

**Shin Kong Life Insurance Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Six Months Ended June 30, 2018 and 2017 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Shin Kong Life Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Shin Kong Life Insurance Co., Ltd. and its subsidiaries (the Group), which comprise the consolidated balance sheets as of June 30, 2018, December 31, 2017 and June 30, 2017, and the related consolidated statements of comprehensive income for the three months ended June 30, 2018 and 2017, six months ended June 30, 2018 and 2017 and changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2018, December 31, 2017 and June 30, 2017, and the results of their consolidated financial performance for the three months ended June 30, 2018 and 2017, six months ended June 30, 2018 and 2017, and their consolidated cash flows for the six months ended June 30, 2018 and 2017, in accordance with the Regulations Governing the Preparation of Financial Statements by Insurance Companies and International Accounting Standards 34 "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the Regulations Governing Auditing and Attestations of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As disclosed in Note 3 to the consolidated financial statements, Shin Kong Life Insurance Co., Ltd. and its subsidiaries are covered by the revised Regulations Governing the Preparation of Financial Reports by Insurance Companies and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China starting from 2018. As a result of the retrospective application of the aforesaid standard, the financial statement line items affected in the consolidated financial statements in respect of the previous periods have not been restated. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2018. These matters were addressed in the context of our audit of consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the six months ended June 30, 2018 are stated as follows:

Valuation of Reserve for Life Insurance Liability and Liability Adequacy Test

The description of the key audit matter:

As described in Note 28a-3 of the accompanying consolidated financial statements, the reserve for life insurance liability amounted to NT\$2,403,697,229 thousand, 94% of total consolidated liabilities. Note 28a-6 also describes the exemption from a reserve for liability adequacy after testing and valuation by management.

Management adopts actuarial models and several significant assumptions for estimating the reserve for life insurance liability and the reserve for liability adequacy. Judging the reserve for life insurance liability involves significant assumptions, which include mortality rate, discount rate, lapse rate, morbidity rate, etc. The setup of assumptions is based on legislation, regulations, knowledge of the Group's actual experience and industry-specific experience. The tests performed in respect of the reserve for liability adequacy on insurance contracts are in accordance with regulations enacted by the Actuarial Institute of the Republic of China, and the setup of future test discount rates accounts for the Group's best estimate scenario as well as the rate of the portfolio return under the current information.

Refer to Notes 4d-1(3), 4d-2, 5a and 28 to the accompanying consolidated financial statements for the details on the related information, accounting policies, accounting estimations and assumption uncertainty for the reserve for life insurance liability and the reserve for liability adequacy test.

Since any changes in the actuarial models and important assumptions may lead to significant impacts on the results of the reserves for life insurance liability and for the liability adequacy test estimations, the reserves for life insurance liability and for liability adequacy test were identified as a key audit matter.

Corresponding audit procedures:

1. We understand the internal controls related to management's estimations of the reserves for life insurance liability and for liability adequacy test as well as evaluate the operating effectiveness of these internal controls.
2. We obtain actuarial reports regarding management's estimations of the reserves for life insurance liability and for liability adequacy test as well as evaluate the Group's contracted actuarial specialist's professional ability and competence.
3. Our actuarial specialist performs the following procedures, and we compare the results with the actuarial report published by the Group's contracted actuary in order to evaluate the rationality of the actuarial models and significant assumptions regarding the recognition of the reserve for life insurance liability applied by management. The main audit procedures are described as follows:
 - a. Our actuarial specialist randomly samples the Group's insurance products to examine whether the calculations of the reserve for life insurance liability were in accordance with the regulations.

- b. Our actuarial specialist focuses on the actuarial models and important assumptions of selected insurance policies and verifies the recognized amount of the reserve for life insurance liability.
 - c. Our actuarial specialist performs profiling tests focused on long term insurance policies as of June 30, 2018 to identify any abnormal situations with recognized amounts of reserve of life insurance liability on single insurance policies.
 - d. Our actuarial specialist uses the previously recognized amounts of the reserve for life insurance liability in consideration with the business development for this year and performs a ratio analysis of the reasonableness of the reserve for life insurance liability to estimate the overall recognized amount of reserve for life insurance liability for the six months ended June 30, 2018.
4. Our actuarial specialist performs the following procedures, and we compare the results with the actuarial report published by the Group's contracted actuary in order to evaluate the rationality of the actuarial models and significant assumptions regarding the recognition of the reserve for liability adequacy test applied by management. The main audit procedures are described as follows:
- a. We sample newly issued insurance products from six months ended June 30, 2018 to test the accuracy of the product classifications.
 - b. We sample the significant assumptions provided by the Group for our audit in order to examine whether the assumptions were consistent with regulations and the important built-in assumptions in the information system.
 - c. We focus on the tests of selected insurance policies in order to evaluate the actuarial models and important assumptions applied by the Group for the reserve for liability adequacy test, and we perform individual recalculations.
 - d. We perform a comparative analysis of six months ended June 30, 2018 results in consideration with the impact of the current business development in order to evaluate the rationality of the calculation of the reserve for liability adequacy test.

Valuation of Financial Instruments at Fair Value Through Profit or Loss with Quoted Price in Non-active Markets

The description of the audit key matter:

As described in Note 39 to the accompanying consolidated financial statements as of June 30, 2018, the Group held financial instruments at fair value through profit or loss with public quoted price in non-active markets. The Level 2 and Level 3 financial instruments which amounted to NT\$140,319,080 thousand of consolidated assets and NT\$33,364,812 thousand of consolidated liabilities were significant. The financial instruments at fair value through profit or loss with public quoted price in non-active markets were mainly derivative financial instruments, stocks and bond investments. For the above financial instruments, the management of the Group applied valuation models and external valuation information to determine the fair values.

Refer to Notes 4d-3, 5b, 9, 10, and 39b to the accompanying consolidated financial statements for details on the relevant information, accounting policies, accounting estimations, and assumption uncertainty for the valuation of financial instruments at fair value through profit or loss with quoted price in non-active market.

The amount of the financial instruments was material; in addition, the valuation models included the adjusted observable and unobservable inputs, which were involved in the critical judgments and estimations from management. Therefore, the financial instruments above were considered to be a key audit matter.

Corresponding audit procedures:

1. We understand the internal controls related to management's valuation of the financial instruments at fair value through profit or loss with quoted price in non-active market as well as evaluate the design of the internal controls.
2. We evaluate whether the valuation model and assumptions adopted by management were reasonable for the Level 3 financial instruments.
3. We sample public information and recalculate the results of the valuation or obtain external valuation information to evaluate whether the carrying amounts of the Level 2 financial instruments are reasonable.

Recognition of Interest Revenue from Foreign Debt Investments

The description of the audit key matter:

The carrying amount of interest revenue from the Group was NT\$40,242,510 thousand and was primarily generated from foreign and domestic debt investments, discounts and loans, and bank deposits. Interest revenue from the foreign debt investments and other sources of interest revenue was NT\$34,761,596 thousand and NT\$5,480,914 thousand, respectively. Interest revenue from the foreign debt investments represented 86% of the total interest revenue. The Group recognized foreign debt investment interest revenue determined by the foreign investment accounting system based on the foreign debt investment position held by the Group.

Refer to Note 4d-4 and Note 31 to the accompanying consolidated financial statements for details on the related information and accounting policies for the recognition of interest revenue.

As presented above, the interest revenue from foreign debt investments was significant to the consolidated financial statements as a whole and was highly dependent on the calculation of the foreign investment accounting system. As the outcome of the calculation would influence the recognition of the interest revenue, the interest revenue from the foreign debt investments was determined to be a key audit matter.

Corresponding audit procedure:

1. We understand the internal controls related to management's recognition of interest revenue from foreign debt investments as well as evaluate the design of the internal controls.
2. We examine whether the interest revenue determined by the foreign investment accounting system is consistent with the carrying amount of the interest revenue from foreign debt investments.
3. We sample and recalculate the effective interest rate and the interest revenue to evaluate whether the carrying amount of the interest revenue is reasonable.

Other Matters

We have also audited the parent company only financial statements of Shin Kong Life Insurance Co., Ltd. as of and for the six months ended June 30, 2018 and 2017 on which we have issued an unqualified audit opinion with an emphasis of matter paragraph.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Statements by Insurance Companies and International Accounting Standards 34 “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2018 and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wang-Seng Lin and Wen-Yea Shyu.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 28, 2018

Notice to Readers

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

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

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%
ASSETS						
CASH AND CASH EQUIVALENTS	\$ 119,466,668	4	\$ 104,246,920	4	\$ 110,438,905	5
RECEIVABLES	27,309,431	1	27,209,569	1	31,280,650	1
CURRENT TAX ASSETS	5,770,066	-	4,934,890	-	7,421,985	-
ASSETS HELD FOR SALE	37,976	-	37,976	-	171,399	-
INVESTMENTS						
Financial assets at fair value through profit or loss	203,857,561	8	22,381,150	1	24,137,745	1
Financial assets at fair value through other comprehensive income	322,358,624	12	-	-	-	-
Available-for-sale financial assets	-	-	372,251,042	15	326,461,538	14
Financial assets measured at cost	-	-	1,865,509	-	2,070,165	-
Financial assets at amortized cost	1,572,593,087	59	-	-	-	-
Investments accounted for using equity method	-	-	-	-	-	-
Debt investments with no active market	-	-	645,565,755	26	690,304,544	29
Held-to-maturity financial assets	-	-	933,870,261	37	830,499,847	34
Investment properties	114,178,029	4	113,349,996	4	115,052,168	5
Loans	163,887,420	6	169,510,554	7	177,225,931	7
Total investments	2,376,874,721	89	2,258,794,267	90	2,165,751,938	90
REINSURANCE ASSETS	1,074,181	-	466,384	-	624,176	-
PROPERTY AND EQUIPMENT	19,910,262	1	19,957,769	1	17,632,513	1
INTANGIBLE ASSETS	352,979	-	365,497	-	267,738	-
DEFERRED TAX ASSETS	17,974,581	1	13,283,522	1	12,316,313	-
OTHER ASSETS	41,699,030	2	20,756,513	1	22,581,844	1
ASSETS ON INSURANCE PRODUCTS - SEPARATE ACCOUNT	46,150,997	2	46,637,540	2	45,589,857	2
TOTAL	\$ 2,656,620,892	100	\$ 2,496,690,847	100	\$ 2,414,077,318	100
LIABILITIES AND EQUITY						
PAYABLES						
Notes payable	\$ 2,253	-	\$ 2,989	-	\$ 3,135	-
Benefits and claims payable	566,075	-	441,016	-	325,476	-
Commission payable	1,358,817	-	800,837	-	1,837,812	-
Due to reinsurers and ceding companies	468,579	-	319,764	-	198,417	-
Other payables	9,037,652	1	4,600,325	-	12,377,794	-
Total payables	11,433,376	1	6,164,931	-	14,742,634	-
CURRENT TAX LIABILITIES	18,269	-	-	-	16,299	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	33,364,812	1	46,188	-	3,765,749	-
BONDS PAYABLE	24,000,000	1	18,000,000	1	18,000,000	1
INSURANCE LIABILITIES						
Reserve for unearned premiums	7,867,318	-	8,001,801	-	7,471,363	-
Reserve for claim payments	2,870,563	-	2,784,735	-	2,485,377	-
Reserve for life insurance liability	2,403,697,229	91	2,295,349,605	92	2,206,895,452	92
Special reserve for life insurance	7,354,507	-	9,285,277	1	12,500,656	1
Reserve for insufficient premium	7,000,172	-	7,382,034	-	7,812,223	-
Total insurance liabilities	2,428,789,789	91	2,322,803,452	93	2,237,165,071	93
RESERVE FOR CHANGES IN FOREIGN EXCHANGE VALUATION	3,854,031	-	2,551,225	-	1,690,716	-
PROVISIONS	376,947	-	1,082,368	-	25,123	-
DEFERRED TAX LIABILITIES	3,927,448	-	3,149,737	-	3,251,024	-
OTHER LIABILITIES						
Advance receipts	2,565,031	-	3,179,000	-	1,993,957	-
Guarantee deposits received	2,308,368	-	2,194,941	-	2,169,531	-
Others	80,862	-	80,862	-	80,862	-
Total other liabilities	4,854,261	-	5,454,803	-	4,244,350	-
LIABILITIES ON INSURANCE PRODUCTS - SEPARATE ACCOUNT	46,150,997	2	46,637,540	2	45,589,857	2
Total liabilities	2,556,769,930	96	2,405,890,244	96	2,328,490,823	96
EQUITY ATTRIBUTABLE TO OWNER OF THE COMPANY						
Share capital						
Common stock	57,975,606	2	57,975,606	2	57,975,606	2
Capital surplus						
Issuance of common shares in excess of par	20,915,784	1	20,915,784	1	20,915,784	1
Treasury stock transactions	46,959	-	46,959	-	46,959	-
Others	112,481	-	112,481	-	112,481	-
Total capital surplus	21,075,224	1	21,075,224	1	21,075,224	1
Retained earnings						
Legal reserve	2,777,956	-	2,777,956	-	2,777,956	-
Special reserve	41,361,610	2	33,670,481	1	32,997,756	2
Accumulated deficits	(23,889,150)	(1)	(11,926,982)	-	(17,243,859)	(1)
Total retained earnings	20,250,416	1	24,521,448	1	18,531,853	1
Other equity						
Unrealized gain on investments in equity instruments at fair value through other comprehensive income	2,204,592	-	-	-	-	-
Unrealized gain on investments in debt instruments at fair value through other comprehensive income	(1,250,156)	-	-	-	-	-
Unrealized losses on available-for-sale financial assets	-	-	(13,123,459)	-	(12,304,093)	-
Exchange differences on translating foreign operations	4,814	-	3,510	-	4,686	-
Other comprehensive income on reclassification of overlay approach	(782,381)	-	-	-	-	-
Total other equity	176,869	-	(13,119,949)	-	(12,299,407)	-
Total equity attributable to owner of the Company	99,478,115	4	90,452,329	4	85,283,276	4
NON-CONTROLLING INTERESTS	372,847	-	348,274	-	303,219	-
Total equity	99,850,962	4	90,800,603	4	85,586,495	4
TOTAL	\$ 2,656,620,892	100	\$ 2,496,690,847	100	\$ 2,414,077,318	100

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

(With Deloitte & Touche audit report dated August 28, 2018)

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING INCOME								
Insurance premium income								
Gross written premiums	\$ 76,686,892	76	\$ 77,461,971	75	\$ 143,193,220	70	\$ 141,642,212	77
Reinsurance premiums	8,413	-	8,649	-	15,018	-	16,625	-
Total insurance income	76,695,305	76	77,470,620	75	143,208,238	70	141,658,837	77
Less: Reinsurance expenses	(258,036)	-	(283,162)	-	(561,140)	-	(601,570)	-
Net changes in reserve for unearned premiums	135,828	-	43,097	-	70,537	-	255,020	-
Net insurance premium income	76,573,097	76	77,230,555	75	142,717,635	70	141,312,287	77
Reinsurance commission income	(14,741)	-	292,562	-	432,087	-	292,905	-
Processing fee income	120,488	-	91,588	-	227,533	-	194,303	-
Net gain on investment								
Interest income	20,717,724	20	19,126,892	19	40,242,510	20	37,652,246	21
(Loss) gain on financial assets and liabilities at fair value through profit or loss	(52,065,799)	(51)	(8,419,985)	(8)	(34,611,804)	(17)	50,474,315	28
Realized gain on available-for-sale financial assets	-	-	4,593,962	4	-	-	8,228,227	4
Realized gain on financial assets measured at cost	-	-	61,721	-	-	-	58,206	-
Realized gain on debt investments with no active market	-	-	2,887,821	3	-	-	3,553,917	2
Realized gain on financial assets at fair value through other comprehensive income	2,578,900	3	-	-	15,923,345	8	-	-
Net gain on derecognition of financial assets at amortized cost	29,534	-	-	-	18,943	-	-	-
Share of loss of associates and joint ventures	-	-	-	-	-	-	-	-
Exchange gain (loss)	54,837,158	54	4,106,778	4	27,755,468	14	(65,282,010)	(36)
Net changes in reserve for changes in foreign exchange valuation	(1,729,989)	(2)	309,284	-	(1,302,806)	(1)	1,415,300	1
Gain on investment properties	971,316	1	945,685	1	1,944,214	1	1,890,695	1
Impairment loss on investment assets	-	-	(20,554)	-	-	-	(20,554)	-
Expected credit loss recognized on investments	(724,999)	(1)	-	-	(796,736)	-	-	-
(Loss) gain on reclassification of overlay approach	(3,308,324)	(3)	-	-	7,230,157	3	-	-
Other operating income	431,734	-	296,814	-	614,960	-	548,201	-
Income on insurance products - separate account	2,691,244	3	2,116,749	2	2,795,060	2	3,007,375	2
Total operating income	101,107,343	100	103,619,872	100	203,190,566	100	183,325,413	100

(Continued)

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING COSTS								
Insurance benefits and claims	\$ 41,963,309	41	\$ 32,304,632	31	\$ 75,355,263	37	\$ 57,714,487	31
Less: Benefits and claims recovered from reinsurers	(307,176)	-	(148,135)	-	(563,641)	-	(230,043)	-
Net insurance benefits and claims payments	41,656,133	41	32,156,497	31	74,791,622	37	57,484,444	31
Net changes in reserve for claims payments	(104,854)	-	44,710	-	85,155	-	98,323	-
Net changes in reserve for life insurance liabilities	53,256,712	53	61,212,166	59	104,384,270	51	114,819,368	63
Net changes in special reserve for life insurance	(1,914,718)	(2)	(1,897,047)	(2)	(1,855,040)	(1)	(3,705,593)	(2)
Net changes in reserve for insufficient premium	(243,796)	-	(307,433)	-	(404,072)	-	(43,541)	-
Net changes in insurance liabilities	50,993,344	51	59,052,396	57	102,210,313	50	111,168,557	61
Acquisition expenses	2,683	-	2,725	-	4,901	-	4,633	-
Commission expenses	2,414,726	2	2,708,130	3	5,344,692	3	6,120,483	3
Processing fees	15,877	-	5,725	-	100,636	-	13,247	-
Financial costs	169,410	-	167,203	-	336,197	-	335,970	-
Other operating costs	328,469	-	325,143	-	698,697	-	701,659	-
Disbursements on insurance products - separate account	2,691,244	3	2,116,749	2	2,795,060	2	3,007,375	2
Total operating costs	98,271,886	97	96,534,568	93	186,282,118	92	178,836,368	97
OPERATING EXPENSES								
Selling expenses	1,820,978	2	2,063,928	2	3,943,157	2	3,633,679	2
Administrative expenses	1,587,296	1	1,489,566	2	3,118,955	1	2,846,984	2
Training expenses	35,615	-	31,899	-	62,595	-	52,079	-
Expected credit loss recognized on non-investments	66	-	-	-	4,416	-	-	-
Total operating expenses	3,443,955	3	3,585,393	4	7,129,123	3	6,532,742	4
OPERATING (LOSS) INCOME	(608,498)	-	3,499,911	3	9,779,325	5	(2,043,697)	(1)
NONOPERATING GAINS AND LOSSES								
Recovered bad debt and overdue receivable	843	-	1,781	-	2,226	-	60,876	-
Miscellaneous	127,605	-	51,698	-	123,939	-	34,142	-
Total nonoperating gains and losses	128,448	-	53,479	-	126,165	-	95,018	-
CONSOLIDATED (LOSS) INCOME BEFORE INCOME TAX	(480,050)	-	3,553,390	3	9,905,490	5	(1,948,679)	(1)
INCOME TAX BENEFIT	30,562	-	6,236	-	4,360,118	2	1,580,544	1
CONSOLIDATED NET (LOSS) INCOME	(449,488)	-	3,559,626	3	14,265,608	7	(368,135)	-

(Continued)

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
OTHER COMPREHENSIVE (LOSS) INCOME, NET OF INCOME TAX								
Items that will not be reclassified subsequently to profit or loss:								
Unrealized gain on investments in equity instruments designated as at fair value through other comprehensive income	\$ 796,414	1	\$ -	-	\$ 6,214,657	3	\$ -	-
Income tax relating to items that will not be reclassified subsequently to profit or loss	(137,888)	-	-	-	(1,895,729)	(1)	-	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating foreign operations	2,760	-	200	-	1,304	-	(3,686)	-
Unrealized gain on available-for-sale financial assets	-	-	6,926,482	7	-	-	13,608,440	7
Share of the other comprehensive loss of associates and joint ventures	-	-	-	-	-	-	-	-
Unrealized loss on investments in debt instruments at fair value through other comprehensive income	(4,973,994)	(5)	-	-	(27,394,823)	(13)	-	-
Other comprehensive gain (loss) on reclassification of overlay approach	3,308,324	3	-	-	(7,230,157)	(4)	-	-
Income tax relating to items that may be reclassified subsequently to profit or loss	82,925	-	(885,961)	(1)	5,370,893	3	(1,680,634)	(1)
Other comprehensive (loss) income for the period, net of income tax	(921,459)	(1)	6,040,721	6	(24,933,855)	(12)	11,924,120	6
TOTAL COMPREHENSIVE (LOSS) INCOME	\$ (1,370,947)	(1)	\$ 9,600,347	9	\$ (10,668,247)	(5)	\$ 11,555,985	6
NET (LOSS) INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ (474,251)	-	\$ 3,539,135	3	\$ 14,230,860	7	\$ (392,285)	-
Non-controlling interest	24,763	-	20,491	-	34,748	-	24,150	-
	\$ (449,488)	-	\$ 3,559,626	3	\$ 14,265,608	7	\$ (368,135)	-

(Continued)

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
TOTAL COMPREHENSIVE (LOSS) INCOME								
ATTRIBUTABLE TO:								
Owner of the Company	\$ (1,398,460)	(1)	\$ 9,576,984	9	\$ (10,703,158)	(5)	\$ 11,526,482	6
Non-controlling interest	<u>27,513</u>	-	<u>23,363</u>	-	<u>34,911</u>	-	<u>29,503</u>	-
	<u>\$ (1,370,947)</u>	<u>(1)</u>	<u>\$ 9,600,347</u>	<u>9</u>	<u>\$ (10,668,247)</u>	<u>(5)</u>	<u>\$ 11,555,985</u>	<u>6</u>
(LOSS) EARNINGS PER SHARE								
Basic	<u>\$ (0.09)</u>		<u>\$ 0.61</u>		<u>\$ 2.45</u>		<u>\$ (0.07)</u>	

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

(With Deloitte & Touche audit report dated August 28, 2018)

(Concluded)

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owner of the Company												
	Share Capital							Unrealized Gain on Financial Assets at Fair Value through Other Comprehensive Income			Other Equity		
	Share Capital Common Stock	Issuance of Common Shares in Excess of Par	Treasury Stock Transactions	Others	Legal Reserve	Special Reserve	Accumulated Deficit	Unrealized Losses on Available-for- Sale Financial Assets	Exchange Difference on Translating Foreign Operations	Other Comprehensive Income on Reclassification or Overlay Approach	Total	Non-controlling Interests	
BALANCE, JANUARY 1, 2017	\$ 57,975,606	\$ 20,915,784	\$ 46,959	\$ -	\$ 2,777,956	\$ 25,985,552	\$ (9,839,370)	\$ (24,203,638)	\$ 8,372	\$ -	\$ 73,667,221	\$ 104,854	\$ 73,772,075
Appropriation of 2016 earnings	-	-	-	-	-	12,204	(12,204)	-	-	-	-	-	-
Special reserve - reserve for changes in foreign exchange valuation	-	-	-	-	-	7,000,000	(7,000,000)	-	-	-	-	-	-
Special reserve for recovery of investment property appreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	(22,908)	-	-	89,573	(34,983)	(34,983)
Disposal of partial interests in subsidiaries	-	-	-	112,481	-	-	-	-	-	-	203,845	293,418	293,418
Net (loss) income for the six months ended June 30, 2017	-	-	-	-	-	-	(392,285)	-	-	-	(392,285)	24,150	(368,135)
Other comprehensive income, net of tax for the six months ended June 30, 2017	-	-	-	-	-	-	-	11,922,453	(3,686)	-	11,918,767	5,353	11,924,120
Total comprehensive (loss) income for the six months ended June 30, 2017	-	-	-	-	-	-	-	11,922,453	(3,686)	-	11,924,120	29,503	11,953,623
BALANCE, JUNE 30, 2017	\$ 57,975,606	\$ 20,915,784	\$ 46,959	\$ 112,481	\$ 2,777,956	\$ 32,997,756	\$ (17,241,859)	\$ (12,304,093)	\$ 4,686	\$ -	\$ 85,283,276	\$ 303,219	\$ 85,586,495
BALANCE, JANUARY 1, 2018	\$ 57,975,606	\$ 20,915,784	\$ 46,959	\$ 112,481	\$ 2,777,956	\$ 33,670,481	\$ (11,926,989)	\$ (13,123,459)	\$ 3,510	\$ -	\$ 90,452,329	\$ 348,274	\$ 90,800,603
Effect of retrospective application on IFRS 9	-	-	-	-	-	-	(3,531,766)	13,123,459	-	5,400,103	19,657,921	59,626	19,717,617
BALANCE AT JANUARY 1, 2018 AS RESTATED	57,975,606	20,915,784	46,959	112,481	2,777,956	33,670,481	(15,458,755)	-	3,510	5,400,103	110,110,320	407,900	110,518,220
Appropriation of 2017 earnings	-	-	-	-	-	691,129	(691,129)	-	-	-	-	-	-
Special reserve - reserve for changes in foreign exchange valuation	-	-	-	-	-	7,000,000	(7,000,000)	-	-	-	-	-	-
Special reserve for recovery of investment property appreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Cash dividends distributed by subsidiaries	-	-	-	-	-	-	-	-	-	-	(69,964)	(69,964)	(69,964)
Net income for the six months ended June 30, 2018	-	-	-	-	-	-	-	-	-	-	14,230,860	34,748	14,265,608
Other comprehensive income (loss), net of tax for the six months ended June 30, 2018	-	-	-	-	-	-	-	-	1,304	(6,182,484)	(24,934,018)	163	(24,933,855)
Total comprehensive income (loss) for the six months ended June 30, 2018	-	-	-	-	-	-	-	-	1,304	(6,182,484)	(10,703,158)	34,911	(10,668,247)
Loss on disposal of investments in equity instruments designated as at fair value through other comprehensive income	-	-	-	-	-	-	(15,227,282)	-	-	-	-	-	-
Loss on disposal of investment in equity instrument designated as at fair value through other comprehensive income from participating policy transfer in special reserve	-	-	-	-	-	-	-	-	-	-	70,953	-	70,953
BALANCE, JUNE 30, 2018	\$ 57,975,606	\$ 20,915,784	\$ 46,959	\$ 112,481	\$ 2,777,956	\$ 41,361,610	\$ (23,889,150)	\$ -	\$ 4,814	\$ (782,381)	\$ 99,478,115	\$ 372,847	\$ 99,850,962

The accompanying notes are an integral part of the consolidated financial statements.
(With Deloitte & Touche audit report dated August 28, 2018)

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated income (loss) before income tax	\$ 9,905,490	\$ (1,948,679)
Adjustments for:		
Depreciation expenses	621,918	603,632
Amortization expenses	93,820	83,413
Reversal for doubtful accounts	-	(49,378)
Loss (gain) on financial assets and liabilities at fair value through profit or loss	34,611,804	(50,474,315)
Realized gain on financial assets at fair value through other comprehensive income	(15,923,345)	-
Realized gain on available-for-sale financial assets	-	(8,228,227)
Realized gain on financial assets measured at cost	-	(58,206)
Net gain on derecognition of financial assets at amortized cost	(18,943)	-
Realized gain on debt investments with no active market	-	(3,553,917)
Financial costs	336,197	335,970
Interest income	(40,242,510)	(37,652,246)
Net changes in insurance liabilities	106,008,714	99,670,546
Net changes in reserve for changes in foreign exchange valuation	1,302,806	(1,415,300)
Expected credit loss recognized on investments	796,736	-
Expected credit loss recognized on non-investments	4,416	-
Gain on reclassification of overlay approach	(7,230,157)	-
(Gain) loss on disposal of property and equipment	(2,684)	188
Impairment loss on non-financial assets	-	20,554
Net changes in operating assets and liabilities		
(Increase) decrease in financial assets at fair value through profit or loss	(10,983,143)	37,156,117
Decrease in financial assets at fair value through other comprehensive income	228,002,947	-
Increase in investment in debt instruments at amortized cost	(304,620,108)	-
Decrease in other receivables	617,609	17,031,240
Decrease in available-for-sale financial assets	-	10,160,313
Decrease in financial assets measured at cost	-	48,606
Decrease in debt investments with no active market	-	57,653,392
Increase in held-to-maturity financial assets	-	(112,892,409)
Increase in other assets	(629,842)	(967,600)
Decrease in financial liabilities at fair value through profit or loss	(12,834,856)	(372,610)
(Decrease) increase in note payable	(736)	2,217
Increase (decrease) in life insurance proceeds payable	137,072	(142,711)
Increase in other payables	4,108,150	6,389,429
Increase (decrease) in due to reinsurers and ceding companies	148,815	(14,156)
Increase in commission payable	557,980	542,899
Decrease in advance receipts	(572,629)	(2,385,564)
Decrease in provisions	(705,449)	(386,213)
		(Continued)

SHIN KONG LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2018	2017
Cash (used in) generated from operations	\$ (6,509,928)	\$ 9,156,985
Interests received	32,519,960	31,291,699
Dividends received	1,144,487	930,729
Interests paid	(7,020)	(3,395)
Income tax paid	(698,854)	(491,531)
Net cash generated from operating activities	<u>26,448,645</u>	<u>40,884,487</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Disposal of partial interests in subsidiaries	-	293,418
Acquisition of property and equipment	(310,380)	(852,074)
Proceeds from disposal of property and equipment	3,661	898
Increase in guarantee deposits paid	(19,067,993)	(1,838,586)
Acquisition of intangible assets	(56,653)	(24,279)
Decrease in loans	5,082,618	10,154,382
Acquisition of investments properties	(1,093,041)	(720,061)
(Increase) decrease in other assets	(1,731,876)	66,696
Net cash (used in) generated from investing activities	<u>(17,173,664)</u>	<u>7,080,394</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of corporate bonds	6,000,000	-
Increase in guarantee deposits received	13,427	1,131,590
Cash dividends paid to non-controlling interests	(69,964)	-
Net cash generated from financing activities	<u>5,943,463</u>	<u>1,131,590</u>
EFFECTS OF EXCHANGE RATE CHANGES	<u>1,304</u>	<u>(3,686)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	<u>15,219,748</u>	<u>49,092,785</u>
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>104,246,920</u>	<u>61,346,120</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 119,466,668</u>	<u>\$ 110,438,905</u>

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

(With Deloitte & Touche audit report dated August 28, 2018)

(Concluded)