benefit more elderly insurance policyholders. The competent authority announced the “Revision of the Standard Definitions of Critical Illnesses,” in 2015. From 2016 onwards, all new products of critical illnesses are categorized in two groups of mild and severe in claims. Accordingly, we provide clients with professional supports such as incidence rates for the new products of critical illnesses with an aim to expanding business opportunities in these fields.

(3) International Non-life Business

For International business, China, Japan and South Korea are our core markets and we expand business in these markets with a stable and deliberate attitude. On the other hand, we keep exploring other potential market to diversify and optimize our portfolio.

b. Industry Overview

1. Market Players

According to statistics released by the Insurance Bureau at the end of 2015, there were 54 insurance companies in Taiwan, of which 29 were life insurance companies, 22 were non-life insurance companies and 3 were reinsurance companies. Out of the 29 life insurance companies, 24 were domestic companies while 5 were branches of foreign companies. The 22 non-life insurance companies include 17 domestic and 5 foreign companies.

Number of Insurance Companies in Taiwan over the Past Five Years												
Year	Total	Reinsurance	Non-Life Insurance					Life Insurance				
			Local			Foreign		Local			Foreign	
			Headquarter	Branch	Offshore Branch	Branch in Taiwan	Liaison Office in Taiwan	Headquarter	Branch	Offshore Branch	Branch in Taiwan	Liaison Office in Taiwan
2011	57	3	17	164	12	6	9	24	129	13	7	3
2012	57	3	17	164	11	6	9	24	129	13	7	3
2013	56	3	17	164	12	6	9	24	123	13	6	3
2014	54	3	17	165	10	5	8	24	123	13	5	2
2015	54	3	17	165	10	5	8	24	123	13	5	2

Source : Insurance Bureau, Financial Supervisory Commission

2. Premium Income

The total premium income of the domestic insurance industry during 2015 was NT\$3,062,796 million, a rise of 5.49% over the previous year. Non-life insurance premium income accounted for NT\$136,119 million, a rise of 2.95% over the previous year. Total life insurance premium income was NT\$2,926,677 million, a rise of 5.61% over 2014.

NT\$ millions

Premium Income over the Past Five Years							
Year	Insurance Industry		Non-Life Insurance		Life Insurance		Premium Income: Non-Life vs. Life Insurance
	Amount	Growth Rate (%)	Amount	Growth Rate (%)	Amount	Growth Rate (%)	
2011	2,311,204	(4.44)	113,033	6.83	2,198,171	(4.96)	1:19.5
2012	2,598,831	12.44	120,483	6.59	2,478,348	12.75	1:20.6
2013	2,708,436	4.22	124,904	3.67	2,583,532	4.24	1:20.7
2014	2,903,350	7.20	132,220	5.86	2,771,130	7.26	1:21.0
2015	3,062,796	5.49	136,119	2.95	2,926,677	5.61	1:21.5

Source: Taiwan Insurance Institute

c. Long-term and Short-term Development**1. Long-term Development**

- (1) Implement legal compliance, risk management, internal control and corporate governance activities
- (2) Uphold sound business ethics, contribute to the insurance market, and fulfillment of corporate social responsibility
- (3) Promote our professional image, strengthen employee's training and career development
- (4) Focus on providing tailor-made reinsurance solutions to increase customer satisfactions
- (5) Cultivate Taiwan market to pursue long term and steady underwriting profit
- (6) Prudently expand international business and increase overseas business from direct market
- (7) Strengthen capital structure and enhance utilization efficiency of capital

2. Short-Term Development

- (1) Implement corporate governance activities, ethical corporation management and fulfillment of corporate social responsibility
- (2) Strengthen capital and financial structure to enhance company's solvency
- (3) Business development and capital allocation consider relation between risk and return, and aim to maximize capital allocation efficiency and benefits of shareholders
- (4) Adopt a sound investment strategy to achieve our goals of steady revenue and earnings growth
- (5) Integrate risk management and operation decisions by means of practicing risk management as a mechanism to enhance the ability of risk governance
- (6) Satisfy clients by tailor-made solutions based on their requirements to gain the profitable business
- (7) Prudently expand international business to diversify our business portfolio and increase profit

- (8) Maintain client relationships by providing actuarial services, support of new products development, professional seminar, discussion of regulation, etc

Market Overview

a. Breakdown by Region

NT\$ thousands

Region \ Year	2014		2015	
	Amount	Percentage (%)	Amount	Percentage (%)
Domestic Inward Business	14,894,826	91.10	12,677,258	89.31
Overseas Inward Business	1,455,042	8.90	1,517,032	10.69
Total	16,349,868	100.00	14,194,290	100.00

b. Market Share

In Taiwan market, our market share at the end of 2015 is as follows.

NT\$ millions

Item \ Year	Non-Life Insurance	Life Insurance
Written Premium	136,119	2,926,677
Outward Premium	44,162	18,569
Cession Rate (%)	32.44	0.63
Central Re's Inward	8,316	4,362
Our Market Share (%)	18.83	23.49

c. Market Development

1. Domestic Non-Life Business

The growth of new car sale and increase of auto third party liability premium rate will benefit to the growth of auto insurance market. In view of slight economic growth of domestic market and several self-discipline measures introduced to insurance market, it is likely to grow slightly in premium income and underwriting profit in 2016.

2. Domestic Life Business

Facing the aging population with fewer children, the competent authority encourages life insurance companies to develop aging-society care and nursing-related insurance products and strengthen the promotion of such products with a wide range of insurance protection. Moreover, the competent authority has further relaxed restrictions by approving more products to be sold via internet and life insurance companies have offered electronic

insurance policies to expand the insurance scope in e-commerce. With types of protection products more diversified and sales channels more convenient, reinsurance business will have room to grow.

3. International Non-life Business

After several catastrophes in 2011 such as Japan Tohoku Earthquake, Christchurch Earthquake and Thailand Flood, the renewal prices had substantially increased, with terms improved in the following years. At the same time, more and more new underwriting capacity were accumulated and injected into the market. However, with less natural perils activities over recent years, global market insurance losses were considerably reduced and excessive underwriting capacity were accumulated. The reinsurance pricing remains soft and competition are heating up. As a result, the profit margins of some insurance and reinsurance companies were affected. If no severe catastrophe occurs in the near future, this trend is expected to continue for a period of time.

Human Resources

Employee data and shares of education degrees are shown as follows:

Year		2014	2015	Data as of March 30, 2016
Number of Employees		133	132	130
Average Age		40.73	40.42	40.54
Average Years of Service		9.96	10.28	10.30
Education (%)	Masters	45.11	43.94	43.85
	University or College	54.14	55.30	55.38
	Others	0.75	0.76	0.77

Note: The number of full-time employees includes 2 people, who applied the parental leave without pay till March, 2016.

Labor Relations

a. Employee welfare and labor agreements

1. Employee benefit plans

Central Re offers annual leaves, employee insurances, physical examinations, employee bonus and compensations, and all kinds of subsidies in accordance with labor related regulations. In addition, we have instituted the employee welfare committee to facilitate the promotion of employee welfare. The detailed information related employee benefits kindly refer to Chinese annual report.

2. Continuing education and training

We have established a variety of personal and professional curricula to enhance the work efficiency and the career development of our employees. In 2015, it totals 352 person-times to participate in various domestic (re)insurance, finance, or risk management courses. And we also constantly inspire our employees to obtain the professional certifications and licenses of the non-life and life insurance and financial related exams held by domestic and international institutions. Kindly refer to the page 5.

3. Retirement systems

According to Labor Standards Law and the labor pension related regulations, Central Re continuously appropriates labor retirement reserve fund each month and deposit in the Bank of Taiwan. Meanwhile, we also instituted the pension fund monitoring committee to administer this retirement fund.

After enforcing of Labor Pension Act, the amount of labor pension borne by the company is six percent of the monthly wages for employees applicable to the Labor Pension Act.

4. Labor-management agreements

To maintain harmonious labor relations, Central Re regularly holds Labor Management Meetings to efficiently and effectively communicate with employees.

b. List any loss sustained as a result of labor disputes, disclose an estimate of losses incurred to date or likely to be incurred in the future, and indicate mitigation measures being or to be taken

1. In the most recent years and as of date of the publication of the annual report, there are no other critical labor disputes to incur loss.
2. Due to the complete management system and the harmonious labor relationship, we expect there would be no loss resulting from labor dispute in future.

c. Employee behavior/ethical standards & Employee safety and sanitary policy

1. Central Re has established policies and rules as a guide for employee conduct, rights, responsibilities, and ethical standards.
 - (1) Working Rules: Central Re's working rules clearly define the rights and obligations of management and labor.
 - (2) Code of Conduct: Central Re has a code of ethical conduct that all directors,

managers and employees are expected to adhere to and advocate in accordance with the highest ethical standards.

2. Employee safety and sanitary policy: Central Re's employee safety and sanitary policy is posted on the intranet and is summarized as follows.

- (1) Guards and security systems have been installed at all main base stations and work offices to protect staff, property and information security.
- (2) The fire drill and labor safety training are conducted periodically according to disaster prevention and protection plan to reduce risks of employee injury and property loss from natural disasters.
- (3) The Prevention Policy of Sexual harassment and its advocacy have been announced on the intranet with a complaints procedure set up.
- (4) Labor Safety and Hygiene Rules and its annual management plan have been made and followed.
- (5) Energy-saving policies have been established to reduce carbon emissions.

Important Contracts

a. Non-life Business

Type of Contract	Counterparty	Period	Major Contents	Restrictions
Reinsurance Contracts	Domestic and overseas non-life insurance companies	2015.1.1-2015.12.31	Non-life reinsurance inward businesses	Some contracts include exclusion clauses
	Overseas non-life insurance companies	2015.4.1-2016.3.31	Non-life reinsurance inward businesses	Some contracts include exclusion clauses
Retrocession Contracts	Domestic and overseas non-life insurance companies	2015.1.1-2015.12.31	Non-life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas non-life reinsurance companies	2015.1.1-2015.12.31	Non-life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas non-life reinsurance Companies	2015.1.1-2015.12.31	Non-life reinsurance inward businesses	some contracts include exclusion clauses
	Overseas non-life reinsurance Companies	2015.4.1-2016.3.31	Non-life reinsurance inward businesses	some contracts include exclusion clauses
Catastrophe Reinsurance Contracts	Overseas non-life reinsurance companies	2015.2.1-2016.1.31	To protect our net retention excess catastrophe losses	The contracts include exclusion clauses

b. Life Business

Type of Contract	Counterparty	Period	Major Contents	Restrictions
Reinsurance Contracts	Domestic and overseas life insurance companies	2015.1.1-2015.12.31	Life reinsurance inward businesses	Some contracts include exclusion clauses
Retrocession Contracts (Non-Cat)	Domestic life insurance companies	2015.1.1-2015.12.31	Life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas life reinsurance companies	2015.1.1-2015.12.31	Life reinsurance outward businesses	Some contracts include exclusion clauses
	Overseas life reinsurance companies	2015.4.1-2016.3.31	Life retrocession inward businesses	Some contracts include exclusion clauses
Catastrophe Reinsurance Contracts (Cat)	Overseas life reinsurance companies	2015.2.1-2016.1.31	To protect our net retention excess catastrophe losses	The contracts include exclusion clauses

VI. FINANCIAL INFORMATION

Financial Statement for Recent Five Years

a. Condensed Balance Sheets and Statements of Comprehensive Income for the Past Five Fiscal Years

1. Condensed Balance Sheets – Adoption of IFRSs

NT\$ thousands

Year		From 2011 To 2015 (Note 1)				
		2015	2014	2013	2012	2011
Items						
Cash and Cash Equivalents		16,461,567	18,430,910	17,673,887	17,008,182	16,112,004
Account Receivable		248,065	399,901	183,877	310,154	413,625
Financial Assets		11,698,239	9,909,822	9,814,286	9,617,139	8,818,044
Reinsurance Contract Assets		3,455,783	3,859,592	3,877,374	3,490,724	3,776,030
Property and Equipment		213,444	214,772	203,973	207,133	209,550
Intangible Assets		3,786	1,531	2,142	3,438	3,243
Other Assets		1,184,187	1,192,639	1,181,693	1,463,858	1,444,152
Total Assets		33,265,071	34,009,167	32,937,232	32,100,628	30,776,648
Account Payable		425,192	577,906	393,767	852,881	611,588
Financial Liabilities		31,549	66,470	11,785	1,266	0
Insurance Liabilities		23,279,625	23,664,460	23,382,630	23,090,610	22,934,621
Provisions		8,015	5,778	772	0	0
Other Liabilities		171,209	237,637	114,730	161,950	109,867
Total Liabilities	Before Distribution	23,915,590	24,552,251	23,903,684	24,106,707	23,656,076
	After Distribution	(Note 2)	25,226,981	24,578,414	24,382,332	23,656,076
Capital		5,622,750	5,622,750	5,622,750	5,512,500	5,512,500
Capital Reserve		300,000	300,000	300,000	300,000	300,000
Retained Earnings	Before Distribution	3,459,020	3,369,901	3,178,535	2,833,627	2,155,817
	After Distribution	(Note 2)	2,695,171	2,503,805	2,447,752	2,155,817
Other Equity		(32,289)	164,265	(67,737)	(652,206)	(847,745)
Total Equity	Before Distribution	9,349,481	9,456,916	9,033,548	7,993,921	7,120,572
	After Distribution	(Note 2)	8,782,186	8,358,818	7,718,296	7,120,572

Note :

1. The above financial statements are prepared in accordance with the “Rules for the Preparation of Financial Reports by Insurance Institutions” effective at January 1, 2013.
2. Earnings distribution for 2015 has not yet been ratified at the stockholders’ meeting as of the reporting date.

2. Condensed Statement of Comprehensive Income – Adoption of IFRSs

NT\$ thousands

Items \ Year	From 2012 To 2015 (Note 1)			
	2015	2014	2013	2012
Operating Revenue	14,068,010	16,283,563	15,384,494	14,350,515
Gross Profit	1,319,034	1,376,146	1,322,146	1,134,404
Net Operating Income	983,606	1,001,012	944,214	773,699
Non-Operating Income and Expenses	(1,790)	(1)	586	19,947
Income from Continuing Operations before Tax	981,816	1,001,011	944,800	793,646
Income from Continuing Operations after Tax	765,865	870,874	732,090	678,934
Net Income	765,865	870,874	732,090	678,934
Total Other Comprehensive Income for The Year (after tax)	(198,570)	227,224	583,162	194,415
Total Comprehensive Income for The Year	567,295	1,098,098	1,315,252	873,349
Earnings per Share(after tax)(NT\$)(Note 2)	1.36	1.55	1.30	1.21

Note :

1. The above financial statements are prepared in accordance with the “Rules for the Preparation of Financial Reports by Insurance Institutions” effective at January 1, 2013.
2. Earnings distribution for 2015 has not yet been ratified at the stockholders’ meeting as of the reporting date.

b. Condensed Balance Sheets and Statements of Income for the Past Five Financial Years

1. Condensed Balance Sheets – Adoption the GAAP of R.O.C.

NT\$ thousands

Items \ Year	From 2011 To 2012 (Note)	
	2012	2011
Cash and Cash Equivalents	17,008,182	16,112,004
Account Receivable	2,388,138	2,712,761
Investments	9,617,139	8,818,044
Reinsurance Reserve Assets	1,475,820	1,542,526
Fixed Assets	207,133	209,550
Intangible Assets	3,438	3,243
Other Assets	1,399,128	1,376,355
Total Assets	32,098,978	30,774,483
Account Payable	926,767	605,932
Financial Liabilities	1,266	-
Liabilities Reserves	23,090,610	22,934,621
Other Liabilities	86,954	115,456

Items \ Year		From 2011 To 2012 (Note)	
		2012	2011
Total Liabilities	Before Distribution	24,105,597	23,656,009
	After Distribution	24,381,222	23,656,009
Capital		5,512,500	5,512,500
Capital Reserve		300,000	300,000
Retained Earnings	Before Distribution	2,700,597	2,021,229
	After Distribution	2,314,722	2,021,229
Other Adjustments to Stockholders' Equity		(519,716)	(715,255)
Total Stockholders' Equity	Before Distribution	7,993,381	7,118,474
	After Distribution	7,717,756	7,118,474

Note : The above financial statements are prepared in accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions" effective at January 1, 2011.

2. Condensed Statement of Income – Adoption the GAAP of R.O.C.

NT\$ thousands

Item \ Year		From 2011 To 2012 (Note 1)	
		2012	2011
Operating Revenue		14,350,515	13,204,985
Gross Profit		1,134,404	476,213
Net Operating Income		774,222	126,900
Non-Operating Income and Gains		19,979	13,135
Non-Operating Expenses and Losses		(32)	(2,943)
Income from Continuing Operations before Tax		794,169	137,092
Income from Continuing Operations after Tax		679,368	120,417
Extraordinary Gain /Loss		0	0
Cumulative Effect of Changes in Accounting Principles		0	37,502
Net Income		679,368	157,919
Earnings per Share(after tax)(NT\$)(Note 2)		1.21	0.28

Note :

1. The above financial statements are prepared in accordance with the "Rules for the Preparation of Financial Reports by Insurance Institutions" effective at January 1, 2011.
2. Earnings per share were adjusted retroactively based on the number of shares after distribution for the past years.

c. Independent Auditors' Name and Opinion

Year	CPA Firm	CPA's Name	Audit Opinion
2015	PricewaterhouseCoopers, Taiwan	Kuo, Puo-Ju Lai, Chung-Hsi	Unqualified Opinion
2014	PricewaterhouseCoopers, Taiwan	Kuo, Puo-Ju Lai, Chung-Hsi	Unqualified Opinion
2013	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lee, Hsiu-Ling	Unqualified Opinion
2012	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lee, Hsiu-Ling	Modified Unqualified Opinion
2011	PricewaterhouseCoopers, Taiwan	Chen, Hsien-I Lee, Hsiu-Ling	Modified Unqualified Opinion

Financial Analyses for Recent Five Years

a. Financial Analyses – Adoption of IFRSs

Items \ Year	From 2012 To 2015 (Note 1)			
	2015	2014	2013	2012
Operating Ability				
Changes in Gross Premiums	(13.18%)	4.47%	8.92%	4.18%
Changes in Reinsurance Claims Paid	(8.70%)	7.45%	0.85%	8.48%
Changes in Retention Premiums	(13.00%)	3.55%	9.99%	4.19%
Profitability				
Return on Total Assets	2.28%	2.60%	2.25%	2.16%
Return on Equity	8.14%	9.42%	8.60%	8.98%
Net Investment Gain on Available Fund	1.27%	1.40%	1.59%	2.28%
Return on Investments	1.24%	1.37%	1.55%	2.22%
Retention Combined Ratio(Note 2)	97.75%	106.04%	98.69%	102.62%
Retention Expenses Ratio(Note 2)	32.81%	31.70%	33.94%	32.39%
Retention Loss Ratio(Note 2)	64.94%	74.34%	64.75%	70.23%
Operating Structure				
Retention Premiums on Equity	142.04%	161.41%	163.18%	167.66%
Gross Premiums on Equity	151.82%	172.89%	173.24%	179.74%
Net Reinsurance Commission on Equity	1.15%	1.06%	1.08%	1.38%
Insurance Liabilities on Equity	248.99%	250.23%	258.84%	288.85%
Changes in Equity	(1.14%)	4.69%	13.01%	12.27%
Expenses Ratio	32.81%	31.54%	33.78%	32.29%
Analysis of financial ratio in last two years. (If the difference doesn't exceed 20%, the analysis is not required) 1. Changes in gross premiums and Changes in Retention premiums less than last year : Mainly due to the gross premiums decreased in 2015. 2. Changes in reinsurance claims paid less than last year : Mainly due to reinsurance premium decreased, claims paid decreased accordingly in 2015. 3. Changes in equity less than last year : Mainly due to the changes in unrealized loss on available-for-sale financial assets increased in 2015.				

Note :

1. The above financial analyses are prepared in accordance with the “Rules for the Preparation of Financial Reports by Insurance Institutions” effective at January 1, 2013, and these ratios are the key performance indicators of the company.
2. Pursuant to Article 3 of the “Regulations for Management of the Reserve for Compulsory Automobile Liability Insurance”, prior to amending legislation on December 31, 2013, the company shall set aside an amount equal to 1% of earned pure premium over the last 12 months as claims reserve for incurred but not reported losses. Effective January 1, 2014, claims reserve for incurred but not reported losses are set aside based on past claim experience and expense using the loss development triangle method,

of that amount, 60% and 45% of earned pure premium for reinsurance assumed shall be set aside as claims reserve for incurred but not reported losses of automobile and motor reinsurance assumed under compulsory automobile liability insurance, respectively. The fixed percentage referred to in the preceding paragraph shall be calculated by the professional institution entrusted by the competent authority in accordance with the formulation of premium rates under the Act and the past claim experience and expense of the overall industry using the loss development triangle method. The fixed percentage should then be submitted to the competent authority for approval prior to public announcement.

b. Financial Analyses – Adoption the GAAP of R.O.C.

Items \ Year	From 2011 To 2012 (Note)	
	2012	2011
Operating Ability		
Changes in Gross Premiums	4.18%	4.02%
Changes in Reinsurance Claim Paid	8.48%	8.23%
Changes in Retention Premiums	4.19%	4.64%
Profitability		
Return on Total Assets	2.16%	0.53%
Return on Equity	8.99%	2.08%
Net Investment Gain on Available Fund	2.65%	0.35%
Return on Investments	2.58%	0.34%
Retention Combined Ratio(Note)	102.62%	103.43%
Retention Expenses Ratio(Note)	32.39%	30.36%
Retention Loss Ratio(Note)	70.23%	73.07%
Operating Structure		
Retention Premiums on Equity	167.67%	180.70%
Gross Premiums on Equity	179.76%	193.75%
Net Reinsurance Commission on Equity	1.38%	1.54%
Insurance Liabilities on Equity	288.87%	318.03%
Changes in Equity	12.29%	(11.52%)
Expenses Ratio	32.29%	30.38%

Note : The financial analyses of the fiscal year of 2012 and 2011 were prepared in accordance with “Rules for the Preparation of Financial Reports by Insurance Institutions” effective at January 1, 2011. These ratios are the key performance indicators of the company.

Audit Committee's Review Report

TO : 2016 Annual General Meeting

Central Reinsurance Corporation (Central Re)

The Financial Report of the year 2015 of Central Reinsurance Corporation has been audited by the CPA firm of PricewaterhouseCoopers, Taiwan. The Independent Auditor's Report with an unqualified opinion relating to the Financial Statements has been presented by the CPA.

The undersigned hereby certifies the Business Report, Financial Report mentioned above, and profit allocation proposal ended Dec. 31, 2015 have been reviewed and determined to be correct and accurate by the Audit Committee of Central Re in accordance with Article 219 of the Company Law and Article 14-4 of the Securities and Exchange Act.

By : Yucheng Chou

Title : Chairman of the Audit Committee

Date : March 18, 2016

CENTRAL REINSURANCE CORPORATION
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT ACCOUNTANTS
DECEMBER 31, 2015 AND 2014

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

REPORT OF INDEPENDENT ACCOUNTANTS

PWCR15000138

To Central Reinsurance Corporation

We have audited the accompanying balance sheets of Central Reinsurance Corporation as of December 31, 2015 and 2014, and the related statements of comprehensive income, of changes in equity and of cash flows for the years then ended. 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 December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in conformity with International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the Financial Supervisory Commission and "Rules for the Preparation of Financial Reports by Insurance Institutions".

PricewaterhouseCoopers, Taiwan

March 17, 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.

CENTRAL REINSURANCE CORPORATION
BALANCE SHEETS
(Expressed in thousands of New Taiwan dollars)

ASSETS		Notes	December 31, 2015		December 31, 2014	
			AMOUNT	%	AMOUNT	%
11000	Cash and cash equivalents	6(1)	\$ 16,461,567	50	\$ 18,430,910	54
12000	Accounts receivable	6(2)	248,065	1	399,901	1
12600	Current income tax assets		69,977	-	133,340	1
14110	Financial assets at fair value	6(3)				
	through profit or loss		537,573	2	949,291	3
14120	Available-for-sale financial assets	6(4)	3,802,122	11	4,852,161	14
14160	Investments in debt instrument	6(5)				
	without active market		5,478,882	17	3,125,047	9
14180	Other financial assets	6(6)	1,422,932	4	524,296	2
14200	Investment property	6(8)	456,730	1	459,027	1
15000	Reinsurance contract assets	6(9)	3,455,783	10	3,859,592	11
16000	Property and equipment	6(12)	213,444	1	214,772	1
17000	Intangible assets		3,786	-	1,531	-
17800	Deferred income tax assets	6(18)	28,124	-	36,423	-
18000	Other assets		1,086,086	3	1,022,876	3
	TOTAL ASSETS		\$ 33,265,071	100	\$ 34,009,167	100
LIABILITIES AND EQUITY						
21000	Accounts payable	6(13)	\$ 425,192	2	\$ 577,906	2
21700	Current income tax liabilities		68,011	-	115,627	-
23200	Financial liabilities at fair value	6(3)				
	through profit or loss		31,549	-	66,470	-
24000	Insurance liabilities	6(9)	23,279,625	70	23,664,460	70
27000	Provisions	6(14)	8,015	-	5,778	-
28000	Deferred income tax liabilities	6(18)	76,186	-	77,799	-
25000	Other liabilities		27,012	-	44,211	-
	TOTAL LIABILITIES		23,915,590	72	24,552,251	72
30000	EQUITY					
31000	Capital					
31100	Common stock	6(15)	5,622,750	17	5,622,750	17
32000	Capital reserve		300,000	1	300,000	1
33000	Retained earnings					
33100	Legal reserve		1,448,411	4	1,274,236	4
33200	Special reserve	6(17)	1,194,523	4	976,714	3
33300	Undistributed earnings	6(18)	816,086	2	1,118,951	3
34000	Other equity	6(4)	(32,289)	-	164,265	-
	TOTAL EQUITY		9,349,481	28	9,456,916	28
	TOTAL LIABILITIES AND EQUITY		\$ 33,265,071	100	\$ 34,009,167	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)

		Years ended December 31				Changes Percentage (%)
		2015		2014		
Items	Notes	AMOUNT	%	AMOUNT	%	
41000	Operating revenues					
41100	Gross premiums written	\$ 14,194,290	101	\$ 16,349,868	100	(13)
51100	Less: Reinsurance premiums ceded	(914,406)	(6)	(1,085,426)	(7)	(16)
51310	Net change in unearned premium reserve	60,933	-	242,733	2	(75)
41130	Retention earned premiums	13,340,817	95	15,507,175	95	(14)
41300	Reinsurance commission revenue	286,205	2	302,102	2	(5)
41400	Overriding commission revenue	13,831	-	15,986	-	(13)
41500	Net gain from investment					
41510	Interest income	357,752	3	315,125	2	14
41521	Gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss	(311,821)	(2)	(147,280)	(1)	112
41522	Realized gain or loss on available-for-sale financial assets	189,118	1	83,807	1	126
41524	Realized gain or loss on investments in debt instrument without active market	19,323	-	-	-	-
41550	Foreign exchange gain	142,070	1	186,375	1	(24)
41570	Gain on investment property	19,719	-	17,286	-	14
	Total net gain from investment	416,161	3	455,313	3	(9)
41800	Other operating revenues	10,996	-	2,987	-	268
	Total operating revenues	14,068,010	100	16,283,563	100	(14)
51000	Operating costs					
51200	Reinsurance claims paid	(9,179,765)	(65)	(10,054,640)	(62)	(9)
41200	Less: Reinsurance claims recovery	429,175	3	420,859	3	2
51260	Retention reinsurance claims					
	 Paid	(8,750,590)	(62)	(9,633,781)	(59)	(9)
51300	Net changes in other insurance liabilities	324,113	2	489,562	(3)	(166)
51500	Reinsurance commission expenses	(4,321,737)	(31)	(4,781,683)	(30)	(10)
51800	Other operating costs	(762)	-	(2,391)	-	(68)
	Total operating costs	(12,748,976)	(91)	(14,907,417)	(92)	(14)
58000	Operating expenses					
58100	Selling expenses	(215,630)	(1)	(258,914)	(1)	(17)
58200	Administration expenses	(118,299)	(1)	(114,787)	(1)	3
58300	Training expenses	(1,499)	-	(1,433)	-	5
	Total operating expenses	(335,428)	(2)	(375,134)	(2)	(11)
	Net operating income	983,606	7	1,001,012	6	(2)
59000	Non-operating income and expenses	(1,790)	-	(1)	-	178900
62000	Income from continuing operations before tax	981,816	7	1,001,011	6	(2)
63000	Income tax expense	(215,951)	(2)	(130,137)	(1)	66
64000	Income from continuing operations after tax	765,865	5	870,874	5	(12)
66000	Net income	765,865	5	870,874	5	(12)

(Continued)

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

		Years ended December 31				Changes					
		2015		2014		Percentage					
Items	Notes	AMOUNT	%	AMOUNT	%	(%)					
83000	Other comprehensive income										
83100	Items may not be reclassified to profit or loss subsequently										
83110	The remeasurements of defined benefit plans	6(12)									
		(\$	2,429)	-	(\$	5,757)	-	(	58)		
83180	Income tax relating to the items may not be reclassified to profit or loss subsequently	6(12)(18)									
			413	-		979	-	(	58)		
83200	Items may be reclassified to profit or loss subsequently										
83220	Unrealized gain or loss on available-for-sale financial assets	6(4)									
		(	217,755)	(	1)		264,419	2	(	182)	
83280	Income tax relating to the items may be reclassified to profit or loss subsequently	6(4)(18)									
			21,201	-	(	32,417)	-	(	165)		
	Total other comprehensive (loss) income for the year (after tax)		(	198,570)	(	1)		227,224	2	(	187)
85000	Total comprehensive income for the year		\$	567,295	4	\$	1,098,098	7	(	48)	
Earnings per share											
97500	Basic and Diluted (in NT dollars)		\$	1.36	\$	1.55					

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)

	Notes	Common Stock	Retained Earnings				Other Equity	
			Capital Reserve	Legal Reserve	Special Reserve	Undistributed Earnings	Unrealized Gain or Loss on Available-for- sale Financial Assets	Total Equity
<u>2014</u>								
Balance at January 1, 2014		\$ 5,622,750	\$ 300,000	\$ 1,127,818	\$ 1,266,462	\$ 784,255	\$ 67,737	\$ 9,033,548
Distributions of 2013 earnings (Note)								
Legal reserve		-	-	146,418	-	(146,418)	-	-
Cash dividends	6(15)	-	-	-	-	(674,730)	-	(674,730)
Reversal of special reserve		-	-	-	(519,716)	519,716	-	-
Net income for the year		-	-	-	-	870,874	-	870,874
Appropriation for equalization reserve for the year	6(15)	-	-	-	229,968	(229,968)	-	-
Other comprehensive income for the year	6(4)	-	-	-	-	(4,778)	232,002	227,224
Balance at December 31, 2014		<u>\$ 5,622,750</u>	<u>\$ 300,000</u>	<u>\$ 1,274,236</u>	<u>\$ 976,714</u>	<u>\$ 1,118,951</u>	<u>\$ 164,265</u>	<u>\$ 9,456,916</u>
<u>2015</u>								
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 (Note)								
Legal reserve		-	-	174,175	-	(174,175)	-	-
Cash dividends	6(15)	-	-	-	-	(674,730)	-	(674,730)
Net income for the year		-	-	-	-	765,865	-	765,865
Appropriation for equalization reserve for the year	6(15)	-	-	-	217,809	(217,809)	-	-
Other comprehensive income for the year	6(4)	-	-	-	-	(2,016)	196,554	(198,570)
Balance at December 31, 2015		<u>\$ 5,622,750</u>	<u>\$ 300,000</u>	<u>\$ 1,448,411</u>	<u>\$ 1,194,523</u>	<u>\$ 816,086</u>	<u>\$ 32,289</u>	<u>\$ 9,349,481</u>

Note: Employees' bonus of \$7,141 and \$5,996, and directors' remuneration of \$2,878 and \$3,100 for 2014 and 2013, respectively, have been deducted from the statement of comprehensive income.

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

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

	Years ended December 31	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax for the year	\$ 981,816	\$ 1,001,011
Adjusting items:		
Profit and expense items		
Depreciation	8,998	8,046
Amortization	1,572	1,350
Net change in reserves	(367,562)	246,829
Net gain on financial assets and liabilities at fair value through profit or loss	73,026	57,549
Net gain or loss on available-for-sale financial assets	(118,922)	216
Net gain on investments in debt instruments without active market	(19,323)	-
Interest income	(374,593)	(332,334)
Dividend income	(70,570)	(105,481)
Net gain on disposal of property and equipment	-	(15)
Unrealized foreign exchange loss	(44,958)	(101,928)
Changes in assets/liabilities relating to operating activities		
Net changes in assets relating to operating activities		
Accounts receivable	168,609	(215,876)
Financial assets at fair value through profit or loss	304,641	13,470
Reinsurance contract assets	386,536	52,783
Other assets	(40,389)	(5,650)
Net changes in liabilities relating to operating activities		
Accounts payable	(152,714)	184,139
Provisions	(192)	(751)
Other liabilities	(17,199)	5,968
Cash generated from operations	718,776	809,326
Interest received	368,714	336,729
Dividend received	71,259	104,792
Cash paid for income tax	(171,904)	(55,690)
Net cash provided by operating activities	986,845	1,195,157
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through profit or loss	(18,050)	(20,506)
Proceeds from disposal of financial assets at fair value through profit or loss	17,180	18,516
Acquisition of available-for-sale financial assets	(18,165,232)	(11,546,277)
Proceeds from disposal of available-for-sale financial assets	19,086,734	11,924,846
Acquisition of investments in debt instruments without active market	(2,838,055)	(117,118)
Proceeds from repayments of investments in debt instruments without active market	540,933	269,553
Acquisition of property and equipment	(5,084)	(16,189)
Proceeds from disposal of property and equipment	-	15
Acquisition of investment property	(289)	(2,113)
Increase in other financial assets	(898,636)	(276,736)
Acquisition of intangible assets	(3,827)	(739)
Net cash (used in) provided by investing activities	(2,284,326)	233,252
CASH FLOWS FROM FINANCING ACTIVITY		
Payment of cash dividends	(674,730)	(674,730)
Net cash used in financing activity	(674,730)	(674,730)
Effects of exchange rate changes	2,868	3,344
(Decrease) increase in cash and cash equivalents	(1,969,343)	757,023
Cash and cash equivalents at beginning of year	18,430,910	17,673,887
Cash and cash equivalents at end of year	\$ 16,461,567	\$ 18,430,910

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

CENTRAL REINSURANCE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014

(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. Evergreen International Corporation holds 35.13% equity interest in the Company and has the ability to control the Company. Evergreen International Corporation is the Company’s parent company.

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

These financial statements were authorized for issuance by the Board of Directors on March 17, 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”)

According to Financial-Supervisory-Securities-Auditing No. 1030010325 issued by FSC on April 3, 2014, commencing 2015, the Company shall adopt the 2013 version of IFRS (not including IFRS 9, ‘Financial instruments’) as endorsed by the FSC and the “Rules for the Preparation of Financial Reports by Insurance Institutions” effective January 1, 2015 (collectively referred herein as the “2013 version of IFRS”) in preparing the financial statements. The impact of adopting the 2013 version of IFRS is listed below:

A. IAS 19 (revised), ‘Employee benefits’

The revised standard requires net interest expense or income, calculated by applying the discount rate to the net defined benefit liability (asset), replaces the finance charge and expected return on plan assets. Based on the Company’s assessment, the adoption of the standard has no impact on its financial statements, and the Company will disclose additional information about defined benefit plans accordingly.

B. IAS 1, ‘Presentation of financial statements’

The amendment requires entities to separate items presented in Other Comprehensive Income (“OCI”) classified by nature into two groups on the basis of whether they are potentially reclassifiable to profit or loss subsequently when specific conditions are met. If the items are

presented before tax then the tax related to each of the two groups of OCI items (those that might be reclassified and those that will not be reclassified) must be shown separately. Accordingly, the Company will adjust its presentation of the statement of comprehensive income.

C. Disclosures - Offsetting financial assets and financial liabilities (amendment to IFRS 7)

The standard requirements in accordance with IAS 32, 'Financial Instruments: Presentation': financial assets and liabilities shall be offset and the net amount presented in the statement of financial position when the Company currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In order to enable financial reporting users to assess the impact or potential impact of net settlement of financial instruments to companies' finance, financial instruments that qualify the definition to offset shall be presented in a tabular format of net amount of financial assets and financial liabilities for quantitative disclosure of total amount. The Company includes qualitative and quantitative disclosures for offsetting financial assets and financial liabilities.

D. IFRS 12, 'Disclosure of interests in other entities'

The standard integrates the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. Also, the Company will disclose additional information about its interests in unconsolidated structured entities accordingly.

E. IFRS 13, 'Fair value measurement'

The standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The standard sets out a framework for measuring fair value using the assumptions that market participants would use when pricing the asset or liability; for non-financial assets, fair value is determined based on the highest and best use of the asset. The standard also requires disclosures about fair value measurements. Based on the Company's assessment, the adoption of the standard has no impact on its financial statements, and the Company will disclose additional information about fair value measurements accordingly.

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

None.

(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 2013 version of IFRSs as endorsed by the FSC:

New Standards, Interpretations and Amendments	Effective Date by International Accounting Standards Board
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 the 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
IFRS 15, 'Revenue from contracts with customers'	January 1, 2018
IFRS 16, 'Leases'	January 1, 2019
Disclosure initiative (amendments to IAS 1)	January 1, 2016
Disclosure initiative (amendments to IAS 7)	January 1, 2017
Recognition of deferred tax assets for unrealised losses (amendments to IAS 12)	January 1, 2017
Clarification of acceptable methods of depreciation and amortization (amendments to IAS 16 and IAS 38)	January 1, 2016
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 IAS 36)	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 Company is assessing the potential impact of the new standards, interpretations and amendments above. The impact on the financial statements will be disclosed when the assessment is complete.

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 the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the “IFRSs”).

(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 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

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.

(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) Investments in debt instruments without active market

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) Derivative financial instruments

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".

(9) Impairment of financial assets

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

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

(10) 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.

(11) 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”.

(12) 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”.

(13) 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.

(14) 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.

(15) 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.

(16) 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.

(17) 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.

(18) 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.

(19) Offsetting financial instruments

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

(20) 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.

(21) 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.

(22) 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.

(23) 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.

C. Employees' remuneration (bonus) and directors' remuneration

Employees' remuneration (bonus) 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.

(24) 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.

(25) 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.

(26) 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.

(27) 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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Cash:		
Petty cash	\$ 130	\$ 123
Checking accounts	53,908	49,843
Demand deposits	5,427,107	3,441,690
Cash equivalents:		
Time deposits	10,980,422	14,939,254
	<u>\$ 16,461,567</u>	<u>\$ 18,430,910</u>

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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Demand deposits	\$ 1,268,813	\$ 1,130,258
Time deposits	2,251,185	3,468,086
	<u>\$ 3,519,998</u>	<u>\$ 4,598,344</u>

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 (6).

(2) Accounts receivable

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Notes receivable	\$ 4,128	\$ 9,385
Other receivables	243,937	390,516
Total	248,065	399,901
Less: allowance for bad debts	-	-
Net amount	<u>\$ 248,065</u>	<u>\$ 399,901</u>

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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Good	\$ 248,065	\$ 399,901
Delayed previously	-	-
	<u>\$ 248,065</u>	<u>\$ 399,901</u>

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 Company does not have any accounts receivable that were either past due or impaired.

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

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial assets held for trading		
Listed and over-the-counter		
stocks	\$ 19,607	\$ 323,464
Foreign index funds	60,913	61,698
Non-hedging derivatives	<u>4,119</u>	<u>6,747</u>
	84,639	391,909
Valuation adjustment of financial assets held for trading	(<u>5,759</u>)	<u>5,983</u>
	<u>78,880</u>	<u>397,892</u>
Financial assets designated as at fair value through profit or loss on initial recognition		
Domestic convertible corporate bonds	3,504	2,500
Domestic mandatory convertible corporate bonds	<u>500,000</u>	<u>500,000</u>
	503,504	502,500
Valuation adjustment of financial assets designated as at fair value through profit or loss on initial recognition	(<u>44,811</u>)	<u>48,899</u>
	<u>458,693</u>	<u>551,399</u>
	<u>\$ 537,573</u>	<u>\$ 949,291</u>
	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Financial liabilities held for trading		
Non-hedging derivatives	<u>\$ 31,549</u>	<u>\$ 66,470</u>

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

	Year ended December 31, 2015	Year ended December 31, 2014
Financial instruments held for trading	(\$ 233,224)	(\$ 172,536)
Financial instruments designated as at fair value through profit or loss on initial recognition	(78,597)	25,256
	(\$ 311,821)	(\$ 147,280)

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:

	December 31, 2015		December 31, 2014	
	Contract amount (Notional principal)	Contract period	Contract amount (Notional principal)	Contract period
<u>Derivative instruments</u>				
FX swap contracts	\$ 4,501,605	2015.10.27~ 2016.04.06	\$ 3,938,424	2014.07.31~ 2015.02.04
Forward foreign exchange contracts	1,035,417	2015.10.23~ 2016.02.26	313,567	2014.12.08~ 2015.01.15

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 December 31, 2015 and 2014, all futures contracts were settled, and the related margins were \$103,372 and \$19,504, 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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Domestic items:		
Listed and over-the-counter stocks	\$ 1,126,422	\$ 1,629,963
Listed and over-the-counter preferred stocks	14,232	14,232
Securitized real estate products	613,947	671,699
Government bonds	1,040,841	925,876
Corporate bonds	-	299,980
Financial bonds		
Open-end funds	280,000	5,000
Index funds	110,859	203,340
Foreign items:		
Listed stocks	846,146	798,963
Open-end funds	353,276	537,905
Hedge funds	-	58,108
Index funds	358,560	408,680
	<u>4,744,283</u>	<u>5,553,746</u>
Adjustment of available-for-sale financial assets (	44,085)	173,670
Less: statutory deposits (	898,076)	875,255)
	<u>\$ 3,802,122</u>	<u>\$ 4,852,161</u>

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 December 31, 2015 and 2014, 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:

	<u>2015</u>	<u>2014</u>
At January 1	\$ 164,265	(\$ 67,737)
Recognized directly in other comprehensive income	(98,833)	264,203
Deducted in equity adjustment and recognized in profit or loss	(118,922)	216
Income tax from loss (gain) on valuation of foreign available-for-sale financial assets	<u>21,201</u>	<u>(32,417)</u>
At December 31	<u>(\$ 32,289)</u>	<u>\$ 164,265</u>

(5) Investments in debt instruments without active market

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Domestic investments:		
Securitized financial asset products	\$ -	\$ 228,446
Corporate bonds	700,385	500,000
Bank debentures	908,287	-
Foreign investments:		
Securitized financial asset products	974,958	949,685
Corporate bonds	1,376,918	509,707
Bank debentures	1,518,334	1,024,776
	<u>5,478,882</u>	<u>3,212,614</u>
Less: accumulated impairment	-	(87,567)
	<u>\$ 5,478,882</u>	<u>\$ 3,125,047</u>

A.The Company recognized interest income of \$113,107 and \$91,806 from amortization costs through profit or loss for the years ended December 31, 2015 and 2014, 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:

	<u>2015</u>	<u>2014</u>
At January 1	\$ 87,567	\$ 87,567
Disposal	(87,567)	-
At December 31	<u>\$ -</u>	<u>\$ 87,567</u>

D.As of December 31, 2015 and 2014, no investments in debt instruments without an active market held by the Company were pledged to others.

(6) Other financial assets

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Time deposits	\$ 1,422,932	\$ 524,296

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.

(7) 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:

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	<u>\$ 1,899,921</u>	

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).

(8) Investment property

	Land	Building	Total
<u>At January 1, 2015</u>			
Cost	\$ 411,606	\$ 84,821	\$ 496,427
Accumulated depreciation	-	(37,400)	(37,400)
	<u>\$ 411,606</u>	<u>\$ 47,421</u>	<u>\$ 459,027</u>
<u>2015</u>			
At January 1	\$ 411,606	\$ 47,421	\$ 459,027
Additions-from subsequent expenditure	-	289	289
Depreciation	-	(2,586)	(2,586)
At December 31	<u>\$ 411,606</u>	<u>\$ 45,124</u>	<u>\$ 456,730</u>
<u>At December 31, 2015</u>			
Cost	\$ 411,606	\$ 85,110	\$ 496,716
Accumulated depreciation	-	(39,986)	(39,986)
	<u>\$ 411,606</u>	<u>\$ 45,124</u>	<u>\$ 456,730</u>

	Land	Building	Total
<u>At January 1, 2014</u>			
Cost	\$ 411,606	\$ 82,708	\$ 494,314
Accumulated depreciation	-	(34,744)	(34,744)
	<u>\$ 411,606</u>	<u>\$ 47,964</u>	<u>\$ 459,570</u>
<u>2014</u>			
At January 1	\$ 411,606	\$ 47,964	\$ 459,570
Additions-from subsequent expenditure	-	2,113	2,113
Depreciation	-	(2,656)	(2,656)
At December 31	<u>\$ 411,606</u>	<u>\$ 47,421</u>	<u>\$ 459,027</u>
<u>At December 31, 2014</u>			
Cost	\$ 411,606	\$ 84,821	\$ 496,427
Accumulated depreciation	-	(37,400)	(37,400)
	<u>\$ 411,606</u>	<u>\$ 47,421</u>	<u>\$ 459,027</u>

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

	Year ended December 31, 2015	Year ended December 31, 2014
Rental revenue from the lease of the investment property	\$ 25,561	\$ 23,626
Direct operating expenses arising from the investment property that generated rental income in the period	5,842	6,340

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:

	December 31, 2015	December 31, 2014
Due in one year	\$ 18,608	\$ 18,186
Due after one year through three years	2,992	11,828
	<u>\$ 21,600</u>	<u>\$ 30,014</u>

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-December 31, 2015 and 2014. The fair values of investment property for the aforementioned measurement dates were \$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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Capitalization rate	1.00%~1.66%	1.09%~1.70%

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

(9) Reinsurance contract assets and insurance liabilities

A.Details of reinsurance contract assets are as follows:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Due from reinsurers and ceding companies	\$ 2,095,207	\$ 2,480,177
Due from reinsurers and ceding companies- overdue	40,334	41,900
Reinsurance reserve assets		
Ceded unearned premium reserve	369,344	414,183
Ceded claims reserve	836,328	897,152
Ceded liability reserve	164,881	74,421
Ceded premium deficiency reserve	1,832	3,902
	<u>3,507,926</u>	<u>3,911,735</u>
Less: allowance for doubtful accounts	(52,143)	(52,143)
	<u>\$ 3,455,783</u>	<u>\$ 3,859,592</u>

(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:

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Group 1	\$ 18,465	\$ 8,573
Group 2	1,207,676	1,154,975
Group 3	1,400,486	1,443,751
Group 4	13,991	496,815
Group 5	3,291	155
Group 6	654,570	676,769
	<u>\$ 3,298,479</u>	<u>\$ 3,781,038</u>

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 are as follows:

	December 31, 2015	December 31, 2014
31 to 90 days	\$ 102,288	\$ 67,060
91 to 180 days	75,300	28,313
181 to 270 days	3,219	4,404
Over 271 days	28,640	30,920
	<u>\$ 209,447</u>	<u>\$ 130,697</u>

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 that were impaired is as follows:

	2015	2014
At January 1	\$ 52,143	\$ 53,130
Write-off of bad debts	-	(987)
At December 31	<u>\$ 52,143</u>	<u>\$ 52,143</u>

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

B.Details of insurance liabilities are as follows:

	December 31, 2015	December 31, 2014
Unearned premium reserve	\$ 4,993,221	\$ 5,081,509
Claims reserve	14,063,219	14,211,559
Liability reserve	164,881	74,421
Equalization reserve	3,973,029	4,210,477
Premium deficiency reserve	85,275	86,494
	<u>\$ 23,279,625</u>	<u>\$ 23,664,460</u>

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

	2015	2014
Ceded unearned premium reserve		
At January 1	\$ 414,183	\$ 467,799
Provision	369,344	414,183
Recovery	(414,183)	(467,799)
At December 31	<u>\$ 369,344</u>	<u>\$ 414,183</u>

	2015	2014
Unearned premium reserve		
At January 1	\$ 5,081,509	\$ 5,377,858
Provision	4,993,221	5,081,509
Recovery	(5,081,509)	(5,377,858)
At December 31	<u>\$ 4,993,221</u>	<u>\$ 5,081,509</u>

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

	December 31, 2015	December 31, 2014
Ceded claims reserve		
Outstanding losses	\$ 314,465	\$ 320,200
Incurred but not reported losses	521,863	576,952
	<u>\$ 836,328</u>	<u>\$ 897,152</u>

	December 31, 2015	December 31, 2014
Claims reserve		
Outstanding losses	\$ 4,592,182	\$ 4,528,018
Incurred but not reported losses	9,471,037	9,683,541
	<u>\$ 14,063,219</u>	<u>\$ 14,211,559</u>

	2015	2014
Ceded claims reserve		
At January 1	\$ 897,152	\$ 874,691
Provision	836,328	897,152
Recovery	(897,152)	(874,691)
At December 31	<u>\$ 836,328</u>	<u>\$ 897,152</u>

	2015	2014
Claims reserve		
At January 1	\$ 14,211,559	\$ 12,295,022
Provision	14,063,219	14,211,559
Recovery	(14,211,559)	(12,295,022)
At December 31	<u>\$ 14,063,219</u>	<u>\$ 14,211,559</u>

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

	2015				2014			
	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	\$ 14,590	CNY	5.101	\$ 74,421	\$ -			\$ -
Provision	17,923			91,143	14,610			74,522
Recovery	(134)			(683)	(20)			(101)
At December 31	<u>\$ 32,379</u>	CNY	5.092	<u>\$ 164,881</u>	<u>\$ 14,590</u>	CNY	5.101	<u>\$ 74,421</u>

	2015				2014			
	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	\$ 14,590	CNY	5.101	\$ 74,421	\$ -			\$ -
Provision	17,923			91,143	14,610			74,522
Recovery	(134)			(683)	(20)			(101)
At December 31	<u>\$ 32,379</u>	CNY	5.092	<u>\$ 164,881</u>	<u>\$ 14,590</u>	CNY	5.101	<u>\$ 74,421</u>

Note: The Company has underwritten life reinsurance business with insurance period due after one year since the fourth quarter of 2014, and recognized ceded liability reserve and liability reserve in compliance with relevant regulations.

F.Equalization reserves

(a)Details of equalization reserves are as follows:

	December 31, 2015	December 31, 2014
Equalization reserve for statutory insurance	\$ 1,391,951	\$ 1,629,399
Reserve for fluctuation of risk	2,055,296	2,055,296
Reserve for extraordinary business losses	525,782	525,782
	<u>\$ 3,973,029</u>	<u>\$ 4,210,477</u>

(b)Movement of equalization reserves is as follows:

	2015	2014
At January 1	\$ 4,210,477	\$ 5,580,412
Provision	(237,448)	(1,369,935)
Recovery	-	-
At December 31	<u>\$ 3,973,029</u>	<u>\$ 4,210,477</u>

(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 years ended December 31, 2015 and 2014, are as follows:

Year ended December 31, 2015				
Earnings per share				
	Net income	(in dollars)	Total liabilities	Total equity
Applicable	\$ 765,865	\$ 1.36	\$ 23,915,590	\$ 9,349,481
Not applicable	765,865	1.36	21,615,110	11,649,961
Effect	\$ -	\$ -	(\$ 2,300,480)	\$ 2,300,480

Year ended December 31, 2014				
Earnings per share				
	Net income	(in dollars)	Total liabilities	Total equity
Applicable	\$ 870,874	\$ 1.55	\$ 24,552,251	\$ 9,456,916
Not applicable	870,874	1.55	22,251,771	11,757,396
Effect	\$ -	\$ -	(\$ 2,300,480)	\$ 2,300,480

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

	2015	2014
Ceded premium deficiency reserve		
At January 1	\$ 3,902	\$ 12,167
Provision	1,832	3,902
Recovery	(3,902)	(12,167)
At December 31	\$ 1,832	\$ 3,902

	2015	2014
Premium deficiency reserve		
At January 1	\$ 86,494	\$ 129,338
Provision	85,275	86,494
Recovery	(86,494)	(129,338)
At December 31	\$ 85,275	\$ 86,494

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

	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).

December 31, 2014	Due in one year	Due after one year	Total
Insurance liabilities			
Unearned premium reserve	\$ 2,427,312	\$ 1,239,322	\$ 3,666,634
Claims reserve	8,000,328	4,084,759	12,085,087
Liability reserve	-	74,421	74,421
Premium deficiency	57,259	29,235	86,494

Note: Insurance liabilities exclude statutory insurance (total amount of compulsory automobile liability insurance, residential earthquake insurance and nuclear insurance is \$3,541,347).

(10) 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
GENERAL HOLDING VIENNA AG	Fire insurance and engineering insurance

B. As of December 31, 2015 and 2014, the Company had no unqualified reinsurance premiums ceded.

C. For the years ended December 31, 2015 and 2014, reserve for unqualified reinsurance were \$1,024 and \$1,584, respectively.

(11) 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
<u>December 31, 2015</u>			
Non-hedging derivatives (under financial assets at fair value through profit or loss)	\$ <u>4,119</u>	\$ <u>4,119</u>	\$ <u>-</u>
<u>December 31, 2014</u>			
Non-hedging derivatives (under financial assets at fair value through profit or loss)	\$ <u>6,747</u>	\$ <u>2,525</u>	\$ <u>4,222</u>

(b) Financial liabilities

Description	Gross amounts of recognized financial liabilities	Financial instruments not set off in the balance sheet	Net amount
<u>December 31, 2015</u>			
Non-hedging derivatives (under financial liabilities at fair value through profit or loss)	\$ <u>31,549</u>	\$ <u>4,119</u>	\$ <u>27,430</u>
<u>December 31, 2014</u>			
Non-hedging derivatives (under financial liabilities at fair value through profit or loss)	\$ <u>66,470</u>	\$ <u>2,525</u>	\$ <u>63,945</u>

(12) Property and equipment

At January 1, 2015		Land	Building	Computer equipment	Transportation equipment	Miscellaneous equipment	Total
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)
		<u>\$ 180,796</u>	<u>\$ 25,327</u>	<u>\$ 6,047</u>	<u>\$ 1,778</u>	<u>\$ 824</u>	<u>\$ 214,772</u>
2015							
At January 1		\$ 180,796	\$ 25,327	\$ 6,047	\$ 1,778	\$ 824	\$ 214,772
Additions		-	1,844	3,193	-	47	5,084
Disposals-cost		-	-	(1,083)	-	(48)	(1,131)
Disposals-accumulated depreciation		-	-	1,083	-	48	1,131
Depreciation		-	(3,444)	(2,464)	(323)	(181)	(6,412)
At December 31		<u>\$ 180,796</u>	<u>\$ 23,727</u>	<u>\$ 6,776</u>	<u>\$ 1,455</u>	<u>\$ 690</u>	<u>\$ 213,444</u>
At December 31, 2015							
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)
		<u>\$ 180,796</u>	<u>\$ 23,727</u>	<u>\$ 6,776</u>	<u>\$ 1,455</u>	<u>\$ 690</u>	<u>\$ 213,444</u>

	Land	Building	Computer equipment	Transportation equipment	Miscellaneous equipment	Total
At January 1, 2014						
Cost	\$ 180,796	\$ 77,902	\$ 14,593	\$ 5,321	\$ 3,136	\$ 281,748
Accumulated depreciation	-	(59,308)	(10,765)	(5,321)	(2,381)	(77,775)
	<u>\$ 180,796</u>	<u>\$ 18,594</u>	<u>\$ 3,828</u>	<u>\$ -</u>	<u>\$ 755</u>	<u>\$ 203,973</u>
2014						
At January 1	\$ 180,796	\$ 18,594	\$ 3,828	\$ -	\$ 755	\$ 203,973
Additions	-	9,668	4,205	1,940	376	16,189
Disposals-cost	-	-	(3,937)	(1,169)	(58)	(5,164)
Disposals-accumulated	-	-	3,937	1,169	58	5,164
Depreciation	-	(2,935)	(1,986)	(162)	(307)	(5,390)
At December 31	<u>\$ 180,796</u>	<u>\$ 25,327</u>	<u>\$ 6,047</u>	<u>\$ 1,778</u>	<u>\$ 824</u>	<u>\$ 214,772</u>
At December 31, 2014						
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)
	<u>\$ 180,796</u>	<u>\$ 25,327</u>	<u>\$ 6,047</u>	<u>\$ 1,778</u>	<u>\$ 824</u>	<u>\$ 214,772</u>

The above assets were not pledged to others as collateral.

(13) Accounts payable

	December 31, 2015	December 31, 2014
Due to reinsurers and ceding companies	\$ 269,439	\$ 248,963
Other payables	155,753	328,943
	<u>\$ 425,192</u>	<u>\$ 577,906</u>

(14) 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 not enough to pay the pension calculated by the aforementioned method, to the labors expected to be qualified for retirement next year, the Company will make contribution for the deficit by next March.

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

	December 31, 2015	December 31, 2014
Present value of defined benefit obligations	(\$ 64,102)	(\$ 70,187)
Fair value of plan assets	56,087	64,409
Net defined benefit liability	<u>(\$ 8,015)</u>	<u>(\$ 5,778)</u>

(c) Movements in net defined benefit liabilities are as follows:

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2015			
Balance at January 1	(\$ 70,187)	\$ 64,409	(\$ 5,778)
Current service cost	(4,240)	-	(4,240)
Interest (expense) income	(1,579)	1,449	(130)
	<u>(76,006)</u>	<u>65,858</u>	<u>(10,148)</u>
Remeasurements:			
Change in demographic assumptions	(286)	-	(286)
Change in financial assumptions	(3,578)	-	(3,578)
Experience adjustments	1,268	167	1,435
	<u>(2,596)</u>	<u>167</u>	<u>(2,429)</u>
Pension fund contribution	-	4,562	4,562
Paid Pension	14,500	(14,500)	-
Balance at December 31	<u>(\$ 64,102)</u>	<u>\$ 56,087</u>	<u>(\$ 8,015)</u>

	Present value of defined benefit obligations	Fair value of plan assets	Net defined benefit liability
Year ended December 31, 2014			
Balance at January 1	(\$ 59,010)	\$ 58,238	(\$ 772)
Current service cost	(4,039)	-	(4,039)
Interest (expense) income	(1,180)	1,165	(15)
	(64,229)	59,403	(4,826)
Remeasurements:			
Change in demographic assumptions	(673)	-	(673)
Change in financial assumptions	(4,838)	-	(4,838)
Experience adjustments	(447)	201	(246)
	(5,958)	201	(5,757)
Pension fund contribution	-	4,805	4,805
Balance at December 31	(\$ 70,187)	\$ 64,409	(\$ 5,778)

(d) The Bank of Taiwan was commissioned to manage the Fund of the Company's and domestic subsidiaries' defined benefit pension plan in accordance with the Fund's annual investment and utilization plan and the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund" (Article 6: The scope of utilization for the Fund includes deposit in domestic or foreign financial institutions, investment in domestic or foreign listed, over-the-counter, or private placement equity securities, investment in domestic or foreign real estate securitization products, etc.). With regard to the utilization of the Fund, its minimum earnings in the annual distributions on the final financial statements shall be no less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. The constitution of fair value of plan assets as of December 31, 2015 and 2014 is given in the Annual Labor Retirement Fund Utilization Report announced by the government. Overall expected return on plan assets is an estimate based on historical return trends, forecasts on the overall obligation return, and the handling status of labor pension funds by the Bureau of Labor Funds, as well as taking into consideration the impact that minimum earnings should be no less than earnings from the interest rates of a two-year time deposits offered by local banks.

For the years ended December 31, 2015 and 2014, the Company's actual returns on plan assets were \$1,616 and \$1,366, respectively.

(e) The principal actuarial assumptions used are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate	1.25%	2.25%
Salary increment	3.00%	3.00%

Assumptions regarding the mortality and the disability rates are set based on Taiwan Standard Ordinary Experience Mortality Table.

Because the main actuarial assumption changed, the present value of defined benefit obligation is affected. The analysis is as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Discount rate increase 0.5%	(\$ 1,910)	(\$ 1,613)
Discount rate decrease 0.5%	2,118	1,789
Salary increment increase 0.5%	2,069	1,766
Salary increment decrease 0.5%	(1,887)	(1,609)

The sensitivity analysis above is based on the condition that only one assumption is changed while all other assumptions remain unchanged. In practice, more than one assumption may change all at once. The method of analysing sensitivity and the method of calculate net pension liability in the balance sheet are the same.

The method and assumption used in preparing the current year sensitivity analysis are identical with those of the prior year.

(f) Expected contributions to the defined benefit pension plans of the Company in the year ended December 31, 2016 amounts to \$4,561.

(g) As of December 31, 2015, the weighted average duration of that retirement plan is 6 years. The analysis of timing of the future pension payment was as follows:

Within 1 year	\$ 43,159
Due after 1 year through 5 years	73,702
Over 5 years	7,341
	<u>\$ 124,202</u>

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 years ended December 31, 2015 and 2014 were \$6,266 and \$5,956, respectively.

(15) Common stock

As of December 31, 2015, 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.

(16) 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.

(17) 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 (16).

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

	<u>December 31, 2015</u>	<u>December 31, 2014</u>
Equalization reserve	\$ 1,067,966	\$ 850,157
Unrealized revaluation increment	126,557	126,557
	<u>\$ 1,194,523</u>	<u>\$ 976,714</u>

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

(b) For the years 2015 and 2014, the provision for equalization reserve amounting to \$217,809 and \$229,968, respectively, had been recognized as special reserve under equity upon annual resolution and is not available for distribution.

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

C. 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). On March 17, 2016, the Board of Directors

proposed that total dividends for the distribution of earnings for 2015 was \$393,593 (cash dividend of \$0.7 (in dollars) per share).

Earnings appropriation for 2015 has not yet been ratified at the stockholders' meeting as of the reporting date. Detailed information on earnings appropriation resolved by the Board of Directors and ratified at the stockholders' meeting is posted in the "Market Observation Post System" at the website of the Taiwan Stock Exchange.

D. For information relating to employees' remuneration (bonuses) and directors' remuneration, please see Note 6 (19).

(18) Income tax

A. Components of income tax expense:

	Year ended December 31, 2015	Year ended December 31, 2014
Current income tax:		
Current income tax on profits for the period	\$ 168,294	\$ 146,276
Adjustments in respect of prior years	19,357	(22,055)
Deferred income tax:		
Origination and reversal of temporary difference	28,300	5,916
Income tax expense	<u>\$ 215,951</u>	<u>\$ 130,137</u>

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

	Year ended December 31, 2015	Year ended December 31, 2014
Changes in fair value of available-for-sale financial assets	(\$ 21,201)	\$ 32,417
Remeasurement of defined benefit obligations	(413)	(979)
	<u>(\$ 21,614)</u>	<u>\$ 31,438</u>

C. Reconciliation between income tax expense and accounting profit:

	Year ended December 31, 2015	Year ended December 31, 2014
Tax calculated based on profit before tax and statutory tax rate	\$ 166,909	\$ 170,172
Impact of tax adjustments by tax regulations	29,685	(17,980)
Prior year income tax (over) underestimation	19,357	(22,055)
Income tax expense	<u>\$ 215,951</u>	<u>\$ 130,137</u>

D. Amounts of deferred tax assets or liabilities as a result of temporary difference are as follows:

	2015			
	January 1	Recongized in profit or loss	Recongized in other comprehensive income	December 31
Deferred tax assets				
Unrealized loss on valuation of available-for-sale financial assets	\$ -	\$ -	\$ 11,796	\$ 11,796
Allowance for bad debt exceeding limit	7,491	-	-	7,491
Impairment loss on financial assets	14,886	(14,886)	-	-
Unrealized loss on valuation of financial assets	11,246	(5,601)	-	5,645
Employee benefits-pension expense	1,481	(4)	413	1,890
Employee benefits-unused compensated absences	1,319	(17)	-	1,302
	<u>\$ 36,423</u>	<u>(\$ 20,508)</u>	<u>\$ 12,209</u>	<u>\$ 28,124</u>
Deferred tax liabilities				
Unrealized gains on valuation of available-for-sale financial assets	\$ 9,405	\$ -	(\$ 9,405)	\$ -
Gain on revaluation of land	41,555	-	-	41,555
Unrealized foreign exchange gains	26,839	7,792	-	34,631
	<u>\$ 77,799</u>	<u>\$ 7,792</u>	<u>(\$ 9,405)</u>	<u>\$ 76,186</u>

2014				
	January 1	Recongized in profit or loss	Recongized in other comprehensive income	December 31
Deferred tax assets				
Unrealized loss on valuation of available-for-sale financial assets	\$ 23,012	\$ -	(\$ 23,012)	\$ -
Allowance for bad debt exceeding limit	7,675	(184)	-	7,491
Impairment loss on financial assets	14,886	-	-	14,886
Unrealized loss on valuation of financial assets	-	11,246	-	11,246
Employee benefits-pension expense	630	(128)	979	1,481
Employee benefits-unused compensated absences	1,222	97	-	1,319
	<u>\$ 47,425</u>	<u>\$ 11,031</u>	<u>(\$ 22,033)</u>	<u>\$ 36,423</u>
Deferred tax liabilities				
Unrealized gains on valuation of available-for-sale financial assets	\$ -	\$ -	\$ 9,405	\$ 9,405
Unrealized gains on valuation of financial assets	291	(291)	-	-
Gain on revaluation of land	41,555	-	-	41,555
Unrealized foreign exchange gains	9,601	17,238	-	26,839
	<u>\$ 51,447</u>	<u>\$ 16,947</u>	<u>\$ 9,405</u>	<u>\$ 77,799</u>

E.Except for the Company's 2011 income tax return, the income tax returns have been assessed and approved by the Tax Authority up to 2013.

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

G.As of December 31, 2015 ad 2014, the balance of the imputation tax credit account were \$127,543 and \$85,685, respectively. The creditable tax rate was 17.82% for 2014 and is estimated to be 24.15% for 2015.

(19) Employee benefits, depreciation and amortization

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

Expense \ Function	Year ended December 31, 2015		Year ended December 31, 2014	
	Operating Costs	Operating Expenses	Operating Costs	Operating Expenses
Employee Benefit Expense	\$ -	\$ 202,099	\$ -	\$ 199,339
Salaries	-	171,190	-	168,152
Employees' insurance	-	11,645	-	11,462
Pension	-	10,636	-	10,010
Other employee benefit expenses	-	8,628	-	9,715
Depreciation	2,586	6,412	2,656	5,390
Amortization	-	1,572	-	1,350

Note:

1. As of December 31, 2015 and 2014, the Company had 139 and 140 employees, respectively.
2. Other employee benefit expenses include employees' welfare and training expenses.
3. The depreciation, which is classified as operating cost, is accounted for as deduction to gain on investment property.

A. Upon distributing the Company's 2014 earnings, in accordance with 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.

However, in accordance with 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 Board of Directors of the Company has approved the amended Articles of Incorporation of the Company on March 17, 2016. According to the amended articles, after covering accumulated deficits with current year earnings, the remainder, if any, shall provision employees' compensation no less than 0.5% and directors' remunerations no more than 1%. The amended articles are expected to be resolved in the stockholders' meeting in 2016.

B. The Company's estimated employees' compensation of \$6,741 for the year ended December 31, 2015 was determined from earnings on a pro-rata basis, which fell within the scope of the Company's Articles of Incorporation's requirements. The Company's estimated employees' bonus of \$7,141 for the year ended December 31, 2014 was determined from income after taxes on a pro-rata basis, which fell within the scope of the Company's Articles of Incorporation's requirements. The Company's estimated directors' remuneration for the years ended December 31, 2015 and 2014 were of \$2,700 and \$2,878, respectively. The estimates, which fell within the scope of the Company's Articles of Incorporation's requirements, were

based on the tenure of directors and past experiences; however, if actual amounts differ from the estimates, the differences will be recognized under profit or loss in the actual year of payment.

The 2014 employees' bonus and directors' remuneration amount as resolved at the stockholders' meeting were in agreement with the amounts recognized in the 2014 financial statements, and employees' bonus is distributed by cash.

Information about the appropriation of employees' remuneration (bonus) 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.

(20) Supplemental cash flow information

Investing activities with partial cash payments:

	Year ended December 31, 2015	Year ended December 31, 2014
Increase in investment	(\$ 20,859,045)	(\$ 11,872,900)
Decrease in investment	19,472,142	12,421,258
Add: ending balance of payable on investment	51,980	214,272
opening balance of receivable on investment	287,929	79,586
Less: opening balance of payable on investment	(214,272)	(25,273)
ending balance of receivable on investment	(115,224)	(287,929)
Net cash (used in) provided by investments	(\$ 1,376,490)	\$ 529,014

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
Evergreen International Engineering Corporation	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)

	December 31, 2015	December 31, 2014
Other related parties	\$ 510	\$ 516

B. Property and equipment

	December 31, 2015	December 31, 2014
Other related parties	\$ 1,575	\$ 8,500

C. Other payables (under accounts payable)

	December 31, 2015	December 31, 2014
Parent	\$ 1,412	\$ 3,515
Other related parties	-	44
Total	\$ 1,412	\$ 3,559

D. Operating revenues and operating costs

	Year ended December 31, 2015	Year ended December 31, 2014
Other related parties		
Gross premiums written	\$ 25,645	\$ 13,363
Reinsurance premiums ceded	(10)	253
Overriding commissions revenue	1	2
Reinsurance commission expenses	7,756	3,894
Reinsurance commission revenue	54	188
Reinsurance claims paid	269	73
Reinsurance claims recovery	1,194	322
Repair and maintenance expense(as a deduction under gain on investment property)	-	116
The differences of prices and conditions between related parties and non-related parties were not significant.		

E. Operating expenses

	Year ended December 31, 2015	Year ended December 31, 2014
Parent		
System service charge, fees paid to stock transfer agent and printing expenses, etc.	\$ 13,127	\$ 18,490
Other related parties		
Repair and maintenance expense, etc.	\$ 11	\$ 133

(3) Key management compensation

	Year ended December 31, 2015	Year ended December 31, 2014
Salaries and other short-term employee benefits	\$ 29,614	\$ 28,090
Post-employment benefits	710	658
	<u>\$ 30,324</u>	<u>\$ 28,748</u>

8. PLEDGED ASSETS

Please see Note 6 (4).

9. COMMITMENTS

None.

10. SIGNIFICANT ACCIDENTAL LOSS

None.

11. SIGNIFICANT SUBSEQUENT EVENTS

- (1) Earnings appropriation of the Company for 2015 was proposed by the Board of Directors on March 17, 2016. Please see Note 6 (17).
- (2) A significant earthquake struck Southern Taiwan in Meinong of Kaohsiung on February 6, 2016. The relevant reinsurance claims cannot be reasonably estimated as of the audit report date, as the

underwriting insurance companies have not yet completed their investigation.

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 (8).

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 December 31, 2015 and 2014 is as follows:

<u>December 31, 2015</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
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	1,606,502	-	-	1,606,502
Listed and over-the-counter preferred stocks	-	21,643	-	21,643
Open-end funds	636,829	-	-	636,829
Derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
FX swap contracts	\$ -	\$ 54	\$ -	\$ 54
Forward foreign exchange contracts	-	4,065	-	4,065
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	30,331	-	30,331
Forward foreign exchange contracts	-	1,218	-	1,218

<u>December 31, 2014</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Non-derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
Financial assets held for trading				
Listed and over-the-counter stocks	\$ 335,880	\$ -	\$ -	\$ 335,880
Index funds	55,265	-	-	55,265
Financial assets designated as at fair value through profit or loss on initial recognition				
Convertible corporate bonds	2,735	-	-	2,735
Mandatory convertible corporate bonds	-	-	548,664	548,664
Available-for-sale financial assets				
Real estate securitization products	1,015,401	-	-	1,015,401
Corporate bonds	-	305,941	-	305,941
Index funds	748,642	-	-	748,642
Government bonds	-	933,144	-	933,144
Listed and over-the-counter stocks	2,079,872	-	-	2,079,872
Listed and over-the-counter preferred stocks	-	22,935	-	22,935
Open-end funds	553,824	-	-	553,824
Hedge funds	-	67,657	-	67,657
Derivative financial instruments				
Assets				
<u>Recurring fair value measurements</u>				
Financial assets at fair value through profit or loss				
FX swap contracts	\$ -	\$ 2,073	\$ -	\$ 2,073
Forward foreign exchange contracts	-	4,674	-	4,674
Liabilities				
<u>Recurring fair value measurements</u>				
Financial liabilities at fair value through profit or loss				
FX swap contracts	-	66,018	-	66,018
Forward foreign exchange contracts	-	452	-	452

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:

<u>Listed shares</u>	<u>Index funds</u>	<u>Convertible bond</u>	<u>Real estate securitization products</u>	<u>Open-end funds</u>
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 years ended December 31, 2015 and 2014, there were no transfer between Level 1 and Level 2.

F. The following table presents the changes in level 3 instruments for the years ended December 31, 2015 and 2014:

Year ended December 31, 2015

	Gain or loss on valuation		Acquired in the period		Disposed of in the period	
	Recognized in profit or loss	Recognized other comprehensive income	Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3
Financial assets at fair value through profit or loss						
Financial assets designated as at fair value through profit or loss on initial recognition						
	Opening balance					Ending balance
	\$ 548,664	(\$ 93,637)	\$ -	\$ -	\$ -	\$ 455,027

Year ended December 31, 2014

	Gain or loss on valuation		Acquired in the period		Disposed of in the period	
	Recognized in profit or loss	Recognized other comprehensive income	Buy or issuance	Transfers into level 3	Sell, disposal or settle	Transfers out from level 3
Financial assets at fair value through profit or loss						
Financial assets designated as at fair value through profit or loss on initial recognition						
	Opening balance					Ending balance
	\$ 539,153	\$ 9,511	\$ -	\$ -	\$ -	\$ 548,664

Gain or loss on valuation recognized in profit or loss arising from the assets held for the years ended December 31, 2015 and 2014 was (\$93,637) and \$9,511, respectively.

G. For the years ended December 31, 2015 and 2014, 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 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	\$ 455,027	The binary tree stock discount model of convertible bonds	Liquidity premium	4.47%	Liquidity premium lower, fair value higher

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:

	December 31, 2015		December 31, 2014	
	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	\$ 5,713	(\$ 5,275)	\$ 4,243	(\$ 3,891)
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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.

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

December 31, 2014

	Book value	Fair value
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Non-derivative financial instruments

Investments in debt instruments without active

market

\$	3,125,047	\$ 3,132,345
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The different levels that the inputs to valuation techniques are used to measure fair value of financial instruments have been defined in Note 12 (2) B, and the methods and assumptions are as follows:

If investments in debt instruments without active market which 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:

	December 31, 2015			December 31, 2014		
	Book value	Within 12 months	Over 12 months	Book value	Within 12 months	Over 12 months
Assets						
Cash and cash equivalents	\$ 16,461,567	\$ 16,461,567	\$ -	\$ 18,430,910	\$ 18,430,910	\$ -
Accounts receivable	248,065	248,065	-	399,901	399,901	-
Current income tax assets	69,977	69,977	-	133,340	133,340	-
Financial assets at fair value through profit or loss	537,573	78,880	458,693	949,291	397,892	551,399
Available-for-sale financial assets	3,802,122	3,743,455	58,667	4,852,161	4,794,272	57,889
Investments in debt instruments without active market	5,478,882	1,320,441	4,158,441	3,125,047	358,599	2,766,448
Other financial assets	1,422,932	1,422,932	-	524,296	524,296	-
Investment property	456,730	-	456,730	459,027	-	459,027
Reinsurance contract assets	3,455,783	2,619,455	836,328	3,859,592	2,962,440	897,152
Property and equipment	213,444	-	213,444	214,772	-	214,772
Intangible assets	3,786	-	3,786	1,531	-	1,531
Other assets	1,086,086	30,071	1,056,015	1,022,876	28,005	994,871
Liabilities						
Accounts payable	\$ 425,192	\$ 423,575	\$ 1,617	\$ 577,906	\$ 577,906	\$ -
Current income tax liabilities	68,011	68,011	-	115,627	115,627	-
Financial liabilities at fair value through profit or loss	31,549	31,549	-	66,470	66,470	-
Insurance liabilities	23,279,625	13,229,593	10,050,032	23,664,460	14,026,246	9,638,214
Provisions	8,015	-	8,015	5,778	-	5,778
Other liabilities	27,012	25,707	1,305	44,211	41,390	2,821

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

Year ended December 31, 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	\$ 11,867,786	\$ 914,406	\$ 10,953,380	\$ 53,996	\$ 11,007,376
Compulsory insurance	2,326,504	-	2,326,504	6,937	2,333,441
	<u>\$ 14,194,290</u>	<u>\$ 914,406</u>	<u>\$ 13,279,884</u>	<u>\$ 60,933</u>	<u>\$ 13,340,817</u>
Year ended December 31, 2014					
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	\$ 14,063,656	\$ 1,085,426	\$ 12,978,230	\$ 222,416	\$ 13,200,646
Compulsory insurance	2,286,212	-	2,286,212	20,317	2,306,529
	<u>\$ 16,349,868</u>	<u>\$ 1,085,426</u>	<u>\$ 15,264,442</u>	<u>\$ 242,733</u>	<u>\$ 15,507,175</u>

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

Year ended December 31, 2015			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 6,501,351	\$ 429,175	\$ 6,072,176
Compulsory insurance	2,678,414	-	2,678,414
	<u>\$ 9,179,765</u>	<u>\$ 429,175</u>	<u>\$ 8,750,590</u>
Year ended December 31, 2014			
Category of insurance	Reinsurance claims paid (1)	Reinsurance claims recovery (2)	Retention reinsurance claims paid (3)=(1)-(2)
Non-Compulsory insurance	\$ 7,671,941	\$ 420,859	\$ 7,251,082
Compulsory insurance	2,382,699	-	2,382,699
	<u>\$ 10,054,640</u>	<u>\$ 420,859</u>	<u>\$ 9,633,781</u>

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

	December 31, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 4,259,498	\$ 4,598,344
Due from reinsurers and ceding companies	386,720	380,532
	<u>\$ 4,646,218</u>	<u>\$ 4,978,876</u>
Liabilities		
Unearned premium reserve	\$ 1,406,676	\$ 1,413,613
Claims reserve	2,038,176	2,126,449
Equalization reserve	1,201,366	1,438,814
	<u>\$ 4,646,218</u>	<u>\$ 4,978,876</u>

Note: As of December 31, 2015, certain time deposits, which amounted to \$739,500, 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:

	Year ended December 31, 2015	Year ended December 31, 2014
Operating revenues		
Reinsurance premiums	\$ 2,326,504	\$ 2,286,212
Net change in unearned premium reserve	6,937	20,317
Retention earned premiums	2,333,441	2,306,529
Interest income	19,252	38,059
	<u>\$ 2,352,693</u>	<u>\$ 2,344,588</u>
Operating costs		
Reinsurance claims paid	\$ 2,678,414	\$ 2,382,699
Net change in claims reserve	(88,273)	1,311,824
Net change in equalization reserve	(237,448)	(1,369,935)
	<u>\$ 2,352,693</u>	<u>\$ 2,344,588</u>

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:

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

December 31, 2014

	Foreign currency		
	amount (in thousands)	Exchange rate	Book value
Financial assets			
Monetary items			
AUD	525	25.977	\$ 13,634
CNY	481,829	5.101	2,457,650
EUR	747	38.560	28,814
HKD	79,299	4.090	324,323
IDR	5,632,881	0.003	14,403
INR	50,474	0.502	25,335
JPY	946,279	0.265	250,849
KRW	4,234,241	0.029	123,102
USD	72,708	31.718	2,306,152
Non-monetary items			
CAD	2,624	27.348	71,759
EUR	827	38.560	31,887
HKD	268,341	4.090	1,097,486
JPY	200,280	0.265	53,092
USD	20,809	31.718	660,020
Financial liabilities			
Monetary items			
CNY	47,311	5.101	241,316
DKK	2,864	5.178	14,832
EUR	1,909	38.560	73,613
GBP	344	49.369	16,976
HKD	39,219	4.090	160,403
IDR	22,777,029	0.003	58,239
INR	203,754	0.502	102,274
JPY	911,115	0.265	241,527
KRW	9,248,345	0.029	268,876
MYR	2,762	9.067	25,042
SGD	2,801	23.987	67,179
THB	13,056	0.964	12,587
USD	21,685	31.718	687,803

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.

	December 31, 2015	December 31, 2014
Foreign currencies to NTD appreciate by 1%	\$ 49,216	\$ 35,751
Foreign currencies to NTD depreciate by 1%	(49,216)	(35,751)

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 years ended December 31, 2015 and 2014 would have increased/decreased by \$748 and \$3,911, 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 \$36,431 and \$44,883, 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.

	December 31, 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 \$5,299/Increase \$5,737	-
Available-for-sale financial assets	Increase/decrease 50 basis points	-	Decrease \$14,259/Increase \$14,259
		December 31, 2014	
	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 \$3,903/Increase \$4,254	-
Available-for-sale financial assets	Increase/decrease 50 basis points	-	Decrease \$17,142/Increase \$17,142
Investments in debt instrument without active market	Increase/decrease 50 basis points	Increase \$198/Decrease \$198	-

(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						Without credit rating etc. (Note)	Impaired assets	Impairment reserve	Total
	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	Over S&P BB- or equivalents				
December 31, 2015										
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ -	\$ -	\$ 455,026	\$ 3,667	\$ -	\$ -	\$ -	\$ 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
	<u>\$ 974,958</u>	<u>\$ 1,335,290</u>	<u>\$ 2,050,622</u>	<u>\$ 1,975,073</u>	<u>\$ 655,026</u>	<u>\$ 3,667</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,994,636</u>
December 31, 2014										
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ -	\$ -	\$ 548,664	\$ 2,735	\$ -	\$ -	\$ -	\$ 551,399
Available-for-sale financial assets	-	933,144	-	305,941	-	-	-	-	-	1,239,085
Investments in debt instruments without active market	949,685	419,403	1,101,286	254,673	400,000	-	87,567	(87,567)	-	3,125,047
	<u>\$ 949,685</u>	<u>\$ 1,352,547</u>	<u>\$ 1,101,286</u>	<u>\$ 560,614</u>	<u>\$ 948,664</u>	<u>\$ 2,735</u>	<u>\$ 87,567</u>	<u>\$ 87,567</u>	<u>\$ 87,567</u>	<u>\$ 4,915,531</u>

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 instruments into groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

a) Non-derivative financial liabilities

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
December 31, 2014	Due in one year	Due after one year through three years	Total
Accounts payable	\$ 577,906	\$ -	\$ 577,906
Deposits-in (under other liabilities)	2,046	2,821	4,867

b) Net-settled derivative financial instruments

December 31, 2015	Due in three months	Due after three months through one year	Total
FX swap contracts	(\$ 30,331)	\$ 54	(\$ 30,277)
Forward foreign exchange contract	2,847	-	2,847
December 31, 2014	Due in three months	Due after three months through one year	Total
FX swap contracts	(\$ 63,945)	\$ -	(\$ 63,945)
Forward foreign exchange contract	4,222	-	4,222

(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	Year ended December 31, 2015		Year ended December 31, 2014	
	Reinsurance premiums	Retention premiums	Reinsurance premiums	Retention premiums
Domestic inward property reinsurance business	58.58%	57.73%	51.51%	50.72%
Domestic inward life reinsurance business	30.73%	31.37%	39.59%	40.30%
Subtotal-Domestic inward reinsurance business	89.31%	89.10%	91.10%	91.02%
Foreign inward reinsurance business	10.69%	10.90%	8.90%	8.98%
Total	100.00%	100.00%	100.00%	100.00%

C.Sensitivity analysis of insurance risk

The retention earned premium income of the Company (excluding the compulsory automobile liability insurance business) for the years ended December 31, 2015 and 2014 were \$11,007,376 and \$13,200,646, respectively. If the change of combined ratio of the Company is 1%, the estimated effect on gains and losses of underwriting for the years ended December 31, 2015 and 2014 would be approximately \$110,074 and \$132,006, respectively.

D. Loss development pattern

(a) 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	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
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.

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

<u>Year of underwriting</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Non-statutory insurance							
Accumulated estimated claim amount	\$ 3,003,431	\$ 4,455,722	\$ 4,062,535	\$ 4,924,699	\$ 4,218,773	\$ 4,796,487	
At the end of the year	7,292,393	7,768,781	6,797,370	9,076,191	6,809,108		
After the first year	7,085,938	7,312,008	6,596,777	8,505,546			
After the second year	6,812,135	7,078,121	6,262,364				
After the third year	6,761,218	6,914,609					
After the fourth year							
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.

(c) As of December 31, 2014, the following table indicates the loss development pattern of the Company's inward business:

<u>Year of underwriting</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
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	
After the first year	7,946,701	8,406,636	7,341,226	9,666,215		
After the second year	7,717,952	7,872,830	7,077,263			
After the third year	7,409,328	7,621,219				
After the fourth year	7,351,080					
Accumulated estimated claim amount	7,351,080	7,621,219	7,077,263	9,666,215	4,482,819	\$36,198,596
Accumulated claim payment	(6,704,010)	(6,656,024)	(5,528,284)	(6,256,763)	(1,071,774)	(26,216,855)
Accumulated unpaid claim	647,070	965,195	1,548,979	3,409,452	3,411,045	9,981,741
Add: accumulated unpaid claim before 2009						2,103,346
Subtotal						<u>12,085,087</u>

Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(50)	24,714	210,139	1,011,920	879,748	2,126,471
Add : provision for statutory insurance claims reserve before 2009						<u>1</u>
Subtotal						<u>2,126,472</u>
Recognition in balance sheet (under claims reserve of insurance liabilities)						<u>\$14,211,559</u>

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

(d) As of December 31, 2014, the following table indicates the loss development pattern of the Company's retention business:

<u>Year of underwriting</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Total</u>
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	
After the first year	7,292,393	7,768,781	6,797,370	9,076,191		
After the second year	7,085,938	7,312,008	6,596,777			
After the third year	6,812,135	7,078,121				
After the fourth year	6,761,218					
Accumulated estimated claim amount	6,761,218	7,078,121	6,596,777	9,076,191	4,218,773	\$33,731,080
Accumulated claim payment	(6,147,215)	(6,159,692)	(5,140,315)	(5,952,907)	(1,048,971)	(24,449,100)
Accumulated unpaid claim	614,003	918,429	1,456,462	3,123,284	3,169,802	9,281,980
Add: accumulated unpaid claim before 2009						1,905,955
Subtotal						11,187,935
Provision for statutory insurance claims reserve (Note) and life reinsurance claims reserve due after one year	(50)	24,714	210,139	1,011,920	879,748	2,126,471
Add : provision for statutory insurance claims reserve before 2009						1
Subtotal						2,126,472
Recognition in balance sheet						\$13,314,407

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 \$100,000 or 20% of the paid-up capital: None.

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

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

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

E. Derivative business transactions: Please see 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

(1) General 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.

(2) Product information

The Company has only one kind of product; therefore, disclosure of financial information by

product is not applicable.

(3) Geographical information

Premium income of the Company from domestic and foreign clients for the years ended December 31, 2015 and 2014 are as follows:

	Year ended December 31, 2015	Year ended December 31, 2014
Domestic inward reinsurance	\$ 12,677,258	\$ 14,894,826
Foreign inward reinsurance	1,517,032	1,455,042
	<u>\$ 14,194,290</u>	<u>\$ 16,349,868</u>

(4) Major customer information

There are specific customers of Compulsory Motor Insurance Pool that contributed over 10% of the total revenue stated on the Company's statement of comprehensive income. In 2015 and 2014, the premium income from these customers amounted to \$2,326,504 and \$2,286,212, constituting 16.39% and 13.98% of the related totals, respectively.

17. BORROWINGS RESULTED FROM PAYMENT OF CLAIMS

None.

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

None.

19. IMPORTANT LAWSUITS IN PROGRESS OR ADJUDICATED

None.

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

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

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

None.

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

On September 7, 2015, the Company's application to establish an offshore insurance unit (OIU) was approved by the FSC, whom then issued the license for establishment of the offshore insurance branch on October 27, 2015. The Company obtained the license for the operation of its offshore insurance branch on November 3, 2015 from the Department of Foreign Exchange of the Central Bank of the Republic of China. The inauguration of its offshore insurance branch's operation was on January 1, 2016, which was approved by the Board of Directors on December 24, 2015.

23. EFFECTS OF SIGNIFICANT CHANGES IN GOVERNMENT LAWS

None.



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