Cathay Life Insurance Co., Ltd. and Subsidiaries

Consolidated Financial Statements for the Six Months Ended June 30, 2020 and 2019 and Independent Auditors' Report

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Cathay Life Insurance Co., Ltd.

Opinion

We have audited the accompanying consolidated financial statements of Cathay Life Insurance Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheets as of June 30, 2020, December 31, 2019 and June 30, 2019, the consolidated statements of comprehensive income for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months ended June 30, 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020, December 31, 2019 and June 30, 2019 and its consolidated financial performance for the three months ended June 30, 2020 and 2019 and for the six months ended June 30, 2020 and 2019, and its consolidated cash flows for the six months ended June 30, 2020 and 2019, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises 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 Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the six months ended June 30, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group's consolidated financial statements for the six months ended June 30, 2020 are as follows:

<u>Valuation of Policy Reserve and Liability Adequacy Test</u>

The management of Cathay Life Insurance Co., Ltd. adopted the actuarial model and its related multiple significant assumptions for the estimation of the policy reserve and liability adequacy test. Significant assumptions in the measurement of the policy reserve include the mortality rate, discount rate, lapse rate, morbidity rate, etc. These assumptions are made based on legislation and regulations, taking into consideration its actual experience as well as industry-specific experience. The liability adequacy test on insurance contracts is performed in accordance with the requirements issued by the Actuarial Institute of Chinese Taipei, and the discount rates for future years used in the test are based on its best estimate scenario as well as the rate of the portfolio return under current information. Since any changes in the actuarial model and significant assumptions may lead to a material impact on the estimation results of the policy reserve and the liability adequacy test, the valuation of policy reserves and liability adequacy test was identified as a key audit matter. For the related accounting policies, accounting estimates, estimation uncertainty and relevant disclosure information, refer to Notes 4, 5 and 24 to the accompanying consolidated financial statements.

The main audit procedures we performed in response to the key audit matter described above are as follows:

1. We understood the internal controls related to management's valuation of policy reserves and liability adequacy test as well as evaluated the operating effectiveness of these internal controls.

2. We obtained the actuarial report issued by the contracted actuary which was used as the basis for the management's valuation of policy reserves and liability adequacy test, and evaluated the contracted actuary's professional competence and capability.

3. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the valuation of the policy reserve. The actuarial specialist:

    a. Randomly sampled the insurance products to examine whether the calculations of the policy reserve were made in accordance with the requirements.

    b. Evaluated the actuarial model and significant assumptions used in its valuation of policy reserve based on the sampled insurance policies and verified the recognized amount of the policy reserve.

    c. Performed profiling tests on long-term insurance policies as of June 30, 2020 to identify any abnormalities on the recognized amounts of policy reserve on each individual insurance policy.

    d. Assessed the reasonableness of the amount of provision for the policy reserve by considering the amount of policy reserve as of the end of the prior year and the business development for the six months ended June 30, 2020.

4. The following procedures were performed by our actuarial specialist, and the results were compared to the results of the actuarial report published by the contracted actuary in order to assess the reasonableness of the actuarial model and its significant assumptions used by the management in the liability adequacy test. The actuarial specialist:

   a. Tested on a sample basis the correctness of classification of the newly issued insurance products for the six months ended June 30, 2020.

   b. Sampled the significant assumptions provided by the management for our audits in order to examine whether the assumptions were consistent with the requirements and the important built-in assumptions in the information system.

   c. Tested and assessed the actuarial model and its significant assumptions used by the management in its liability adequacy test on a sample basis and performed recalculations on the individual insurance policies.

   d. Assessed the reasonableness of the calculation results of the liability adequacy test as a whole based on a comparative analysis of the previous year's results and taking into consideration the business development for the six months ended June 30, 2020.

Assessment of the Fair values of Investment Properties

The investment properties of Cathay Life Insurance Co., Ltd. are measured at their fair values. To support the management in making reasonable estimates, Cathay Life Insurance Co., Ltd. used the fair values assessed by external independent appraisers. As the appraisal method and parameters used in the assessment of fair values involve significant judgments and estimates, we determined the assessment of the fair values of investment properties as a key audit matter. For the accounting policies, accounting estimates, assumption uncertainty and relevant disclosure information on the assessment of fair values of investment properties, refer to Notes 4, 5 and 15 to the accompanying consolidated financial statements.

The main audit procedures we performed in response to the key audit matter described above are as follows:

1. We evaluated the professional competence, capability and objectivity of the external independent appraisers, and verified the qualification of the appraisers.

2. We appointed an internal valuation specialist to evaluate the reasonableness of the appraisal reports adopted by its management, including the appraisal methods, main parameters and discount rate of the appraisal reports.

Other Matter

We have audited the financial statements of the Company as of and for the six months ended June 30, 2020 and 2019 on which we have issued an unmodified opinion with other 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 Reports by Insurance Enterprises 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 supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the six months ended June 30, 2020 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Cheng-Hung Kuo and Li-Chi Chen.

Deloitte & Touche
Taipei, Taiwan
Republic of China

August 20, 2020

Notice to Readers

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

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In Thousands of New Taiwan Dollars)

	June 30, 2020		December 31, 2019		June 30, 2019	
ASSETS	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 35)	$ 432,374,349	6	$ 402,051,684	6	$ 301,071,566	4
RECEIVABLES (Notes 4, 5, 7 and 35)	70,395,898	1	82,467,914	1	88,838,474	1
CURRENT TAX ASSETS	-	-	-	-	3,970	-
INVESTMENTS						
Financial assets at fair value through profit or loss (Notes 4, 5, 8 and 40)	1,381,195,866	19	1,331,028,157	19	1,253,177,482	18
Financial assets at fair value through other comprehensive income (Notes 4, 5, 9, 38 and 40)	970,984,064	13	854,341,271	12	869,462,407	13
Financial assets measured at amortized cost (Notes 4, 5, 13, 38 and 40)	2,680,735,538	37	2,616,585,170	37	2,503,473,143	37
Financial assets for hedging (Notes 4, 5 and 10)	669,856	-	548,075	-	258,198	-
Investments accounted for using the equity method (Notes 4 and 12)	28,643,650	-	44,557,549	1	45,158,727	-
Other financial assets (Notes 4, 5 and 14)	-	-	-	-	1,999,333	-
Investment property (Notes 3, 4, 5, 15 and 35)	489,280,760	7	483,871,717	7	473,618,735	7
Investment property under construction (Notes 4, 15 and 35)	1,695,775	-	4,546,717	-	2,681,313	-
Prepayments for buildings and land - investments (Notes 4 and 15)	695,446	-	1,152,363	-	1,705,324	-
Loans (Notes 4, 5, 16 and 35)	489,433,469	7	513,380,541	7	541,340,879	8
Total investments	6,043,334,424	83	5,850,011,560	83	5,692,875,541	83
REINSURANCE ASSETS (Notes 4, 17 and 24)	1,649,325	-	1,743,932	-	1,634,263	-
PROPERTY AND EQUIPMENT (Notes 4 and 18)	31,649,253	-	32,271,269	-	32,281,633	1
RIGHT-OF-USE ASSETS (Notes 4, 19 and 35)	1,663,365	-	1,577,679	-	1,782,506	-
INTANGIBLE ASSETS (Notes 4 and 20)	46,030,819	1	41,346,899	1	42,910,800	1
DEFERRED TAX ASSETS (Note 4)	45,366,468	1	36,156,766	-	26,315,512	-
OTHER ASSETS (Notes 21, 35 and 38)	30,478,306	-	30,453,369	-	42,181,025	1
SEPARATE ACCOUNT INSURANCE PRODUCT ASSETS (Notes 4 and 36)	571,235,243	8	607,542,434	9	596,797,768	9
TOTAL	$ 7,274,177,450	100	$ 7,085,623,506	100	$ 6,826,693,058	100
LIABILITIES AND EQUITY						
PAYABLES (Notes 22 and 35)	$ 26,760,885	1	$ 30,964,602	1	$ 27,393,708	-
CURRENT TAX LIABILITIES (Note 4)	639,137	-	635,483	-	261,649	-
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 5 and 8)	2,692,495	-	2,974,334	-	33,266,335	1
FINANCIAL LIABILITIES FOR HEDGING (Notes 4, 5 and 10)	65,647	-	30,894	-	31,843	-
BONDS PAYABLE (Notes 23 and 35)	80,000,000	1	80,000,000	1	80,000,000	1
INSURANCE LIABILITIES (Notes 4, 5 and 24)						
Unearned premium reserve	17,762,311	1	17,832,203	-	16,812,188	-
Loss reserve	11,480,249	-	11,042,612	-	10,292,949	-
Policy reserve	5,815,629,652	80	5,592,979,067	79	5,397,742,222	79
Special reserve	11,084,525	-	11,084,624	-	11,084,360	-
Premium deficiency reserve	17,425,315	-	19,679,457	1	21,114,903	1
Other reserve	1,861,141	-	1,873,141	-	1,883,542	-
Total insurance liabilities	5,875,243,193	81	5,654,491,104	80	5,458,930,164	80
RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS (Notes 4 and 25)	12,457,360	-	10,932,008	-	10,464,265	-
RESERVE FOR FOREIGN EXCHANGE VALUATION (Notes 4 and 26)	6,600,772	-	18,000,877	-	24,881,915	-
PROVISIONS (Notes 4 and 28)	56,245	-	233,871	-	217,819	-
LEASE LIABILITIES (Notes 4, 19 and 35)	10,478,762	-	10,381,894	-	10,613,406	-
DEFERRED TAX LIABILITIES (Note 4)	53,203,432	1	55,730,622	1	45,917,708	1
OTHER LIABILITIES (Notes 29 and 35)	16,836,407	-	19,187,395	-	7,341,234	-
SEPARATE ACCOUNT INSURANCE PRODUCT LIABILITIES (Notes 4 and 36)	571,235,243	8	607,542,434	9	596,797,768	9
Total liabilities	6,656,269,578	92	6,491,105,518	92	6,296,117,814	92
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY (Notes 4 and 31)						
Share capital						
Ordinary shares	58,515,274	1	58,515,274	1	57,265,274	1
Capital surplus	60,604,939	1	60,607,456	1	51,544,732	1
Retained earnings						
Legal reserve	18,834,196	-	43,338,466	1	43,338,466	1
Special reserve	345,589,461	5	289,432,530	4	287,698,496	4
Unappropriated earnings	19,237,789	-	31,652,661	-	16,800,283	-
Total retained earnings	383,661,446	5	364,423,657	5	347,837,245	5
Other equity	107,950,341	1	105,072,396	1	67,775,480	1
Total equity attributable to owners of the Company	610,732,000	8	588,618,783	8	524,422,731	8
NON-CONTROLLING INTERESTS (Notes 4 and 31)	7,175,872	-	5,899,205	-	6,152,513	-
Total equity	617,907,872	8	594,517,988	8	530,575,244	8
TOTAL	$ 7,274,177,450	100	$ 7,085,623,506	100	$ 6,826,693,058	100

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING REVENUE								
Retained earned premium (Notes 4, 27 and 35)								
Written premium	$ 150,256,559	61	$ 143,494,967	63	$ 295,101,083	67	$ 299,461,770	64
Reinsurance premium	29,278	-	27,913	-	58,529	-	62,241	-
Premium income	150,285,837	61	143,522,880	63	295,159,612	67	299,524,011	64
Less: Reinsurance expense	(554,168)	-	(532,168)	-	(1,083,655)	-	(1,014,386)	-
Net changes in unearned premium reserve (Notes 4 and 24)	(373,612)	-	(120,914)	-	150,040	-	109,519	-
Total retained earned premium	149,358,057	61	142,869,798	63	294,225,997	67	298,619,144	64
Reinsurance commission income	(1,566)	-	22,915	-	7,001	-	13,800	-
Fee income (Notes 35 and 36)	1,949,820	1	2,109,119	1	4,178,800	1	4,066,092	1
Net investment incomes (losses)								
Interest income (Notes 4, 33 and 35)	39,197,073	16	40,173,811	18	78,802,812	18	80,140,634	17
Gain (loss) on financial assets and liabilities at fair value through profit or loss (Notes 4 and 8)	137,069,026	56	12,144,091	5	29,672,714	7	95,978,523	21
Realized gain on financial assets at fair value through other comprehensive income (Notes 4 and 9)	8,002,484	3	7,689,468	4	15,251,137	3	12,849,157	3
Gain on derecognition of financial assets measured at amortized cost (Notes 4 and 13)	9,553,766	4	911,893	-	23,366,923	5	1,383,008	-
Share of profit of associates accounted for using the equity method (Notes 4 and 12)	(12,557,329)	(5)	476,172	-	(13,035,171)	(3)	757,661	-
Foreign exchange (loss) gain	(45,666,586)	(19)	16,390,603	7	(40,581,919)	(9)	24,959,189	5
Net changes in reserve for foreign exchange valuation (Notes 4 and 26)	5,058,235	2	(4,934,250)	(2)	11,400,105	3	(7,806,626)	(2)
Gain on investment property (Notes 4 and 35)	4,846,287	2	3,425,209	2	8,048,214	2	6,793,773	2
Reversal of expected credit loss (expected credit loss) on investments (Notes 4 and 33)	(926,746)	-	580,548	-	(1,626,394)	-	1,229,442	-
Other net investment income	1,859,866	1	132,231	-	1,915,322	-	246,047	-
(Loss) gain on reclassification using overlay approach (Notes 4 and 8)	(90,221,386)	(37)	(11,730,183)	(5)	11,107,807	3	(94,998,759)	(20)

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Other operating revenue (Note 35)	$ 1,569,703	1	$ 1,523,511	1	$ 3,172,904	1	$ 2,943,061	1
Separate account insurance product income (Notes 4 and 36)	35,156,643	14	13,845,194	6	10,672,239	2	38,670,387	8
Total operating revenue	244,247,347	100	225,630,130	100	436,578,491	100	465,844,533	100
OPERATING COSTS								
Retained claims payments (Notes 4 and 27)								
Insurance claims payments	61,361,946	25	105,597,112	47	129,042,595	30	205,894,270	44
Less: Claims and payments recovered from reinsurers	(376,477)	-	(306,067)	-	(671,283)	-	(540,317)	-
Total retained claims payments	60,985,469	25	105,291,045	47	128,371,312	30	205,353,953	44
Net changes in other insurance liabilities (Notes 4, 5 and 24)								
Net changes in loss reserve	284,227	-	735,015	-	428,069	-	1,391,805	-
Net changes in policy reserve	126,781,564	52	72,731,654	32	243,592,144	56	159,664,561	34
Net changes in special reserve	(215)	-	(56)	-	(99)	-	106	-
Net changes in premium deficiency reserve	(1,389,429)	-	(866,953)	-	(2,154,057)	(1)	(1,500,806)	-
Net changes in other reserve	(6,000)	-	(6,000)	-	(12,000)	-	(11,028)	-
Total net changes in other insurance liabilities	125,670,147	52	72,593,660	32	241,854,057	55	159,544,638	34
Net changes in reserve for insurance contracts with the nature of financial products (Notes 4 and 25)	180,891	-	166,170	-	368,263	-	341,189	-
Underwriting expenses (Note 33)	5,846,359	2	4,754,537	2	9,152,801	2	10,933,114	3
Commission expenses (Note 33)	4,648,324	2	4,169,663	2	8,668,157	2	9,534,307	2
Other operating costs (Note 35)	1,519,146	1	1,470,903	1	3,198,364	1	2,910,500	1
Finance costs (Notes 23 and 35)	376,680	-	633,008	-	1,040,292	-	1,275,893	-
Separate account insurance product expenses (Notes 4 and 36)	35,156,643	14	13,845,194	6	10,672,239	3	38,670,387	8
Total operating costs	234,383,659	96	202,924,180	90	403,325,485	93	428,563,981	92
OPERATING EXPENSES (Notes 33 and 35)								
General expenses	2,723,328	1	2,925,620	1	5,330,498	1	6,278,649	1
Administrative expenses	4,550,303	2	4,444,080	2	9,221,314	2	8,910,787	2
Employee training expenses	11,294	-	17,415	-	20,378	-	24,991	-
Non-investment expected credit loss (Notes 4 and 33)	8,927	-	830	-	10,421	-	1,290	-
Total operating expenses	7,293,852	3	7,387,945	3	14,582,611	3	15,215,717	3

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
OPERATING INCOME	$ 2,569,836	1	$ 15,318,005	7	$ 18,670,395	4	$ 22,064,835	5
NON-OPERATING INCOME AND EXPENSES (Notes 33 and 35)	445,299	-	502,296	-	849,148	-	860,354	-
PROFIT BEFORE INCOME TAX	3,015,135	1	15,820,301	7	19,519,543	4	22,925,189	5
INCOME TAX BENEFIT (EXPENSE) (Notes 4 and 34)	1,557,871	1	(2,472,258)	(1)	270,521	-	(3,131,066)	(1)
NET INCOME	4,573,006	2	13,348,043	6	19,790,064	4	19,794,123	4
OTHER COMPREHENSIVE INCOME (Notes 4 and 31)								
Items that will not be reclassified subsequently to profit or loss:								
Gain (loss) on equity instruments at fair value through other comprehensive income	6,534,025	2	2,086,736	1	(329,903)	-	5,696,792	1
Share of other comprehensive income of associates accounted for using the equity method for items that will not be reclassified subsequently to profit or loss	72,972	-	154,477	-	169,684	-	282,783	-
Income tax relating to items that will not be reclassified subsequently to profit or loss (Notes 4 and 34)	(225,340)	-	(134,562)	-	495,216	-	(443,083)	-
Items that may be reclassified subsequently to profit or loss:								
Exchange differences on translating financial statements of foreign operations	(1,092,712)	(1)	(542,557)	-	(2,822,985)	(1)	685,590	-
Gain on debt instruments at fair value through other comprehensive income	55,606,607	23	29,560,353	13	16,121,091	4	70,778,879	15
(Loss) gain on hedging instruments	(416,939)	-	6,187	-	151,837	-	96,428	-
Share of other comprehensive (loss) income of associates accounted for using the equity method for items that may be reclassified subsequently to profit or loss	(60,815)	-	512,682	-	(234,290)	-	818,219	-

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CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Three Months Ended June 30				For the Six Months Ended June 30			
	2020		2019		2020		2019	
	Amount	%	Amount	%	Amount	%	Amount	%
Other comprehensive income (loss) reclassified using overlay approach	$ 90,221,386	37	$ 11,730,183	5	$ (11,107,807)	(2)	$ 94,998,759	21
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 34)	(17,582,845)	(7)	(8,261,588)	(4)	200,982	-	(24,203,589)	(5)
Total other comprehensive income for the period, net of income tax	133,056,339	54	35,111,911	15	2,643,825	1	148,710,778	32
TOTAL COMPREHENSIVE INCOME	$ 137,629,345	56	$ 48,459,954	21	$ 22,433,889	5	$ 168,504,901	36
NET PROFIT ATTRIBUTABLE TO:								
Owners of the Company	$ 4,366,634	2	$ 13,097,673	6	$ 19,465,764	5	$ 19,428,041	4
Non-controlling interests	206,372	-	250,370	-	324,300	-	366,082	-
	$ 4,573,006	2	$ 13,348,043	6	$ 19,790,064	5	$ 19,794,123	4
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:								
Owners of the Company	$ 137,292,858	56	$ 48,307,065	21	$ 22,115,734	5	$ 167,821,215	36
Non-controlling interests	336,487	-	152,889	-	318,155	-	683,686	-
	$ 137,629,345	56	$ 48,459,954	21	$ 22,433,889	5	$ 168,504,901	36
EARNINGS PER SHARE (Note 32)								
Basic earnings per share	$ 0.75		$ 2.29		$ 3.33		$ 3.39	

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	Equity Attributable to Owners of the Company													
			Retained Earnings			Other Equity								
	Share Capital Ordinary Shares	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Financial Statements of Foreign Operations	Unrealized Gain (Loss) on Financial Assets at Fair Value through Other Comprehensive Income	Gain or (Loss) on Hedging Instruments	Remeasurement of Defined Benefit Plans	Property Revaluation Surplus	Other Comprehensive Income (Loss) Reclassified Using Overlay Approach	Total	Non-controlling Interest	Total Equity
BALANCE AT JANUARY 1, 2019	$ 57,265,274	$ 51,535,925	$ 40,466,946	$ 277,886,402	$ 12,683,614	$ (10,796,480)	$ (20,547,627)	$ 173,288	$ 287,100	$ 187,503	$ (52,549,236)	$ 356,592,709	$ 5,536,717	$ 362,129,426
Appropriation of 2018 earnings														
Legal reserve	-	-	2,871,520	-	(2,871,520)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	9,820,004	(9,820,004)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(7,910)	7,910	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	8,807	-	-	-	-	-	-	-	-	-	8,807	-	8,807
Net profit for the six months ended June 30, 2019	-	-	-	-	19,428,041	-	-	-	-	-	-	19,428,041	366,082	19,794,123
Other comprehensive income for the six months ended June 30, 2019, net of income tax	-	-	-	-	-	1,290,841	61,649,708	70,798	7,428	-	85,374,399	148,393,174	317,604	148,710,778
Total comprehensive income for six months ended June 30, 2019	-	-	-	-	19,428,041	1,290,841	61,649,708	70,798	7,428	-	85,374,399	167,821,215	683,686	168,504,901
Disposals of equity instruments at fair value through other comprehensive income	-	-	-	-	(2,627,758)	-	2,627,758	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(67,890)	(67,890)
BALANCE AT JUNE 30, 2019	$ 57,265,274	$ 51,544,732	$ 43,338,466	$ 287,698,496	$ 16,800,283	$ (9,505,639)	$ 43,729,839	$ 244,086	$ 294,528	$ 187,503	$ 32,825,163	$ 524,422,731	$ 6,152,513	$ 530,575,244
BALANCE AT JANUARY 1, 2020	$ 58,515,274	$ 60,607,456	$ 43,338,466	$ 289,432,530	$ 31,652,661	$ (11,187,030)	$ 57,531,736	$ 331,929	$ 447,694	$ 187,503	$ 57,760,564	$ 588,618,783	$ 5,899,205	$ 594,517,988
Appropriation of 2019 earnings														
Legal reserve	-	-	6,677,339	-	(6,677,339)	-	-	-	-	-	-	-	-	-
Special reserve	-	-	-	57,715,708	(57,715,708)	-	-	-	-	-	-	-	-	-
Reversal of special reserve	-	-	-	(1,558,777)	1,558,777	-	-	-	-	-	-	-	-	-
Legal reserve offset deficits	-	-	(31,181,609)	-	31,181,609	-	-	-	-	-	-	-	-	-
Changes in capital surplus from investments in associates accounted for using the equity method	-	(2,517)	-	-	-	-	-	-	-	-	-	(2,517)	-	(2,517)
Net profit for the six months ended June 30, 2020	-	-	-	-	19,465,764	-	-	-	-	-	-	19,465,764	324,300	19,790,064
Other comprehensive income (loss) for the six months ended June 30, 2020, net of income tax	-	-	-	-	-	(2,856,984)	13,978,775	125,640	(7,758)	-	(8,589,703)	2,649,970	(6,145)	2,643,825
Total comprehensive income (loss) for six months ended June 30, 2020	-	-	-	-	19,465,764	(2,856,984)	13,978,775	125,640	(7,758)	-	(8,589,703)	22,115,734	318,155	22,433,889
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	(227,975)	-	227,975	-	-	-	-	-	-	-
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	958,512	958,512
BALANCE AT JUNE 30, 2020	$ 58,515,274	$ 60,604,939	$ 18,834,196	$ 345,589,461	$ 19,237,789	$ (14,044,014)	$ 71,738,486	$ 457,569	$ 439,936	$ 187,503	$ 49,170,861	$ 610,732,000	$ 7,175,872	$ 617,907,872

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

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	**2019**
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax	$ 19,519,543	$ 22,925,189
Adjustments for:		
Depreciation expenses	642,427	663,342
Amortization expenses	1,298,158	1,304,270
Gain on financial assets and liabilities at fair value through profit or loss	(25,092,245)	(88,342,170)
Gain on financial assets and liabilities at fair value other comprehensive income	(14,833,631)	(12,439,000)
Gain on financial assets and liabilities at amortized cost	(23,366,923)	(1,383,008)
Finance costs	1,146,851	1,354,821
Interest income	(78,802,812)	(80,140,634)
Dividend income	(4,997,975)	(8,046,510)
Net changes in insurance liabilities	220,667,427	171,936,841
Net changes in reserve for insurance contracts with the nature of financial products	1,525,352	1,145,552
Net changes in reserve for foreign exchange valuation	(11,400,105)	7,806,626
(Reversal of) expected credit loss on investments	1,626,394	(1,229,442)
Non-investments expected credit loss	10,421	1,290
Share of loss (profit) of associates accounted for using equity method	13,035,171	(757,661)
(Gain) loss on reclassification using overlay approach	(11,107,807)	94,998,759
Loss (gain) on disposal and retirement of property and equipment	2,041	(5,908)
Loss on disposal of investment property	505,615	21,955
Gain on disposal of investment accounted for using equity method	(1,815,267)	-
Gain on changes in fair value of investment property	(2,396,665)	(628,624)
Net changes in operating assets and liabilities		
Decrease in financial assets at fair value through profit or loss	20,083,372	73,864,483
(Increase) decrease in financial assets at fair value through other comprehensive income	(86,353,961)	141,518,219
Increase in financial assets measured at amortized cost	(42,516,434)	(242,843,434)
Decrease in financial assets for hedging	65,717	86,561
Decrease in premium receivable	7,798,707	9,072,597
Increase in notes receivable	(42,975)	(1,699)
Increase in other receivables	(4,841,521)	(13,366,571)
Increase in prepaid expenses and other prepayments	(190,837)	(244,280)
Increase in guarantee deposits paid	(936,319)	(1,932,367)
Decrease in reinsurance assets	172,861	105,308
Decrease (increase) in other assets	1,276,788	(1,393,343)
Increase in financial liabilities at fair value through profit or loss	(46,041,637)	(64,384,063)
Decrease in notes payable	(87,304)	(8,689)
(Decrease) increase in claims payable	(1,602)	62,810
Decrease in other payables	(3,669,677)	(5,421,517)

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	**2019**
Increase in reinsurance indemnity payable	$ 65,450	$ 158,040
Decrease in commissions payable	(1,138,949)	(108,639)
Decrease in advance receipts	(72,919)	(60,083)
(Decrease) increase in guarantee deposits received	(2,685,372)	526,205
Decrease in provisions	(177,626)	(7,458)
Decrease in deferred fee income	(1,232)	(7,204)
Decrease in other liabilities	(421,769)	(1,855,980)
Cash (used in) generated from operations	(73,551,269)	2,944,584
Interest received	77,763,913	72,510,703
Dividends received	5,621,989	8,335,450
Interest paid	(1,608,524)	(1,421,477)
Income tax return (paid)	13,953	(1,450,661)
Net cash generated from operating activities	8,240,062	80,918,599
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of investments accounted for using the equity method	(372,185)	(1,955,392)
Proceeds from disposal of investments accounted for using the equity method	-	86,149
Net cash outflow on acquisition of subsidiaries (deduct cash and cash equivalent balances acquired)	(664,119)	-
Acquisition of property and equipment	(338,976)	(252,663)
Proceeds from disposal of property and equipment	-	15,123
Acquisition of intangible assets	(71,141)	(55,099)
Decrease in loans	24,219,246	40,422,713
Acquisition of investment property	(2,572,208)	(3,094,991)
Proceeds from disposal of investment property	149,708	38,990
Net cash generated from investing activities	20,350,325	35,204,830
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds payable	-	10,000,000
Repayments of the principle portion of lease liabilities	(409,744)	(174,405)
Changes in non-controlling interests	(344,482)	(67,890)
Net cash (used in) generated from financing activities	(754,226)	9,757,705
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	2,486,504	(141,773)

(Continued)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

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

	For the Six Months Ended June 30	
	2020	**2019**
NET INCREASE IN CASH AND CASH EQUIVALENTS	$ 30,322,665	$ 125,739,361
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	402,051,684	175,332,205
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	$ 432,374,349	$ 301,071,566

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

1. GENERAL INFORMATION

Cathay Life Insurance Co., Ltd. (the “Company”) was incorporated in Taiwan on October 23, 1962, under the Company Act of the Republic of China (“R.O.C.”) and mainly engages in the business of life insurance. In order to benefit from operation synergies and enhance the competitiveness in financial markets, Cathay Financial Holding Co., Ltd. (“Cathay Financial Holdings”) was incorporated on December 31, 2001 through a share swap with the Company, and the Company became a wholly-owned subsidiary of Cathay Financial Holdings. The Company’s registered office and the main business location is at No. 296, Jen Ai Road, Section 4, Taipei, R.O.C.

The Company participated in and won the bid for assets, liabilities and operations of Global Life Insurance Co., Ltd. (“Global Life”) and Singfor Life Insurance Co., Ltd. (“Singfor Life”), which was held by Taiwan Insurance Guaranty Fund. The Company entered into the general assignment and assumption agreement on March 27, 2015. The Company assumed all assets, liabilities and operations of Global Life and Singfor Life except for their reserved assets and liabilities on July 1, 2015. Upon the approval by the authorities, the Company started business on August 5, 2015 after receiving the business license for its offshore insurance unit.

The consolidated financial statements are presented in the Company’s functional currency, the New Taiwan dollar.

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the board of directors and authorized for issue on August 20, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission (“FSC”)

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and the IFRSs endorsed and issued into effect by the FSC did not have any material impact on the accounting policies of the Company and its subsidiaries (collectively, “the Group”):

1) Amendments to IFRS 3 “Definition of a Business”

The Group applies the amendments to IFRS 3 to transactions that occur on or after January 1, 2020. The amendments require that for an entity to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. To judge whether the acquired process is substantive, there will be different judgement requirements depending on whether there is output on the acquisition date. In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether or not an acquired set of activities and assets is a business.

2) Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"

Upon retrospective application of the amendments, the Group complied with the hedge accounting requirements under the assumption that the interest rate benchmark (such as the London Interbank Offered Rate or LIBOR) on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

3) Amendments to IAS 1 and IAS 8 "Definition of Material"

The Group adopted the amendments starting from January 1, 2020. The threshold for materiality influencing users has been changed to "could reasonably be expected to influence" and, therefore, the disclosures in the consolidated financial report have been adjusted and immaterial information that may obscure material information has been deleted.

b. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note 1)
"Annual Improvements to IFRS Standards 2018-2020"	January 1, 2022 (Note 2)
Amendments to IFRS 3 "Reference to the Conceptual Framework"	January 1, 2022 (Note 3)
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"	Effective immediately upon promulgation by the IASB
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between An Investor and Its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2023
Amendments to IFRS 17	January 1, 2023
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022
Amendments to IAS 16 "Property, Plant and Equipment - Proceeds before Intended Use"	January 1, 2022 (Note 4)
Amendments to IAS 37 "Onerous Contracts - Cost of Fulfilling a Contract"	January 1, 2022 (Note 5)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

Note 2: The amendments to IFRS 9 are applied prospectively to modifications and exchanges of financial liabilities that occur on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IAS 41 "Agriculture" will be applied prospectively to the fair value measurements on or after the annual reporting periods beginning on or after January 1, 2022. The amendments to IFRS 1 "First-time Adoptions of IFRSs" are applied retrospectively for annual reporting periods beginning on or after January 1, 2022.

Note 3: The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2022.

Note 4: The amendments are applicable to property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after January 1, 2021.

Note 5: The amendments are applicable to contracts for which the entity has not yet fulfilled all its obligations on January 1, 2022.

- IFRS 17 "Insurance Contracts" and its amendments

IFRS 17 sets out the accounting standards for insurance contracts. It supersedes IFRS 4. The main standards and amendments of IFRS 17 are as follows:

<u>Level of aggregation</u>

IFRS 17 requires the Group to identify portfolios of insurance contracts, which comprises contracts that are subject to similar risks and managed together. Contracts within a product line would be expected to have similar risks and hence would be expected to be in the same portfolio if they are managed together. Each portfolio of insurance contracts issued shall be divided into a minimum of:

1) A group of contracts that are onerous at initial recognition;

2) A group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently;

3) A group of the remaining contracts in the portfolio.

The Group is not permitted to include contracts issued more than one year apart in the same group, and a group of contracts which are decided to be issued should be applied to recognition and measurement of IFRS 17.

<u>Recognition</u>

The Group shall recognize a group of insurance contracts it issues from the earliest of the following:

1) The beginning of the coverage period of the group of contracts;

2) The date when the first payment from a policyholder in the group becomes due; and

3) For a group of onerous contracts, when the group becomes onerous.

<u>Measurement on initial recognition</u>

The Group shall include all the future cash flows within the boundary of each contract in the group. The fulfilment cash flows comprises estimates of future cash flows, an adjustment to reflect the time value of money and financial risk, and a risk adjustment for non-financial risk. The contractual service margin represents the unearned profit of the group of insurance contracts that the Group will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the group of contracts is onerous, results in no income or expenses arising from:

1) The initial recognition of an amount for the fulfilment cash flows;

2) All cash flows arising from the contracts in the group at that date; and

3) The derecognition at the date of derecognition of the following:

    a) All assets for insurance acquisition cash flows;

    b) Any asset or liability previously recognized for cash flows related to the group of insurance contracts.

Subsequent measurement

On subsequent measurement, the carrying amount of a group of insurance contracts at the end of each reporting period shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the fulfilment cash flows related to future services and the contractual service margin of the group at that date, and liabilities for incurred claims include fulfilment cash flows related to past services. On subsequent measurement, if a group of insurance contracts becomes onerous or more onerous, that excess shall be recognized in profit or loss.

Onerous contracts

An insurance contract is onerous at initial recognition if the total of the fulfilment cash flows allocated to insurance contracts, any previously recognized acquisition cash flows and all cash flows arising from the contract at that date is a net outflow. The Group shall recognize a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows and the contractual service margin of the group being zero. The contractual service margin cannot increase and no revenue can be recognized, until the onerous amount previously recognized has been reversed in profit or loss as part of a service expense.

Premium Allocation Approach ("PAA")

The Group may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the Premium Allocation Approach (PAA) on the condition that, at the any inception of the Group:

1) The Group reasonably expects that this will be a reasonable approximation of the general model, or

2) The coverage period of each contract in the group is one year or less.

At the inception, if the Group expects significant variances in the fulfilment cash flows during the period before a claim is incurred, such contracts are not eligible to apply the PAA.

When using the PAA, the liability for remaining coverage shall be initially recognized as:

1) The premiums received at initial recognition;

2) Minus any insurance acquisition cash flows; and

3) Plus or minus the derecognition at the initial recognition date of the following:

    a) All assets for insurance acquisition cash flows; and

    b) Any asset or liability previously recognized for cash flows related to the group of insurance contracts.

Subsequently the carrying amount of the liability is the carrying amount at the start of the reporting period plus the premiums received in the period, minus insurance acquisition cash flows, plus amortization of acquisition cash flows, minus the amount recognized as insurance revenue for services provided in that period, and minus all investment component paid or transferred to the liability for incurred claims.

Investment contracts with discretionary participation features

An investment contract with discretionary participation features is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of the standard only if the issuer also issues insurance contracts. The requirements of the standard are modified for such investment contracts.

Modification and derecognition

If the terms of an insurance contract are modified, the Group shall derecognize the original contract and recognize the modified contract as a new contract if there is a substantive modification, based on meeting any of the specified criteria.

The Group shall derecognize an insurance contract when it is extinguished, or if any of the conditions of a substantive modification of an insurance contract are met.

Transition

The Group shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but only need to use information available without undue cost or effort. The Group shall apply fair value approach if reasonable and supportable information is unavailable.

Under the fair value approach, the Group determines the contractual service margin at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group’s financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

These interim consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and IAS 34 “Interim Financial Reporting” as endorsed and issued into effect by the FSC. Disclosure information included in these interim consolidated financial statements is less than the disclosure information required in a complete set of annual financial statements.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments and investment properties which are measured at fair value, and net defined benefit assets which are measured at the fair value of plan assets less the present value of the defined benefit obligation.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e. its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective dates of acquisitions up to the effective dates of disposals, as appropriate.

Adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

See Note 11, Table 1 and Table 5 for detailed information on subsidiaries (including percentages of ownership and main businesses).

d. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are incurred.

Goodwill is measured as the excess of the sum of the consideration transferred and the fair value of the acquirer's previously held equity interests in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. Other types of non-controlling interests are measured at fair value.

e. Foreign currencies

In preparing the financial statements of each individual entity in the Group, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising from the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income; in which cases, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting the consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries and associates in other countries or those that use currencies which are different from the currency of the Company) are translated into the presentation currency, the New Taiwan dollar, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income (attributed to the owners of the Company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Company's entire interest in a foreign operation, or a disposal involving the loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In relation to a partial disposal of a subsidiary that does not result in the Company losing control over the subsidiary, the proportionate share of accumulated exchange differences is re-attributed to the non-controlling interests of the subsidiary and is not recognized in profit or loss. For all other partial disposals, the proportionate share of the accumulated exchange differences recognized in other comprehensive income is reclassified to profit or loss.

f. Investments in associates

An associate is an entity over which the Group has significant influence and which is neither a subsidiary nor an interest in a joint venture. The Group uses the equity method to account for its investments in associates.

Under the equity method, investments in an associate are initially recognized at cost and adjusted thereafter to recognize the Group' share of the profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group' share of the equity of associates.

Any excess of the cost of acquisition over the Group' share of the net fair value of the identifiable assets and liabilities of an associate at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment and is not amortized. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of an associate at a percentage different from its existing ownership percentage, the resulting carrying amount of the investment differs from the amount of the Group's proportionate interest in the associate. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in capital surplus from investments in associates accounted for using the equity method. If the Group's ownership interest is reduced due to its additional subscription of the new shares of the associate, the proportionate amount of the gains or losses previously recognized in other comprehensive income in relation to that associate is reclassified to profit or loss on the same basis as would be required had the investee directly disposed of the related assets or liabilities. When the adjustment should be debited to capital surplus, but the capital surplus recognized from investments accounted for using the equity method is insufficient, the shortage is debited to retained earnings.

When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for using the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which their investment ceases to be an associate. Any retained investment is measured at fair value at that date, and the fair value is regarded as the investment's fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required had that associate directly disposed of the related assets or liabilities. If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent that interests in the associate are not related to the Group.

g. Property and equipment

Property and equipment are measured at cost less accumulated depreciation and accumulated impairment loss.

Property and equipment in the course of construction are measured at cost less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property and equipment when completed and ready for their intended use.

Except for its own land, depreciation of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in the estimates accounted for on a prospective basis.

On derecognition of an item of property and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties include right-of-use assets and properties under construction if the definition of investment properties is met. Investment properties also include land held for a currently undetermined future use.

Freehold investment properties are measured initially at cost, including transaction costs. All investment properties are subsequently measured using the fair value model. Changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

Investment properties under construction, of which the fair value is not reliably measurable, are measured at cost less accumulated impairment loss until such time as either the fair value becomes reliably measureable or construction is completed (whichever comes earlier).

For a transfer from the investment properties classification to property and equipment, the deemed cost of the property for subsequent accounting is its fair value at the commencement of owner-occupation. For a transfer from the property and equipment classification to investment properties at the end of owner-occupation, any difference between the fair value of the property at the transfer date and its previous carrying amount is recognized in other comprehensive income.

On derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is included in profit or loss.

i. Goodwill

Goodwill arising from the acquisition of a business is measured at cost as established at the date of acquisition of the business less accumulated impairment loss.

For the purposes of impairment testing, goodwill is allocated to each of the Group’s cash-generating units or groups of cash-generating units (referred to as “cash-generating units”) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired, by comparing its carrying amount, including the attributed goodwill, with its recoverable amount. However, if the goodwill allocated to a cash-generating unit was acquired in a business combination during the current annual period, that unit shall be tested for impairment before the end of the current annual period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then pro rata to the other assets of the unit based on the carrying amount of each asset in the unit. Any impairment loss is recognized directly in profit or loss. Any impairment loss recognized for goodwill is not reversed in subsequent periods.

If goodwill has been allocated to a cash-generating unit and the entity disposes of an operation within that unit, the goodwill associated with the operation which is disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal and is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

j. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognized separately from goodwill are initially recognized at their fair value at the acquisition date. Subsequent to initial recognition, they are measured on the same basis as intangible assets that are acquired separately.

3) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

k. Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets, excluding goodwill, to determine whether there is any indication that those assets have suffered any impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the individual cash-generating units on a reasonable and consistent basis of allocation.

Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the assets may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

l. Financial instruments

Financial assets and financial liabilities are recognized when an entity in the Group becomes a party to the contractual provisions of the instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss (“FVTPL”)) are added to the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

1) Financial assets

All regular transactions of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost and investments in debt instruments and equity instruments at fair value through other comprehensive income ("FVTOCI").

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL, including investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss. Fair value is determined in the manner described in Note 40.

In addition, to reduce the fluctuations in profit or loss as a result of IFRS 9 being applied earlier than IFRS 17, the Group elects to remove profit or loss arising from changes in fair value in subsequent measurement and present it in other comprehensive income based on overlay approach under IFRS 4. Overlay approach is applied to financial assets if all of the following conditions are met:

i) The financial assets are held in respect of activities related to IFRS 4;

ii) The financial assets are measured at FVTPL under IFRS 9, but would not have been measured at FVTPL under IAS 39; and

iii) The financial assets are designated to apply overlay approach at the first application of IFRS 9, in the initial recognition of a new financial asset or when a financial asset starts to meet the conditions.

ii. Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

i) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

ii) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, are measured by the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

i) Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and

ii) Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash and cash equivalents include cash on hand, cash in banks and time deposits or investments which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. Time deposits with maturities within 12 months which are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value are classified as cash equivalents.

iii. Investments in debt instruments at FVTOCI

Debt instruments that meet both of the following conditions are subsequently measured at FVTOCI:

i) The debt instrument is held within a business model which is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and

ii) The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

iv. Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group’s right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses (ECLs) on financial assets at amortized cost (including receivables and loans) and investments in debt instruments that are measured at FVTOCI.

The Group always recognizes lifetime ECLs for receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

ECLs reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group uses the total carrying amount of financial assets measured at amortized cost (including receivables and loans), investments in debt instruments at FVTOCI, and commitment off financial statements to measures the amount of exposure at default (EAD).

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

In addition, in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans, credit assets are classified as normal assets (“First Category”), assets that require special attention (“Second Category”), assets that are substandard (“Third Category”), assets that are doubtful (“Fourth Category”) and assets for which there is loss (“Fifth Category”) based on the borrower’s financial conditions and the delay for payment of principal and interests as well as the status of the loan collaterals and the length of time overdue. The Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

i. The sum of 0.5% of the First category loan assets excluding life insurance policy loans, premium loans and loans to government agencies, 2% of the Second category loan assets, 10% of the Third category loan assets, as well as 50% and 100% of the Fourth and Fifth category loan assets.

ii. 1% of the sum of all five categories of loan assets excluding life insurance policy loans, premium loans and loans to government agencies.

iii. Total unsecured portion of non-performing loans and non-accrual loans.

Besides, pursuant to Jin Guan Bao Tsai No.10402506096, the Company shall keep the ratio of the allowance for bad debt over the loans at 1.5% or above to strengthen its ability against loss exposure to specific loans assets.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

d) Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented in net in the consolidated balance sheet only if there is a currently enforceable legal right to offset the recognized amount and there is an intention to settle on a net basis, or to realize assets and settle the liabilities simultaneously.

2) Equity instruments

Debts and equity instruments issued by an entity in the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments issued by an entity in the Group are recognized at the proceeds received, net of direct issue costs.

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

3) Financial liabilities

a) Subsequent measurement

Except financial liabilities at FVTPL, all financial liabilities are measured at amortized cost using the effective interest method:

<u>Financial liabilities at FVTPL</u>

Financial liabilities are classified as at FVTPL when such financial liabilities are held for trading. Financial liabilities held for trading are stated at fair value, with any gain or loss arising on remeasurement recognized in profit or loss.

Fair value is determined in the manner described in Note 40.

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

4) Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps, cross currency swaps and options.

Derivatives are initially recognized at fair value at the date on which the derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument; in which event, the timing of the recognition in profit or loss depends on the nature of the hedging relationship. When the fair value of a derivative financial instrument is positive, the derivative is recognized as a financial asset; when the fair value of a derivative financial instrument is negative, the derivative is recognized as a financial liability.

Derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that is within the scope of IFRS 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative; their risks and characteristics are not closely related to those of the host contracts; and the host contracts are not measured at FVTPL.

m. Hedge accounting

The Group designates certain hedging instruments, which include derivatives, as either fair value hedges, cash flow hedges, or hedges of net investments in foreign operations.

1) Fair value hedges

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The changes in the fair value of the hedging instrument and the changes in the hedged item attributable to the hedged risk are recognized in profit or loss in the line item relating to the hedged item.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument is expired, sold, terminated or exercised.

2) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges is recognized in other comprehensive income. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as reclassification adjustments in the line items relating to the related hedged item in the same period in which the hedged item affects profit or loss. If a hedge of a forecasted transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were recognized in other comprehensive income are removed from equity and included in the initial cost of the non-financial asset or non-financial liability.

The Group discontinues hedge accounting only when the hedging relationship ceases to meet the qualifying criteria; for instance, when the hedging instrument is expired, sold, terminated or exercised. The cumulative gain or loss on the hedging instrument that was previously recognized in other comprehensive income (from the period in which the hedge was effective) remains separately in equity until the forecasted transaction occurs. When a forecasted transaction is no longer expected to occur, the gains or losses accumulated in equity are recognized immediately in profit or loss.

3) Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income and accumulated under the heading of foreign currency translation reserve. The gains or losses relating to the ineffective portion are recognized immediately in profit or loss.

The gains and losses on the hedging instrument relating to the effective portion of the hedge, which were accumulated in the foreign currency translation reserve, are reclassified to profit or loss on the disposal or partial disposal of a foreign operation.

n. Separate account insurance products

The Group sells separate account insurance products. The insurance premiums according to agreed terms paid by proposers, net of the expenses incurred by the insurer, are invested in separate accounts at allocation agreed with or directed by the proposers. The separate account assets is measured at fair value on the valuation date and in compliance with the relevant regulations and Template of Accounting Systems for Life Insurance Enterprises.

In accordance with the Regulation Governing the Preparation of Financial Reports by Insurance Enterprises, the assets and liabilities of separate accounts, which are generated either from insurance contracts or from insurance contracts with features of financial instrument, are recorded in separate account insurance product assets and separate account insurance product liabilities. The revenue and expenses of separate accounts, pursuant to IFRS 4, are recorded in separate account insurance product revenue and separate account insurance product expenses.

o. Insurance liabilities

1) The Company

Funds reserved for insurance contracts and financial instruments with or without a discretionary participation features are determined in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and validated by the certified actuarial professionals approved by the FSC. For investment contracts with discretionary participation features, the guaranteed elements are not separately recognized from the discretionary participation features, and the whole contract is classified as a liability. The provision of reserve for short-term group insurance is based upon the greater of premium received or calculated according to Jin Guan Bao Tsai No.10704504821 Provision of reserve for the other insurance liabilities is as follows:

a) Unearned premium reserve

For an unexpired in-force contract with a policy period shorter than one year or an injury insurance policy with a policy period longer than one year, the calculation of unearned premium reserve is based on the unexpired risk of each insurance.

b) Loss reserve

Loss reserve is provided for claims filed but not yet paid and claims not yet filed. The reserve for claims filed but not yet paid is assessed based on the actual relevant information of each case and provided by insurance type. The reserve for claims not yet filed is provided based on the past experiences of actual claims and expenses in line with the actuarial principles for injury insurance and health or life insurance with a policy period shorter one year.

c) Policy reserve

Based on the life table and projected interest rates in the manual reported to the authority for each insurance type, life insurance policy reserve is calculated and provided according to the modified calculation method in Article 12 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, the manual of each insurance product reported to the authority and the relevant calculation methods approved by the authority.

Starting from 2003 policy year, for in-force contract whose bonus calculation is stipulated by Tai-Tsai-Bao No. 800484251, the downward adjustments of bonus due to the offset between mortality gain (loss) and gain (loss) from difference of interest rates should be calculated and recognized according to the regulations issued by the authorities.

In accordance with Jin Guan Bao Tsai No.10102500530 issued on January 19, 2012, life insurance enterprises shall transfer a special reserve that equals to the unwritten allowance for doubtful account resulting from 3% business tax cut to life insurance policy reserve - allowance for doubtful account pertinent to 3% business tax cut from 2012. Besides, life insurance enterprises shall reclassify the recoverable special reserve for catastrophic events defined in Article 19 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises to life insurance reserve - recover from catastrophic event reserve.

When an insurance enterprise elects to measure investment property at fair value, it should also measure its insurance liabilities at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds their book value, the insurance enterprise must set aside the difference to policy reserve and decrease retained earnings. The Company changes its accounting policy for subsequent measurement of investment property from cost method to fair value method starting from 2014. In accordance with Jin Guan Bao Tsai No.10302501161 issued by the FSC on March 21, 2014, the fair value of insurance liabilities measured did not exceed their book value and no additional insurance liabilities should be provided accordingly.

d) Special reserve

When selling participating life insurance policies, according to the Regulation for Allocation of revenue and expenses related to participating/nonparticipating policy reported to the authority, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from special reserve - participating policies dividends reserve. The excess dividend should be accounted as special reserve - provisions for risk of dividends.

According to Article 32 of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, the increments due to measuring the property at fair value, except for the portion in offsetting adverse effects of the first-time adoption of IFRSs on other accounts, the excess should be set aside as special reserve for revaluation increments of property under insurance liabilities.

e) Premium deficiency reserve

For life insurance, health insurance and annuity insurance with policy periods longer than one year commencing from 2001, when the gross premium is less than the net premium used in the calculation of policy reserve, a deficiency reserve is required to set aside such deficiencies for remaining payment periods as premium deficiency reserve. The premium deficiency reserve of each life insurance category should be calculated and recorded according to the specific method reported to the authorities.

In addition, for unexpired in-force contracts with policy periods shorter than one year and injury insurance policies with policy periods longer than one year, if the probable claims and expenses are greater than the aggregate of unearned premium reserves and estimated future premiums, the premium deficiency reserve is set aside based on the deficiencies by insurance type.

f) Other reserve

Pursuant to IFRS 3 “Business Combinations”, Cathay Life recognizes other reserve to reflect the fair value of the life insurance contracts assumed at the time when the identifiable assets and assumed liabilities acquired from the business combination are recognized at fair value.

g) Liability adequacy reserve

Liability adequacy reserve is set aside based on the adequacy test of liability required by IFRS 4.

2) Cathay Lujiazui Life Insurance Co., Ltd. (“Cathay Lujiazui Life”)

In accordance with the Insurance Act of the People’s Republic of China, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and calculated based on the actuarial reports approved by China Insurance Regulatory Commission.

3) Cathay Life Insurance (Vietnam) Co., Ltd. (“Cathay Life (Vietnam)”)

In accordance with the Insurance Act of Vietnam, the insurance liabilities (including unearned premium reserves, loss reserves and policy reserves) are required and calculated based on the actuarial reports approved by Vietnam government.

p. Liability adequacy test

Liability adequacy test is based on all insurance contracts and related requirements of ASP of IFRS 4 - contract classification and liability adequacy test announced by Actuarial Institute of Chinese Taipei. In this test, the amount of insurance liabilities net of deferred acquisition costs and related intangible assets is compared with estimated present values of insurance contract cash flow at each reporting date. If the net book values are lower than the estimated present values, all insufficient amounts should be recognized in profit or loss.

q. Reserve for insurance contract with the nature of financial products

For non-separate account insurance products classified as financial instruments without discretionary participation features, the reserve should be recognized in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and depository accounting.

r. Reserve for Foreign exchange valuation

The Company provides reserve for foreign exchange valuation according to all of its foreign investments in accordance with the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises and Direction for Reserve for Foreign Exchange Valuation by Life Insurance Enterprises.

s. Recognition of insurance premium income and expenses

1) The Company

For the Company’s insurance contracts and financial instruments with discretionary participation features, the initial and renewal premium are recognized as revenue only when underwriting procedures finished, and subsequent collection on the appointed dates, respectively. The relevant acquisition costs, such as commission expenses and underwriting expenses, are recognized as current expenses when the insurance contracts become effective.

For non-separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected is recognized as reserves for insurance contract with the nature of financial products on the balance sheet.

For separate account insurance products classified as financial instruments without discretionary participation features, the insurance premium collected net of preprocess expense or investment management fee is entirely recognized as separate account insurance product liabilities on the balance sheet. The acquisition costs incurred due to investment management services for such insurance products, such as commissions and incremental costs directly attributable to the issue of new contracts, are deferred and recorded under deferred acquisition costs and amortized on a straight-line basis over the service period. The amortization is recognized under other operating costs.

2) Cathay Lujiazui Life

In accordance with the related accounting laws and regulations issued by local government, Cathay Lujiazui Life records direct premiums as revenue at premium received and invoices issued. Related expenses, such as commissions and underwriting fees, are recognized on an accrual basis.

3) Cathay Life (Vietnam)

In accordance with the related accounting laws and regulations issued by local government, Cathay Life (Vietnam) records direct premiums as revenue at premium received and invoices issued. Related expenses, such as commissions and underwriting fees, are recognized on an accrual basis.

t. Classification of insurance products

An insurance contract refers to the contract that the insurer accepts the insurance policyholder's transfer of a significant insurance risk and agrees to compensate the policyholder for any damages caused by a particular uncertain future event (insured event). The Group's identification of a significant insurance risk refers to any insured event that occurs and causes the Group to incur additional significant payments.

Insurance contracts with features of financial instruments are contracts that transfer significant financial risks. Financial risks refer to the risks that the changes in one or more specific indicators may cause, including interest rates, financial commodity prices, product prices, exchange rates, price index, rate index, credit ratings and other indicators. If the above indicators are not financial, these indicators exist in both sides under the contracts.

For a policy that meets the definition of insurance contract in the initial phase, it is treated as an insurance contract before the right of ownership and obligations expired or extinguished, even if the exposure to insurance risk during the policy period has significantly decreased. However, if an insurance contract with features of financial instruments transfers a significant insurance risk to the Group subsequently, the Group should reclassify the contract as an insurance contract.

Insurance contracts and those with features of financial instruments are further classified into separate categories depending on whether the contracts have discretionary participation feature or not. Discretionary participation feature refers to a contractual right to receive additional payments in addition to guaranteed payments from the contract. The contractual rights have the following characteristics:

1) Additional payments are significant to total contractual payments.

2) In accordance with the contract, the amounts and dates of payment for additional payments are at the Group's discretion.

3) In accordance with the contract, additional payments are based on one of the following matters:

   a) The performance of specific contract portfolio or specific types of contracts.

   b) Returns on investment from a portfolio of specific asset portfolio held by the Group.

   c) Profits and losses of the Group, funds, or other entities.

When the embedded derivative instrument has economic characteristics and risks not closely related to those of the primary contracts, it should be recorded separately from the primary contracts and measured at fair value with changes in fair values recognized in profit or loss when incurred. However, if the embedded derivative instrument meets the definition of an insurance contract or the whole contract is measured at fair value with changes in fair values recognized in profit or loss when incurred, the Group does not separately recognize the embedded derivative instrument and the insurance contract.

u. Reinsurance

In order to limit the possible losses caused by certain events, the Group arranges reinsurance business based on its business needs and related insurance regulations. For reinsurance of ceded business, the Group cannot refuse to fulfill its obligations to the insured when the reinsurer fails to fulfill its obligations.

The Group holds the rights over reinsurer including reinsurance assets, claims and payments recoverable from reinsurers and net due from reinsurers and ceding companies, and regularly assesses if the rights are impaired or unrecoverable. If an objective evidence, which occurred after initial recognition of reinsures assets, shows that the Group may not receive all amounts of receivables from the reinsurer and the unrecoverable amount can be reasonably estimated, the Group recognizes the difference between recoverable amount of reinsurance assets and carrying value as an impairment loss.

For the classification of reinsurance contracts, the Group assesses whether or not such contracts transfer significant insurance risk to the reinsurer. If the reinsurance contract does not transfer a significant insurance risk to the reinsurer, the contract is recognized and measured in accordance with deposit accounting.

For a reinsurance contract that transfers a significant insurance risks, if the Group can measure its saving element separately, the insurance element and the saving element of the reinsurance contract are recognized separately. That is, the Group recognizes the contract premium received (or paid) less the amount of insurance as financial liabilities (or assets) rather than income (or expenses). The financial liabilities (or assets) are recognized at the fair values based on the present values of future cash flows.

v. Provisions

Provisions are measured at the best estimate of the discounted cash flows of the consideration required to settle the present obligation at the end of each balance sheet date, taking into account the risks and uncertainty of the obligation.

w. Leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease.

1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and amortized on a straight-line basis over the lease terms.

2) The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, and subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets, except for those that meet the definition of investment properties. With respect to the recognition and measurement of right-of-use assets that meet the definition of investment properties, refer to Note 4 h. for the accounting policies for investment properties.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

x. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related services.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as expenses when employees have rendered services entitling them to the contributions.

Defined benefit costs (including service cost net interest and remeasurement) under defined benefit retirement benefit plans are determined using the projected unit credit method. Service costs (including current service cost, past service cost, as well as gains and losses on settlements) net interest on the net defined benefit liabilities (assets) are recognized as employee benefits expense in the period in which they occur or when the plan amendment or curtailment occurs or when the settlement occurs. Remeasurement, comprising actuarial gains and losses and the effect of the changes to the asset ceiling and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which it occurs. Remeasurements recognized in other comprehensive income are reflected immediately in other equity and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

Pension costs for an interim period are calculated on a year-to-date basis by using the actuarially determined pension cost rate as determine at the end of the prior financial year, adjusted for significant market fluctuations since that time and for significant plan amendments, settlements, or other significant one-off events.

y. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. Interim period income taxes are assessed on an annual basis and calculated by applying to an interim period's per-tax income the tax rate that would be applicable to expected total annual earnings.

1) Current tax

According to the Income Tax Law, an additional tax of unappropriated earnings is provided for in the year the shareholders approve to retain earnings.

Adjustments of prior years’ tax liabilities are added to or deducted from the current year’s tax provision.

In accordance with Article 49 of the Financial Holding Company Act, the Company and its parent company jointly filed income tax returns and surtax on unappropriated retained earnings since 2002 under the integrated income tax system with the financial holding company (the parent) as the tax payer. Such effects on current tax and deferred tax are accounted for as receivables or payables.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. If a temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit, the resulting deferred tax asset or liability is not recognized. In addition, a deferred tax liability is not recognized on taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all temporary differences and loss carryforwards which are probably deductible.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. If investment properties measured using the fair value model are non-depreciable assets, or are held under a business model whose objective is not to consume substantially all of the economic benefits embodied in the assets over time, the carrying amounts of such assets are presumed to be recovered entirely through sale.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for the acquisition of a subsidiary, the tax effect is included in the accounting for the investments in the subsidiary.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

a. Estimated impairment of financial assets

The provisions for impairment of receivables, loans and investments in debt instruments are based on assumptions about probability of default and expected credit loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. Where the actual future cash inflows are less than expected, a material impairment loss may arise. For details of the key assumptions and inputs used, refer to Note 40.

b. Fair value measurements and valuation processes

Where some of the Group's assets and liabilities measured at fair value have no quoted prices in active markets, the Group, in accordance with relevant regulations and judgments, determines the appropriate valuation techniques for the fair value measurements and whether to engage third party qualified valuers.

Where Level 1 inputs are not available, the Group or engaged valuers determine appropriate inputs by referring to the analyses of the financial position and the operation results of the investees, recent transaction prices, prices of the same equity instruments not quoted in active markets, quoted prices of similar instruments in active markets, and valuation multiples of comparable entities/market prices or rates and specific features of derivatives, the existing lease contracts and rentals of similar properties in the vicinity of the Group's investment properties. If the actual changes of inputs in the future differ from expectation, the fair value might vary accordingly. The Group updates inputs every quarter to confirm the appropriateness of the fair value measurement.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in Notes 15 and 40.

c. Valuation of policy reserve and liability adequacy test

Policy reserves for insurance contracts and investment contracts with discretionary participation features are based on actuarial models and assumptions made as the insurance contracts were established, which include the mortality rate, discount rate, lapse rate, morbidity rate, etc. The assumptions are made based on the related laws and regulations.

All insurance contracts are subject to a liability adequacy test, which reflects the best current estimate of future cash flows. Best estimates of future investment income from the assets backing such contracts are based on current market returns, as well as expectations about future economic developments. Assumptions on future expenses are based on current expense levels, adjusted using the expected expense inflation, if appropriate. Surrender rates are based on the Company's historical experience.

The management examines these estimates regularly and makes adjustments when necessary, but actual results may differ from these estimates.

6. CASH AND CASH EQUIVALENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand	$ 306,643	$ 258,876	$ 276,929
Cash in banks	234,274,880	178,571,320	140,974,447
Time deposits	168,250,511	165,013,491	111,606,295
Cash equivalents	29,542,315	58,207,997	48,213,895
	$ 432,374,349	$ 402,051,684	$ 301,071,566

7. RECEIVABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	$ 318,203	$ 275,228	$ 293,654
Premium receivables	7,424,227	15,222,934	4,764,679
Other receivables	62,658,972	66,972,565	83,815,117
Overdue receivables	4,670	11,919	18,301
	70,406,072	82,482,646	88,891,751
Less: Loss allowance	(10,174)	(14,732)	(53,277)
	$ 70,395,898	$ 82,467,914	$ 88,838,474

The movements in the loss allowance are as follows:

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 14,732	$ 98,067
Provision (reversal) for the current period	4,013	(4,548)
Amounts written off	(8,574)	(40,242)
Foreign exchange	3	-
Ending balance	$ 10,174	$ 53,277

8. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
Non-derivative financial assets			
Domestic stocks	$ 285,706,560	$ 258,526,486	$ 342,300,468
Beneficiary certificates	616,236,144	558,404,095	403,226,694
Government bonds	-	399,968	-
Financial debentures	12,628,026	14,475,317	16,031,730
Overseas stocks	199,407,495	220,739,840	246,095,089
Real estate investment trust	19,606,670	16,161,514	14,957,182
Overseas bonds	211,694,355	230,049,274	220,559,659
Structured time deposits	19,106,748	4,011,973	-
Derivative financial assets (not under hedge accounting)			
Currency swap contracts ("SWAP")	12,670,105	18,728,825	5,680,494
Foreign exchange forward contacts ("Forward")	3,843,226	9,332,640	4,268,009
Cross currency swap contracts ("CCS")	296,537	148,872	-
Options	-	49,353	58,157
	$ 1,381,195,866	$ 1,331,028,157	$ 1,253,177,482
Financial liabilities held for trading			
Derivative financial liabilities (not under hedge accounting)			
SWAP	$ 1,141,429	$ 1,810,120	$ 30,116,067
Forward	1,551,066	1,138,856	3,027,467
Interest rate swap contracts ("IRS")	-	7,342	11,755
Options	-	18,016	111,046
	$ 2,692,495	$ 2,974,334	$ 33,266,335

a. The Group elects to present the profit or loss of the designated financial assets using overlay approach under IFRS 4 "Insurance Contracts". Financial assets designated to apply overlay approach by the Group for investing activities relating to insurance contracts issued by the Group are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets mandatorily classified as at FVTPL			
Domestic stocks	$ 285,348,991	$ 256,601,805	$ 340,485,961
Beneficiary certificates	580,465,152	523,997,872	366,151,847
Financial debentures	12,628,026	14,475,317	16,031,730
Overseas stocks	198,547,172	220,010,748	245,193,147
Real estate investment trust	19,606,670	16,161,514	14,957,182
Overseas bonds	211,339,064	229,427,152	219,967,392
Structured time deposits	19,106,748	4,011,973	-
	$ 1,327,041,823	$ 1,264,686,381	$ 1,202,787,259

Reclassification from profit or loss to other comprehensive income of the financial assets designated to apply overlay approach for the three months and six months ended June 30, 2020 and 2019 are as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Gains (loss) due to applying IFRS 9 to profit or loss	$ 118,778,277	$ 34,231,806	$ 41,079,638	$ 136,636,438
Gains if applying IAS 39 to profit or loss	(28,556,891)	(22,501,623)	(52,187,445)	(41,637,679)
Loss (gains) reclassified due to application of overlay approach	$ 90,221,386	$ 11,730,183	$ (11,107,807)	$ 94,998,759

Due to application of overlay approach, the amount of gain or loss on financial assets and liabilities at FVTPL for the three months and six months ended June 30, 2020 and 2019 had decreased from gain of $137,069,026 thousand to gain of $46,847,640 thousand, decreased from gain of $12,144,091 thousand to gain of $413,908 thousand, increased from gain of $29,672,714 thousand to gain of $40,780,521 thousand and decreased from gain of $95,978,523 thousand to loss of $979,764 thousand, respectively.

b. As of June 30, 2020, December 31, 2019 and June 30, 2019, structured notes accounted for financial instruments at FVTPL amounted to $95,639,585 thousand, $105,784,237 thousand and $96,706,586 thousand, respectively.

c. The financial assets at FVTPL held by the Group were not pledged as collateral.

9. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	June 30, 2020	December 31, 2019	June 30, 2019
Equity instrument investments at FVTOCI			
Domestic stocks	$ 69,449,137	$ 26,813,635	$ 26,633,653
Overseas stocks	6,470,159	8,815,869	12,994,009
	75,919,296	35,629,504	39,627,662
Debt instrument investments at FVTOCI			
Corporate bonds	2,195,481	-	-
Government bonds	46,360,759	41,077,782	48,469,125
Overseas bonds	847,654,598	778,747,472	782,476,615
Less: Litigation deposits	(46,278)	(45,748)	(44,995)
Less: Deposits to Central Bank	(1,099,792)	(1,067,739)	(1,061,217)
Less: Derivative instrument collaterals	-	-	(4,783)
	895,064,768	818,711,767	829,834,745
	$ 970,984,064	$ 854,341,271	$ 869,462,407

a. These investments in equity instruments are not held for trading, and thus were designated as financial assets at FVTOCI.

b. Dividend income recognized relating to investments in equity instruments at FVTOCI still held by the Group on the balance sheet date for the three months and six months ended June 30, 2020 and 2019 were $361,256 thousand, $410,157 thousand, $417,506 thousand and $410,157 thousand, respectively. Those related to investments derecognized for the three months and six months ended June 30, 2020 and 2019 were $0 thousand, $480 thousand, $0 thousand and $480 thousand, respectively.

c. In consideration of investment strategies, the Group sold equity instrument investments at FVTOCI at fair values of $2,713,029 thousand and $13,599,805 thousand at the time of sale, and transferred unrealized loss of $227,975 thousand and $2,627,758 thousand from other equity to retained earnings for the six months ended June 30, 2020 and 2019, respectively.

d. Refer to Note 38 for the financial assets at FVTOCI that were pledged.

e. Refer to Note 40 for information relating to the credit risk management and impairment of investments in debt instruments at FVTOCI.

10. HEDGING INSTRUMENTS

	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets for hedging			
IRS	$ 190,953	$ 185,206	$ 218,706
CCS	478,903	362,869	39,492
	$ 669,856	$ 548,075	$ 258,198
Financial liabilities for hedging			
IRS	$ 65,647	$ 30,894	$ 31,843

The financial assets for hedging held by the Group were not pledged.

11. SUBSIDIARIES

a. Subsidiaries included in the consolidated financial statements

Investors	Investees	Business	Ownership Interest June 30, 2020	Ownership Interest December 31, 2019	Ownership Interest June 30, 2019	Explanation
The Company	Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	50.00	50.00	50.00	
The Company	Cathay Life Insurance (Vietnam) Co., Ltd.	Life insurance	100.00	100.00	100.00	
The Company	Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	100.00	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Cathay Woolgate Exchange Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Cathay Walbrook Holding 1 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Cathay Walbrook Holding 2 Limited	Real estate investment and management	100.00	100.00	100.00	
The Company	Conning Holdings Limited (“CHL”)	Holding company	100.00	100.00	100.00	
CHL	Conning U.S. Holdings, Inc.	Holding company	100.00	100.00	100.00	
CHL	Conning Asset Management Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Conning (Germany) GmbH	Risk management software services	100.00	100.00	100.00	
CHL	Conning Asia Pacific Ltd.	Asset management services	82.85	82.85	82.85	
CHL	Conning Japan Ltd.	Asset management services	100.00	100.00	100.00	
CHL	Global Evolution Holding ApS	Asset management services	53.00	45.00	45.00	Note 1
Conning U.S. Holdings, Inc.	Conning Holdings Corp.	Holding company	100.00	100.00	100.00	
Conning Holdings Corp.	Conning & Company (“C&C”)	Holding company	100.00	100.00	100.00	
C&C	Conning Inc.	Asset management services	100.00	100.00	100.00	
C&C	Goodwin Capital Advisers, Inc.	Asset management services	100.00	100.00	100.00	
C&C	Conning Investment Products, Inc.	Securities services	100.00	100.00	100.00	
C&C	Octagon Credit Investors, LLC (“Octagon”)	Asset management services	84.00	81.89	81.89	
Octagon	Octagon Multi-Strategy Corporate Credit GP, LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funds GP II LLC	Fund management services	100.00	100.00	100.00	
Octagon	Octagon Funding I, LLC	Fund management services	-	-	100.00	Note 2
Octagon	Octagon Funding II, LLC	Fund management services	-	-	100.00	Note 2
Octagon	Octagon Funding III, LLC	Fund management services	-	-	100.00	Note 2

Note 1: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, and increased the ownership interest from 45% to 53%, and CHL obtained the control of Global Evolution Holding ApS. Refer to Note 44 for information relating to the business combination.

Note 2: As of December 31, 2019, Octagon Funding I, LLC, Octagon Funding II, LLC and Octagon Funding III, LLC were dissolved.

b. Subsidiaries excluded from the consolidated financial statements

Investors	Investees	Business	Ownership Interest June 30, 2020	Ownership Interest December 31, 2019	Ownership Interest June 30, 2019	Notes
The Company	Cathay Securities Investment Consulting Co., Ltd. (“Cathay Securities Investment Consulting”)	Securities investment consulting services	100.00	100.00	100.00	

The consolidated financial statements did not include Cathay Securities Investment Consulting because its total assets and operating revenue were insignificant to the total assets and operating revenue of the Company.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	June 30, 2020	December 31, 2019	June 30, 2019
Investments in unconsolidated subsidiaries	$ 518,986	$ 333,089	$ 242,610
Investments in associates	28,124,664	44,224,460	44,916,117
	$ 28,643,650	$ 44,557,549	$ 45,158,727

Refer to Table 1 and Table 5 for the nature of business activities, main operating locations and countries of incorporation of the unconsolidated subsidiaries and associates.

a. Investments in unconsolidated subsidiaries

	June 30, 2020	December 31, 2019	June 30, 2019
Cathay Securities Investment Consulting	$ 518,986	$ 333,089	$ 242,610

b. Investments in associates

Aggregate information of associates that are not individually material

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
The Group' share of:				
Net income	$ (12,601,043)	$ 440,373	$ (13,132,409)	$ 690,550
Other comprehensive income (loss)	12,121	521,408	(64,806)	930,834
Total comprehensive income for the period	$ (12,588,922)	$ 961,781	$ (13,197,215)	$ 1,621,384

As the individual associates are not significant, the related financial information is disclosed aggregately. Except for Cathay Venture Inc., the amount of the share of profit or loss and other comprehensive income of associates were based on non-audited financial statements.

The investments in associates were not pledged.

PT Bank Mayapada Internasional Tbk, the Group's associate, has encountered operating pressure and was required to increase capital by the local authority in Indonesia because one of its credit clients was involved in a fraudulent case and has been prosecuted at the beginning of 2020, as well as because of the negative impact of COVID-19 to the economy of Indonesia and the deficiencies found in financial inspections. After doing a prudent assessment, the Group recognized a loss on investment in associate accounted for using the equity method of $13,980,277 thousand for the six months ended June 30, 2020.

13. FINANCIAL ASSETS MEASURED AT AMORTIZED COST

	June 30, 2020	December 31, 2019	June 30, 2019
Time deposits	$ 3,652,852	$ 2,641,269	$ 1,344,498
Financial debentures	45,842,199	50,049,481	53,657,363
Corporate bonds	26,795,529	25,294,942	26,194,310
Government bonds	40,518,094	39,073,691	36,632,165
Overseas bonds	2,575,281,154	2,508,736,300	2,400,237,184
Asset-backed securities	802,808	1,189,350	1,143,253
Less: Litigation deposits	(1,343,077)	(1,343,931)	(1,344,792)
Less: Deposits to Central Bank	(8,042,022)	(7,858,911)	(7,861,617)
Less: Derivative instruments collateral	-	-	(4,838,997)
Less: Loss allowance (Note)	(2,771,999)	(1,197,021)	(1,690,224)
	$ 2,680,735,538	$ 2,616,585,170	$ 2,503,473,143

Note: Loss allowance for guarantee deposits paid in bonds is not included. As of June 30, 2020, December 31, 2019 and June 30, 2019, the amounts were $1,563 thousand, $891 thousand and $1,068 thousand, respectively.

a. For the three months and six months ended June 30, 2020 and 2019, the Group disposed of bonds before maturity due to increase in credit risk, and the losses on disposal were $1,497,482 thousand, $903,047 thousand, $1,308,368 thousand and $2,002,758 thousand, respectively; bonds disposal before maturity because of infrequent sales or sales insignificant in value (either individually or in aggregate) resulted in gains on disposal of $10,753,570 thousand, $1,822,263 thousand, $24,437,470 thousand and $3,100,830 thousand, respectively; bonds disposal due to other situations such as repayments at maturities resulted in gain on disposal of $297,678 thousand, loss on disposal of $7,323 thousand, gain on disposal of $237,821 thousand and $284,936 thousand, respectively.

b. Refer to Note 38 for information relating to investments in financial assets at amortized cost pledged as security.

c. Refer to Note 40 for information relating to the credit risk management and impairment of investments in debt instruments at amortized cost.

14. OTHER FINANCIAL ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Structured time deposits	$ -	$ -	$ 2,000,000
Less: Loss allowance	-	-	(667)
	$ -	$ -	$ 1,999,333

15. INVESTMENT PROPERTY, INVESTMENT PROPERTY UNDER CONSTRUCTION AND PREPAYMENTS FOR BUILDINGS AND LAND - INVESTMENTS

	Investment Property			Investment Property Under Construction	Prepayments for Buildings and Land - Investments
	Land	Buildings	Total		
January 1, 2019	$ 346,268,022	$ 115,084,359	$ 461,352,381	$ 2,785,640	$ 722,686
Adjustment on initial application of IFRS 16	9,014,035	-	9,014,035	-	-
Additions	-	-	-	1,833,490	1,261,501
Disposals	(28,454)	(32,491)	(60,945)	-	-
Reclassification	278,602	1,938,078	2,216,680	(1,937,817)	(278,863)
Gain (loss) on changes in fair value of investment property	1,086,918	(458,294)	628,624	-	-
Exchange differences	158,549	309,411	467,960	-	-
June 30, 2019	$ 356,777,672	$ 116,841,063	$ 473,618,735	$ 2,681,313	$ 1,705,324
January 1, 2020	$ 367,408,105	$ 116,463,612	$ 483,871,717	$ 4,546,717	$ 1,152,363
Additions	-	-	-	1,680,237	891,971
Disposals	(129,794)	(525,529)	(655,323)	-	-
Reclassification	1,797,506	4,625,809	6,423,315	(4,531,179)	(1,348,888)
(Loss) gain on changes in fair value of investment property	(17,252)	2,413,917	2,396,665	-	-
Exchange differences	(997,025)	(1,758,589)	(2,755,614)	-	-
June 30, 2020	$ 368,061,540	$ 121,219,220	$ 489,280,760	$ 1,695,775	$ 695,446

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Rental income from investment property	$ 2,979,728	$ 2,824,062	$ 6,165,609	$ 6,199,066
Direct operating expenses of investment property that generate rental income	(221,427)	(227,263)	(371,713)	(340,466)
Direct operating expenses of investment property that do not generate rental income	(42,253)	(49,506)	(66,886)	(77,914)
	$ 2,716,048	$ 2,547,293	$ 5,727,010	$ 5,780,686

a. Certain properties are held to earn rental or to achieve capital appreciation, and the others are held for owner occupation. If each component of a property could be sold separately, it is classified as investment property or property and equipment individually. If each component of a property could not be sold separately, it would be classified as investment properties only when owner occupation is lower than 5% of the property.

b. As of June 30, 2020, the investment properties belonging to the Company amounted to $454,456,525 thousand. The investment properties are held mainly for lease business. All the lease agreements of the Group's lease business are operating leases and the primary terms of lease agreements are the same with general lease agreement. Rents from investment property are received annually, semi-annually, quarterly, monthly or in lump sum. Investment properties held by the Group were not pledged.

c. The ownership of the Group's investment properties are not subject to restrictions other than the restriction associated with being furnished as security for other debts; the ownership of its trust property is not subject to restrictions. Besides, the Group are not involved in any situations that violate Subparagraph 2, Paragraph 3 of Article 11-2 of Regulations Governing Foreign Investments by Insurance Companies.

d. Valuation has been performed by the following appraisers of joint appraisers firms meeting the qualification requirements for real estate appraisers in the R.O.C., with valuation dates at June 30, 2020, December 31, 2019 and June 30, 2019:

Names of Appraisers Offices	June 30, 2020	December 31, 2019	June 30, 2019
DTZ Real Estate Appraiser Firm	Chang-d, Yang; Gen-yuan, Li; Chia-ho, Tsai; Chun-chun, Hu	Chang-d, Yang; Gen-yuan, Li	Chang-d, Yang; Gen-yuan, Li; Chun-chun, Hu
Savills plc Real Estate Appraiser Firm	Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang; Chia-hsien, Liao	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang	Gunag-ping, Dai; Yu-fen, Ye; Yi-zhi, Zhang; Hong-kai, Zhang
REPro KnightFrank Real Estate Appraiser Firm	Hong-xu, Wu; Yu-hsiang, Tsai; Hsiang-yi, Hsu; Wei-ju, Li	Hong-xu, Wu; Yu-hsiang, Tsai	Hong-xu, Wu; Yu-hsiang, Tsai
V-LAND Real Estate Appraiser Firm	You-qi, Liang; Yu-chih, Kao; Chun-han, Lin	Xi-zhong, Wang; You-qi, Liang	Xi-zhong, Wang; You-qi, Liang
Shang-shang Real Estate Appraiser Firm	Hong-yuan, Wang	Hong-yuan, Wang	Hong-yuan, Wang
Sinyi Real Estate Appraiser Firm	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang	Wei-xin, Chi; Liang-an, Ji; Wen-zhe, Cai; Shi-ming, Wang
Elite Real Estate Appraiser Firm	Yu-lin, Chen; Yi-hui, Lo	Yu-lin, Chen	Yu-lin, Chen
CBRE Real Estate Appraiser Firm	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi; Chih-wei, Li	Fu-xue, Shi;

On May 11, 2020, the Insurance Bureau of the FSC issued Jin Guan Bao Tsai No. 10904917641 to amend some of the provisions of the "Regulations Governing the Preparation of Financial Reports by Insurance Enterprises", which should be applied in the preparation of the financial report beginning for the first quarter of 2020. However, the Company’s investment properties were mainly recognized at fair value subsequent to initial recognition before the amendment issued on May 11, 2020 and, according to the amendment, the previously-adopted appraisal approaches are applied for such assets to maintain the consistency and comparability of the financial reports for the years before and after the amendment.

The fair value is supported by observable evidence in the market. The main appraisal approaches applied include sales comparison approach, income approach - direct capitalization method, income approach - discounted cash flow method, cost approach and the method of land development analysis. Commercial office buildings and residences are mainly valued by sales comparison approach and income approach because of the market liquidity and comparable sales and rental cases in the neighboring areas. Hotels, department stores and marketplaces are mainly valued by income approach - direct capitalization method and income approach - discounted cash flow method because of the stable rental income in the long term. Industrial plants for lease are valued by sales comparison approach and cost approach. Wholesale stores located in industrial districts are valued by cost approach since the buildings are constructed for specific purposes because fewer similar transactions could be referred to in the market. Vacant land and buildings under construction of logistics parks located in industrial and commercial integrated district are valued by cost approach. Land under construction with building permit is mainly valued by comparison approach and land development analysis. Urban renewal land under construction with building permit is valued based by comparison approach and income approach based on the allocated real estates (office buildings, hotels, etc.) under the urban renewal program.

The main inputs used are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Direct capitalization rates (net)	0.84%-6.48%	0.62%-6.30%	0.62%-6.42%
Discount rates	3.18%-4.38%	3.14%-4.23%	3.14%-4.23%

External appraisers use market extraction method, search several comparable properties which are identical with or similar to the subject property, consider the liquidity risk and risk premium when disposed of in the future, to decide the direct capitalization rate and discount rate.

The Group recognized their investment property at fair value subsequent to initial recognition and related fair value are categorized as level 3 of fair value hierarchy. The fair value of investment property will decrease as either one of the main inputs, direct capitalization rate and discount rate, of direct capitalization method increases. On the contrary, the fair value of investment property will increase if any of the main input decreases.

Reconciliation for fair value measurements in Level 3 movements:

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 471,748,733	$ 455,726,383
Adjustment on initial application of IFRS 16	-	9,014,035
Amount recognized in profit or loss		
Gain (loss) from investment property	2,396,665	628,624
Amount recognized in other comprehensive income (loss)		
Exchange differences resulting from translating the financial statements of foreign operations	(2,755,614)	467,960
Disposals	(646,500)	(32,491)
Transfers from investment property under construction	4,531,179	1,937,089
Transfers from prepayments for buildings and land	803,611	989
Ending balance	$ 476,078,074	$ 467,742,589

The above amounts did not include those measured at cost.

e. Refer to Tables 3 and 4 for the acquisition and disposal of individual real estate at costs at least NT$100 million or 20% of the paid-in capital.

16. LOANS

	June 30, 2020	December 31, 2019	June 30, 2019
Life insurance policy loans (a)	$ 156,308,476	$ 160,404,111	$ 157,853,036
Premium loans (b)	12,432,922	12,012,426	11,875,099
Secured loans (c)	324,281,746	345,132,183	376,367,713
Non-accrual receivables	958,189	657,797	500,143
	493,981,333	518,206,517	546,595,991
Less: Loss allowance	(4,547,864)	(4,825,976)	(5,255,112)
	$ 489,433,469	$ 513,380,541	$ 541,340,879

a. Life insurance policy loans were secured by policies issued by the Group.

b. Policyholders may state on the application form or issue a written statement prior to end of grace period for premium payment to request the insurer to automatically deduct the premiums due and interest of the premium loan (as well as the principal and interest of the life insurance policy loan, if applicable) from the policyholders' policy value reserve after the second installment becomes overdue in order to maintain the effective insurance policy. Policyholders may also inform the insurer in writing to terminate the premium loan option prior to the next due date of premium payment.

c. Secured loans are secured by government bonds, stocks, corporate bonds and real estate. The Group applied IFRS 9 and assessed impairment in accordance with the Regulations Governing the Procedures for Insurance Enterprises to Evaluate Assets and Deal with Non-performing/Non-accrual Loans Refer to Note 40 for related information of loss allowance for the six months ended June 30, 2020 and 2019.

17. REINSURANCE ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Due from reinsurers and ceding companies	$ 217,898	$ 403,575	$ 401,348
Reinsurance reserve assets			
Ceded unearned premium reserve	958,283	894,878	790,555
Ceded loss reserve	50,602	24,014	14,423
Ceded policy reserve	416,134	421,465	427,937
Non-accrual receivables	12,816	-	-
	1,655,733	1,743,932	1,634,263
Less: Loss allowance	(6,408)	-	-
	$ 1,649,325	$ 1,743,932	$ 1,634,263

a. CNY co-reinsurance business

Authorized by the FSC under Jin Guan Bao Tsai No. 10302112370, the Group signed a CNY co-reinsurance contract with Central Reinsurance Corporation in 2014. The Group discloses the succeeding information following Article 6 of the Guideline for Reinsurance with Ceded Policy Reserve by Life Insurance Enterprises.

1) Purpose, rationalization and expected benefit

In consideration of the limitation on CNY investment, the Company cedes partial of its CNY insurances through co-reinsurance to increase the Company's liquidity, enhance the capability to insure and transfer relevant risks. Under the reinsurance arrangement, the Company transfers 50% of its insurance risks to Central Reinsurance Corporation.

2) Reinsurance expense, claims recovered from reinsures and commission

	For the Six Months Ended June 30	
	2020	2019
Reinsurance expense	$ 538	$ 60,435
Claims recovered from reinsurers	18,984	7,101
Reinsurance commission	2,943	3,993

3) Net income or loss from CNY co-reinsurance business

Net income from reinsurance of $1,538 thousand had occurred for the six months ended June 30, 2020 from CNY co-reinsurance business. The amount is calculated as follows:

Reinsurance commission of $2,943 thousand + Claims recovered from reinsurers of $18,984 thousand - Net changes in reinsurance reserve assets of $10,548 thousand - Foreign exchange losses of $12,379 thousand - reinsurance expense of $538 thousand.

4) Reason and effect to income or loss from change of co-reinsurance business or contract: None.

5) Accounting treatment for ceded CNY co-reinsurance business

On the balance sheet, the Company recognizes reinsurance reserve assets ceded including policy reserve and ceded premium deficiency reserve and provides insurance liabilities as direct business. All ceded reinsurance reserve assets should be removed at the time the co-reinsurance contract ceased.

6) Other notes designated by authorities: None.

18. PROPERTY AND EQUIPMENT

	Land	Buildings and Construction	Computer Equipment	Leased Assets	Leasehold Improvement	Transportation Equipment	Other Equipment	Construction in Progress and Prepayment for Real Estate Equipment	Total
Cost									
Balance at January 1, 2019	$ 20,367,187	$ 22,364,679	$ 2,853,292	$ 276,136	$ 500,722	$ 11,656	$ 3,901,810	$ 396,036	$ 50,671,518
Additions	-	-	132,643	-	13,718	-	51,883	54,419	252,663
Disposals	(5,451)	(7,495)	(5,025)	-	-	(340)	(37,269)	-	(55,580)
Reclassification	-	1,554	(63)	(276,136)	-	-	2	(1,554)	(276,197)
Exchange differences	-	21,575	8,038	-	5,244	41	925	-	35,823
Balance at June 30, 2019	$ 20,361,736	$ 22,380,313	$ 2,988,885	$ -	$ 519,684	$ 11,357	$ 3,917,351	$ 448,901	$ 50,628,227
Depreciation and impairment									
Balance at January 1, 2019	$ 103,134	$ 12,036,001	$ 2,214,752	$ 275,959	$ 256,141	$ 9,549	$ 3,394,360	$ -	$ 18,289,896
Depreciation expenses	-	206,002	79,502	-	27,250	440	57,949	-	371,143
Disposals	-	(4,425)	(4,920)	-	-	(340)	(36,680)	-	(46,365)
Reclassification	-	-	-	(275,959)	-	-	-	-	(275,959)
Exchange differences	-	1,822	3,345	-	2,452	14	246	-	7,879
Balance at June 30, 2019	$ 103,134	$ 12,239,400	$ 2,292,679	$ -	$ 285,843	$ 9,663	$ 3,415,875	$ -	$ 18,346,594
Carrying amounts at June 30, 2019	$ 20,258,602	$ 10,140,913	$ 696,206	$ -	$ 233,841	$ 1,694	$ 501,476	$ 448,901	$ 32,281,633
Cost									
Balance at January 1, 2020	$ 20,354,938	$ 22,727,235	$ 3,220,975	$ -	$ 514,339	$ 11,184	$ 3,939,219	$ 181,234	$ 50,949,124
Additions	-	-	105,266	-	8,656	299	75,911	148,844	338,976
Disposals	-	-	(58,600)	-	(166)	-	(18,285)	-	(77,051)
Reclassification	(451,389)	(323,289)	-	-	7,260	-	2,857	-	(764,561)
Exchange differences	-	(58,181)	(19,418)	-	(12,502)	(111)	(1,699)	-	(91,911)
Balance at June 30, 2020	$ 19,903,549	$ 22,345,765	$ 3,248,223	$ -	$ 517,587	$ 11,372	$ 3,998,003	$ 330,078	$ 50,354,577
Depreciation and impairment									
Balance at January 1, 2020	$ 103,134	$ 12,428,264	$ 2,370,985	$ -	$ 300,664	$ 9,895	$ 3,464,913	$ -	$ 18,677,855
Depreciation expenses	-	207,768	72,679	-	25,187	294	52,965	-	358,893
Disposals	-	-	(57,456)	-	(166)	-	(17,388)	-	(75,010)
Reclassification	-	(231,430)	-	-	-	-	991	-	(230,439)
Exchange differences	-	(7,945)	(8,781)	-	(8,250)	(78)	(921)	-	(25,975)
Balance at June 30, 2020	$ 103,134	$ 12,396,657	$ 2,377,427	$ -	$ 317,435	$ 10,111	$ 3,500,560	$ -	$ 18,705,324
Carrying amounts at December 31, 2019 and January 1, 2020	$ 20,251,804	$ 10,298,971	$ 849,990	$ -	$ 213,675	$ 1,289	$ 474,306	$ 181,234	$ 32,271,269
Carrying amounts at June 30, 2020	$ 19,800,415	$ 9,949,108	$ 870,796	$ -	$ 200,152	$ 1,261	$ 497,443	$ 330,078	$ 31,649,253

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Buildings and construction	1-70 years
Computer equipment	3-10 years
Leased assets	3 years
Leasehold improvements	5 years or lease term
Transportation equipment	3-5 years
Other equipment	2-22 years

19. LEASE ARRANGEMENTS

a. Right-of-use assets

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts			
Buildings	$ 1,630,463	$ 1,541,327	$ 1,745,618
Office equipment	12,842	13,386	16,208
Transportation equipment	20,060	22,966	20,680
	$ 1,663,365	$ 1,577,679	$ 1,782,506
The right-of-use assets presented as investment properties	$ 8,665,126	$ 8,781,429	$ 8,897,732

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Additions to right-of-use assets	$ 275,282	$ 42,052	$ 394,562	$ 102,163
Depreciation expense for right-of-use assets				
Buildings	$ 138,782	$ 138,747	$ 275,694	$ 280,789
Office equipment	1,150	1,200	2,308	2,385
Transportation equipment	2,770	4,390	5,532	9,025
	$ 142,702	$ 144,337	$ 283,534	$ 292,199

b. Lease liabilities

	June 30, 2020	December 31, 2019	June 30, 2019
Carrying amounts	$ 10,478,762	$ 10,381,894	$ 10,613,406

Range of discount rates for lease liabilities was as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Buildings	2.03%-8.57%	2.05%-8.57%	2.06%-8.57%
Office equipment	4.67%-4.76%	4.67%-4.76%	4.67%-4.76%
Transportation equipment	3.25%-3.66%	3.59%-3.66%	3.59%
Investment property - right of superficies	2.82%-3.71%	2.82%-3.71%	2.82%-3.71%

20. INTANGIBLE ASSETS

	Computer Software	Franchises	Trademarks	Customer Relationships	Goodwill	Other Intangible Assets	Total
Cost							
Balance at January 1, 2019	$ 2,154,016	$ 37,659,600	$ 403,186	$ 3,622,314	$ 10,498,082	$ 214,363	$ 54,551,561
Additions - acquired separately	55,099	-	-	-	-	-	55,099
Exchange differences	2,946	-	4,448	39,955	83,608	2,364	133,321
Balance at June 30, 2019	$ 2,212,061	$ 37,659,600	$ 407,634	$ 3,662,269	$ 10,581,690	$ 216,727	$ 54,739,981
Amortization and impairment							
Balance at January 1, 2019	$ 1,849,404	$ 7,277,841	$ -	$ 1,217,871	$ -	$ 161,485	$ 10,506,601
Amortizations	53,989	1,039,691	-	200,789	-	9,801	1,304,270
Exchange differences	2,279	-	-	14,211	-	1,820	18,310
Balance at June 30, 2019	$ 1,905,672	$ 8,317,532	$ -	$ 1,432,871	$ -	$ 173,106	$ 11,829,181
Carrying amounts at June 30, 2019	$ 306,389	$ 29,342,068	$ 407,634	$ 2,229,398	$ 10,581,690	$ 43,621	$ 42,910,800
Cost							
Balance at January 1, 2020	$ 2,285,198	$ 37,659,600	$ 394,961	$ 3,548,412	$ 10,343,445	$ 209,989	$ 54,441,605
	-	-	-	2,467,576	3,587,422	-	6,054,998
Additions - acquired separately	71,141	-	-	-	-	-	71,141
Disposals	(33,345)	-	-	-	-	-	(33,345)
Exchange differences	(7,439)	-	(5,851)	(52,567)	(109,998)	(3,110)	(178,965)
Balance at June 30, 2020	$ 2,315,555	$ 37,659,600	$ 389,110	$ 5,963,421	$ 13,820,869	$ 206,879	$ 60,355,434
Amortization and impairment							
Balance at January 1, 2020	$ 1,976,599	$ 9,357,224	$ -	$ 1,583,626	$ -	$ 177,257	$ 13,094,706
Amortizations	54,079	1,039,691	-	194,875	-	9,513	1,298,158
Disposals	(33,345)	-	-	-	-	-	(33,345)
Exchange differences	(6,231)	-	-	(25,927)	-	(2,746)	(34,904)
Balance at June 30, 2020	$ 1,991,102	$ 10,396,915	$ -	$ 1,752,574	$ -	$ 184,024	$ 14,324,615
Carrying amounts at December 31, 2019 and January 1, 2020	$ 308,599	$ 28,302,376	$ 394,961	$ 1,964,786	$ 10,343,445	$ 32,732	$ 41,346,899
Carrying amounts at June 30, 2020	$ 324,453	$ 27,262,685	$ 389,110	$ 4,210,847	$ 13,820,869	$ 22,855	$ 46,030,819

a. Intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software	1-10 years
Franchises	6.5 or 20 years
Customer relationships	5-15 years
Other	3-6 years

b. As of June 30, 2020, December 31, 2019 and June 30, 2019, the carrying amounts of goodwill were $13,820,869 thousand, $10,343,445 thousand and $10,581,690 thousand, respectively. The goodwill arose from the acquisition of which the Company assumed all assets, liabilities and operations of Global Life Insurance Co., Ltd. and Singfor Life Insurance Co., Ltd. except for their reserved assets and liabilities on July 1, 2015, the acquisition of 100% of Conning Holdings Limited on September 18, 2015 and 81.89% of Octagon Credit Investors, LLC through Conning & Company, a 100% subsidiary of the Company, on February 1, 2016 and the transaction in which Conning Holdings Limited acquired 8% equity shares in Global Evolution Holding ApS and the ownership interest increased to 53% on June 25, 2020.

c. An annual impairment test for goodwill is performed regularly. The Group estimated the recoverable amount of the cash-generating unit that the goodwill is allocated to for the purpose of impairment test. The recoverable amount is calculated by applying a proper discount rate. Since the recoverable amount is higher than the book value of the cash-generating unit that the goodwill was allocated to, no impairment is incurred for goodwill.

21. OTHER ASSETS

	June 30, 2020	December 31, 2019	June 30, 2019
Insurance Industry Stability Fund (a)	$ 11,567,221	$ 11,019,381	$ 10,439,744
Less: Reserve for Insurance Industry Stability Fund (a)	(11,567,221)	(11,019,381)	(10,439,744)
Guarantee deposits paid (b)	23,132,167	23,151,476	33,726,685
Deferred acquisition costs (c)	3,112	3,629	6,059
Prepayments	371,677	282,823	308,452
Net defined benefit assets	6,524,396	6,422,413	5,865,473
Others	446,954	593,028	2,274,356
	$ 30,478,306	$ 30,453,369	$ 42,181,025

a. Under Tai-Tsai-Bao No.811769212 issued by the Ministry of Finance on December 31, 1992, one thousandth (1/1000) of premiums should be contributed to the Insurance Industry Stabilization Fund starting from January 1, 1993. According to the Standard of Contribution to Life and Property Insurance Stabilization Fund, starting from July 1, 2014, the contribution to the Insurance Industry Stabilization Fund of Life Insurance Enterprises should be based on the premium income and contribution rate calculated using the difference between capital adequacy ratio and management performance rating indicator. The credit account, reserve for Insurance Industry Stabilization Fund, is a contra account of the Insurance Industry Stabilization Fund.

b. Guarantee deposits paid are comprised of:

	June 30, 2020	December 31, 2019	June 30, 2019
Insurance operation guarantee deposit	$ 11,671,492	$ 11,534,498	$ 12,104,835
Deposit for futures and options trading	8,073,345	8,374,909	6,943,356
Deposit for derivatives trading	1,282,208	1,117,064	12,449,354
Other guarantee deposits	2,105,122	2,125,005	2,229,140
	$ 23,132,167	$ 23,151,476	$ 33,726,685

The Group provided cash, time deposits and government bonds as guarantees. Refer to Note 38 for related information.

c. Deferred acquisition costs

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred acquisition costs related to investment management services of such contracts are summarized below:

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 3,629	$ 10,401
Amortization	(517)	(4,342)
Ending balance	$ 3,112	$ 6,059

22. PAYABLES

	June 30, 2020	December 31, 2019	June 30, 2019
Notes payable	$ 1,189,080	$ 1,276,384	$ 1,418,027
Claims payable	883,836	885,438	877,605
Commissions payable	2,933,172	4,072,121	2,296,837
Due to reinsurers and ceding companies	695,895	630,445	598,858
Other payables	21,058,902	24,100,214	22,202,381
	$ 26,760,885	$ 30,964,602	$ 27,393,708

23. BONDS PAYABLE

	June 30, 2020	December 31, 2019	June 30, 2019
First perpetual non-cumulative subordinated corporate bonds of 2016 (a)	$ 35,000,000	$ 35,000,000	$ 35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2017 (b)	35,000,000	35,000,000	35,000,000
First perpetual non-cumulative subordinated corporate bonds of 2019 (c)	10,000,000	10,000,000	10,000,000
	$ 80,000,000	$ 80,000,000	$ 80,000,000

a. Pursuant to Jin Guan Bao Shou No. 10502133020 by the FSC, the Company issued first perpetual non-cumulative subordinated corporate bonds on December 13, 2016 through private placement. Key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) Coupon rate: From the issue date to the tenth year, the coupon rate is 3.6%; from the day following the tenth year maturity and on every tenth year maturity from then on, if the bonds are not redeemed, the coupon rate will be adjusted to a fixed annual rate of Taiwan 10-y government bond plus the issue spread.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date. The Company may stop making interest payments and such interest payments will not be cumulated or deferred under the following circumstances: The Company has no earnings or the earnings are insufficient to make interest payments; the Company would fail to meet the required risk-based capital ratio or other minimum requirements from the authorities if making those interest payments; the Company has other essential considerations.

6) Right of early redemption: The Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest. The Company may redeem the bond once a year.

7) Forms of bonds: Physical certificate.

8) Interest expense: Interest expense amounting to $313,278 thousand, $314,137 thousand, $626,557 thousand and $624,822 thousand for the three months and six months ended June 30, 2020 and 2019, respectively. The expense was recorded as finance costs.

b. Pursuant to Order No. Securities-TPEx-Bond-10600099421 of the Taipei Exchange, the Company issued first perpetual cumulative subordinated corporate bonds on May 12, 2017 through public offering. Key terms and conditions are as follows:

1) Issue amount: $35,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3.3% from the issue date to the tenth year, plus 1% if the bonds are not redeemed after the tenth year maturity.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense amounting to $287,630 thousand, $287,525 thousand, $574,805 thousand and $572,320 thousand for the three months and six months ended June 30, 2020 and 2019, respectively. The expense was recorded as finance costs.

c. Pursuant to Order No. Securities-TPEx-Bond-10800055731 of the Taipei Exchange, the Company issued first perpetual non-cumulative subordinated corporate bonds on June 26, 2019 through public offering. Key terms and conditions are as follows:

1) Issue amount: $10,000,000 thousand.

2) Principal amount and issue price: The face value is $1,000 thousand each, and is issued at par.

3) Years to maturity: Perpetual.

4) Coupon rate: Fixed rate of 3%.

5) Terms of interest payments: The interest payments are calculated and paid at coupon rate every year from the issue date.

6) Right of early redemption: If the Company's risk-based capital ratio is greater than twice the minimum risk-based capital ratio required for insurance companies, the Company may, with the approval of the authorities, redeem the bonds in whole after 10 years of the issuance, at a redemption price equal to 100% of the principal amount of the bonds to be redeemed, plus accrued and unpaid interest.

7) Forms of bonds: Book-entry securities.

8) Interest expense: Interest expense amounting to $74,600 thousand, $4,100 thousand, $149,190 thousand and $4,100 thousand for the three months and six months ended June 30, 2020 and 2019, respectively. The expense was recorded as finance costs.

24. INSURANCE LIABILITIES

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

a. The Company

1) Unearned premium reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 79,184	$ -	$ 79,184	$ 81,756	$ -	$ 81,756	$ 49,362	$ -	$ 49,362
Individual injury insurance	6,662,550	-	6,662,550	6,854,370	-	6,854,370	6,428,204	-	6,428,204
Individual health insurance	9,245,845	-	9,245,845	9,362,205	-	9,362,205	8,601,405	-	8,601,405
Group insurance	1,360,014	-	1,360,014	1,092,315	-	1,092,315	1,326,393	-	1,326,393
Investment-linked insurance	116,802	-	116,802	114,231	-	114,231	112,531	-	112,531
	17,464,395	-	17,464,395	17,504,877	-	17,504,877	16,517,895	-	16,517,895
Less ceded unearned premium reserve:									
Individual life insurance	694,062	-	694,062	713,629	-	713,629	547,529	-	547,529
Individual injury insurance	21,512	-	21,512	17,678	-	17,678	38,636	-	38,636
Individual health insurance	242,709	-	242,709	163,571	-	163,571	200,062	-	200,062
Group insurance	-	-	-	-	-	-	4,328	-	4,328
	958,283	-	958,283	894,878	-	894,878	790,555	-	790,555
	$ 16,506,112	$ -	$ 16,506,112	$ 16,609,999	$ -	$ 16,609,999	$ 15,727,340	$ -	$ 15,727,340

The changes in unearned premium reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 17,504,877	$ -	$ 17,504,877	$ 16,458,535	$ -	$ 16,458,535
Provision	17,464,404	-	17,464,404	16,517,890	-	16,517,890
Recovery	(17,504,877)	-	(17,504,877)	(16,458,534)	-	(16,458,534)
Foreign exchange	(9)	-	(9)	4	-	4
Ending balance	17,464,395	-	17,464,395	16,517,895	-	16,517,895
Less ceded unearned premium reserve:						
Beginning balance	894,878	-	894,878	624,337	-	624,337
Increase	63,405	-	63,405	166,218	-	166,218
Ending balance	958,283	-	958,283	790,555	-	790,555
Net ending balance	$ 16,506,112	$ -	$ 16,506,112	$ 15,727,340	$ -	$ 15,727,340

2) Loss reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance									
Filed but not paid	$ 2,512,718	$ 16,875	$ 2,529,593	$ 2,437,380	$ 31,200	$ 2,468,580	$ 2,181,159	$ 17,224	$ 2,198,383
Not yet filed	30,037	-	30,037	31,859	-	31,859	51,075	-	51,075
Individual injury insurance									
Filed but not paid	26,665	-	26,665	40,400	-	40,400	37,981	-	37,981
Not yet filed	1,920,859	-	1,920,859	1,855,652	-	1,855,652	1,901,352	-	1,901,352
Individual health insurance									
Filed but not paid	1,430,895	-	1,430,895	1,282,698	-	1,282,698	986,993	-	986,993
Not yet filed	3,237,073	-	3,237,073	3,051,864	-	3,051,864	3,078,477	-	3,078,477
Group insurance									
Filed but not paid	64,632	-	64,632	60,760	-	60,760	37,112	-	37,112
Not yet filed	1,627,838	-	1,627,838	1,592,067	-	1,592,067	1,419,996	-	1,419,996
Investment-linked insurance									
Filed but not paid	195,876	-	195,876	180,254	-	180,254	185,269	-	185,269
Not yet filed	666	-	666	477	-	477	712	-	712
	11,047,259	16,875	11,064,134	10,533,411	31,200	10,564,611	9,880,126	17,224	9,897,350
Less ceded loss reserve									
Individual life insurance	40,281	-	40,281	3,074	-	3,074	1,311	-	1,311
Individual health insurance	1,518	-	1,518	658	-	658	564	-	564
	41,799	-	41,799	3,732	-	3,732	1,875	-	1,875
	$ 11,005,460	$ 16,875	$ 11,022,335	$ 10,529,679	$ 31,200	$ 10,560,879	$ 9,878,251	$ 17,224	$ 9,895,475

The changes of loss reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 10,533,411	$ 31,200	$ 10,564,611	$ 8,522,425	$ 9,145	$ 8,531,570
Provision	11,051,467	16,875	11,068,342	9,877,889	17,224	9,895,113
Recovery	(10,533,411)	(31,200)	(10,564,611)	(8,522,425)	(9,145)	(8,531,570)
Foreign exchange	(4,208)	-	(4,208)	2,237	-	2,237
Ending balance	11,047,259	16,875	11,064,134	9,880,126	17,224	9,897,350
Less ceded loss reserve						
Beginning balance	3,732	-	3,732	8,793	-	8,793
Increase	38,067	-	38,067	-	-	-
Decrease	-	-	-	(6,918)	-	(6,918)
Ending balance	41,799	-	41,799	1,875	-	1,875
Net ending balance	$ 11,005,460	$ 16,875	$ 11,022,335	$ 9,878,251	$ 17,224	$ 9,895,475

3) Policy reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance (Note 1)	$ 5,000,243,852	$ 3,690	$ 5,000,247,542	$ 4,812,427,110	$ 3,747	$ 4,812,430,857	$ 4,656,671,328	$ 5,676	$ 4,656,677,004
Injury insurance	7,141,969	-	7,141,969	7,268,700	-	7,268,700	7,360,500	-	7,360,500
Health insurance	758,375,162	-	758,375,162	725,104,907	-	725,104,907	685,366,633	-	685,366,633
Annuity insurance	1,385,663	17,015,854	18,401,517	1,388,012	20,476,035	21,864,047	1,398,743	23,603,053	25,001,796
Investment-linked insurance	515,133	-	515,133	450,698	-	450,698	441,412		441,412
Total (Note 2)	5,767,661,779	17,019,544	5,784,681,323	5,546,639,427	20,479,782	5,567,119,209	5,351,238,616	23,608,729	5,374,847,345
Less ceded policy reserve									
Life insurance	398,537	-	398,537	421,465	-	421,465	427,937	-	427,937
	$ 5,767,263,242	$ 17,019,544	$ 5,784,282,786	$ 5,546,217,962	$ 20,479,782	$ 5,566,697,744	$ 5,350,810,679	$ 23,608,729	$ 5,374,419,408

Note 1: Allowance for doubtful account pertinent to 3% of business tax cut and recovery of reserve for catastrophic event are included.

Note 2: Total policy reserve after including policy-reserve payables for the insured amounted to $5,785,143,715 thousand, $5,567,592,302 thousand and $5,375,318,938 thousand as of June 30, 2020, December 31, 2019 and June 30, 2019, respectively.

The changes of policy reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 5,546,639,427	$ 20,479,782	$ 5,567,119,209	$ 5,181,152,670	$ 25,847,690	$ 5,207,000,360
Provision	336,145,543	100,319	336,245,862	329,538,627	904,221	330,442,848
Recovery	(94,814,830)	(3,560,501)	(98,375,331)	(171,722,357)	(3,143,226)	(174,865,583)
Foreign exchange	(20,308,361)	(56)	(20,308,417)	12,269,676	44	12,269,720
Ending balance	5,767,661,779	17,019,544	5,784,681,323	5,351,238,616	23,608,729	5,374,847,345
Less ceded policy reserve						
Beginning balance	421,465	-	421,465	365,409	-	365,409
Increase	-	-	-	59,155	-	59,155
Decrease	(10,549)	-	(10,549)	-	-	-
Foreign exchange	(12,379)	-	(12,379)	3,373	-	3,373
Ending balance	398,537	-	398,537	427,937	-	427,937
Net ending balance	$ 5,767,263,242	$ 17,019,544	$ 5,784,282,786	$ 5,350,810,679	$ 23,608,729	$ 5,374,419,408

4) Special reserve

	June 30, 2020				December 31, 2019				June 30, 2019			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Participating policies dividends reserve	$ (63,893)	$ -	$ -	$ (63,893)	$ (56,900)	$ -	$ -	$ (56,900)	$ (66,490)	$ -	$ -	$ (66,490)
Dividend risk reserve	65,094	-	-	65,094	58,200	-	-	58,200	67,526	-	-	67,526
Special reserve for revaluation increments of property	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324	-	-	11,083,324	11,083,324
	$ 1,201	$ -	$ 11,083,324	$ 11,084,525	$ 1,300	$ -	$ 11,083,324	$ 11,084,624	$ 1,036	$ -	$ 11,083,324	$ 11,084,360

The changes of special reserve are summarized below:

	For the Six Months Ended June 30							
	2020				2019			
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Other	Total
Beginning balance	$ 1,300	$ -	$ 11,083,324	$ 11,084,624	$ 930	$ -	$ 11,083,324	$ 11,084,254
Provision for participating policies dividends reserve	4,277	-	-	4,277	7,510	-	-	7,510
Recovery of participating policies dividends reserve	(11,270)	-	-	(11,270)	(11,746)	-	-	(11,746)
Recovery for dividend risk reserve	6,894	-	-	6,894	4,342	-	-	4,342
Ending balance	$ 1,201	$ -	$ 11,083,324	$ 11,084,525	$ 1,036	$ -	$ 11,083,324	$ 11,084,360

5) Premium deficiency reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	$ 16,026,918	$ -	$ 16,026,918	$ 18,282,478	$ -	$ 18,282,478	$ 19,533,431	$ -	$ 19,533,431
Individual injury insurance	987	-	987	1,078	-	1,078	1,139	-	1,139
Individual health insurance	1,271,337	-	1,271,337	1,347,284	-	1,347,284	1,462,161	-	1,462,161
Group insurance	126,073	-	126,073	48,617	-	48,617	118,172	-	118,172
	$ 17,425,315	$ -	$ 17,425,315	$ 19,679,457	$ -	$ 19,679,457	$ 21,114,903	$ -	$ 21,114,903

The changes of premium deficiency reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 19,679,457	$ -	$ 19,679,457	$ 22,548,304	$ -	$ 22,548,304
Provision	126,364	-	126,364	185,316	-	185,316
Recovery	(2,280,421)	-	(2,280,421)	(1,686,122)	-	(1,686,122)
Foreign exchange	(100,085)	-	(100,085)	67,405	-	67,405
Ending balance	$ 17,425,315	$ -	$ 17,425,315	$ 21,114,903	$ -	$ 21,114,903

6) Other reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Other	$ 1,861,141	$ -	$ 1,861,141	$ 1,873,141	$ -	$ 1,873,141	$ 1,883,542	$ -	$ 1,883,542

The changes of other reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 1,873,141	$ -	$ 1,873,141	$ 1,894,570	$ -	$ 1,894,570
Recovery	(12,000)	-	(12,000)	(11,028)	-	(11,028)
Ending balance	$ 1,861,141	$ -	$ 1,861,141	$ 1,883,542	$ -	$ 1,883,542

7) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Unearned premium reserve	$ 17,464,395	$ 17,504,877	$ 16,517,895
Policy reserve	5,785,143,715	5,567,592,302	5,375,318,938
Premium deficiency reserve	17,425,315	19,679,457	21,114,903
Other reserve	1,861,141	1,873,141	1,883,542
Book value of insurance liabilities	$ 5,821,894,566	$ 5,606,649,777	$ 5,414,835,278
Estimated present value of cash flows	$ 5,055,473,486	$ 4,515,206,417	$ 4,219,006,454
Balance of liability adequacy reserve	$ -	$ -	$ -

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Loss reserve and special reserve are not included in liability adequacy test. Loss reserve is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: The Company has settled the acquisition of Global Life and Singfor Life. Thus, the value of acquired business, i.e., other reserve, shall be considered when calculating the book value of insurance liability included in liability adequacy test.

Liability adequacy testing methodology is listed as follows:

	June 30, 2020	**December 31, 2019**	**June 30, 2019**
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
i. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date
ii. Discount rate	Under assets allocation plan on March 31, 2020, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on September 30, 2019, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.	Under assets allocation plan on March 31, 2019, discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.

b. Cathay Lujiazui Life

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

1) Unearned premium reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 5,162	$ -	$ 5,162	$ 5,461	$ -	$ 5,461	$ 5,601	$ -	$ 5,601
Individual health insurance	29,699	-	29,699	28,293	-	28,293	47,298	-	47,298
Group insurance	235,435	-	235,435	268,054	-	268,054	220,148	-	220,148
	$ 270,296	$ -	$ 270,296	$ 301,808	$ -	$ 301,808	$ 273,047	$ -	$ 273,047

The changes of unearned premium reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 301,808	$ -	$ 301,808	$ 279,007	$ -	$ 279,007
Provision	138,687	-	138,687	145,700	-	145,700
Recovery	(187,386)	-	(187,386)	(154,724)	-	(154,724)
Reclassification	25,778	-	25,778	-	-	-
Foreign exchange	(8,591)	-	(8,591)	3,064	-	3,064
Ending balance	$ 270,296	$ -	$ 270,296	$ 273,047	$ -	$ 273,047

2) Loss reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**	**Insurance Contracts**	**Financial Instruments with Discretionary Participation Feature**	**Total**
Individual life insurance									
Filed but not paid	$ -	$ -	$ -	$ 1,169	$ -	$ 1,169	$ -	$ -	$ -
Not yet filed	10,024	-	10,024	10,535	-	10,535	9,714	-	9,714
Individual injury insurance									
Filed but not paid	-	-	-	105	-	105	-	-	-
Not yet filed	3,277	-	3,277	3,424	-	3,424	438	-	438
Individual health insurance									
Filed but not paid	7,129	-	7,129	7,062	-	7,062	4,259	-	4,259
Not yet filed	58,703	-	58,703	54,959	-	54,959	40,253	-	40,253
Group insurance									
Filed but not paid	9,049	-	9,049	7,848	-	7,848	8,217	-	8,217
Not yet filed	315,772	-	315,772	380,909	-	380,909	323,265	-	323,265
	403,954	-	403,954	466,011	-	466,011	386,146	-	386,146
Less ceded loss reserve									
Individual life insurance	-	-	-	663	-	663	282	-	282
Individual injury insurance	37	-	37	1,063	-	1,063	68	-	68
Individual health insurance	5,689	-	5,689	18,499	-	18,499	12,186	-	12,186
Group insurance	3,077	-	3,077	57	-	57	12	-	12
	8,803	-	8,803	20,282	-	20,282	12,548	-	12,548
	$ 395,151	$ -	$ 395,151	$ 445,729	$ -	$ 445,729	$ 373,598	$ -	$ 373,598

The changes of loss reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 466,011	$ -	$ 466,011	$ 367,506	$ -	$ 367,506
Provision	193,869	-	193,869	278,980	-	278,980
Recovery	(242,903)	-	(242,903)	(264,127)	-	(264,127)
Foreign exchange	(13,023)	-	(13,023)	3,787	-	3,787
Ending balance	403,954	-	403,954	386,146	-	386,146
Less ceded loss reserve						
Beginning balance	20,282	-	20,282	13,716	-	13,716
Increase	31,169	-	31,169	27,153	-	27,153
Decrease	(42,240)	-	(42,240)	(28,479)	-	(28,479)
Foreign exchange	(408)	-	(408)	158	-	158
Ending balance	8,803	-	8,803	12,548	-	12,548
Net ending balance	$ 395,151	$ -	$ 395,151	$ 373,598	$ -	$ 373,598

3) Policy reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 22,756,868	$ -	$ 22,756,868	$ 19,294,499	$ -	$ 19,294,499	$ 17,189,915	$ -	$ 17,189,915
Health insurance	2,354,045	-	2,354,045	1,855,047	-	1,855,047	1,482,319	-	1,482,319
Investment-linked insurance	2,707	-	2,707	2,599	-	2,599	2,681	-	2,681
	25,113,620	-	25,113,620	21,152,145	-	21,152,145	18,674,915	-	18,674,915
Less ceded loss reserve									
Life insurance	1,888	-	1,888	-	-	-	-	-	-
Health insurance	15,709	-	15,709	-	-	-	-	-	-
	17,597	-	17,597	-	-	-	-	-	-
	$ 25,096,023	$ -	$ 25,096,023	$ 21,152,145	$ -	$ 21,152,145	$ 18,674,915	$ -	$ 18,674,915

The changes of policy reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 21,152,145	$ -	$ 21,152,145	$ 14,909,176	$ -	$ 14,909,176
Provision	4,982,503	-	4,982,503	4,103,903	-	4,103,903
Recovery	(470,057)	-	(470,057)	(463,812)	-	(463,812)
Reclassification	163,599	-	163,599	-	-	-
Foreign exchange	(714,570)	-	(714,570)	125,648	-	125,648
Ending balance	25,113,620	-	25,113,620	18,674,915	-	18,674,915
Less ceded policy reserve						
Beginning balance	-	-	-	-	-	-
Provision	49,985	-	49,985	-	-	-
Recovery	(32,067)	-	(32,067)	-	-	-
Foreign exchange	(321)	-	(321)	-	-	-
Ending balance	17,597	-	17,597	-	-	-
Net ending balance	$ 25,096,023	$ -	$ 25,096,023	$ 18,674,915	$ -	$ 18,674,915

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	June 30, 2020	December 31, 2019	June 30, 2019
Unearned premium reserve	$ 270,296	$ 301,808	$ 273,047
Policy reserve	25,113,620	21,152,145	18,674,915
Book value of insurance liabilities	$ 25,383,916	$ 21,453,953	$ 18,947,962
Estimated present value of cash flows	$ 20,307,133	$ 17,163,162	$ 15,158,370
Balance of liability adequacy reserve	$ -	$ -	$ -

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Loss reserve is not included in liability adequacy test. Loss reserve is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: There is no merger or transfer of insurance contract for Cathay Lujiazui Life. Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
i. Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
ii. Discount rate	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2019, with neutral assumption for discount rates after 30 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.	Discount rates are calculated using the best estimated scenario investment return based on actuary report of 2018, with neutral assumption for discount rates after 30 years.

c. Cathay Life (Vietnam)

The details of insurance contracts and financial instruments with discretionary participation feature are summarized below:

1) Unearned premium reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual injury insurance	$ 13,009	$ -	$ 13,009	$ 12,351	$ -	$ 12,351	$ 10,418	$ -	$ 10,418
Individual health insurance	14,611	-	14,611	13,167	-	13,167	10,828	-	10,828
	$ 27,620	$ -	$ 27,620	$ 25,518	$ -	$ 25,518	$ 21,246	$ -	$ 21,246

The changes of unearned premium reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 25,518	$ -	$ 25,518	$ 14,775	$ -	$ 14,775
Provision	2,537	-	2,537	6,367	-	6,367
Foreign exchange	(435)	-	(435)	104	-	104
Ending balance	$ 27,620	$ -	$ 27,620	$ 21,246	$ -	$ 21,246

2) Loss reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance									
Filed but not paid	$ 2,611	$ -	$ 2,611	$ 2,423	$ -	$ 2,423	$ 3,037	$ -	$ 3,037
Individual injury insurance									
Filed but not paid	111	-	111	275	-	275	284	-	284
Not yet filed	1,621	-	1,621	1,321	-	1,321	1,060	-	1,060
Individual health insurance									
Filed but not paid	1,836	-	1,836	2,385	-	2,385	1,573	-	1,573
Not yet filed	4,640	-	4,640	3,439	-	3,439	1,138	-	1,138
Investment-linked insurance									
Filed but not paid	1,342	-	1,342	2,147	-	2,147	2,361	-	2,361
	$ 12,161	$ -	$ 12,161	$ 11,990	$ -	$ 11,990	$ 9,453	$ -	$ 9,453

The changes of loss reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 11,990	$ -	$ 11,990	$ 4,255	$ -	$ 4,255
Provision	368	-	368	5,165	-	5,165
Foreign exchange	(197)	-	(197)	33	-	33
Ending balance	$ 12,161	$ -	$ 12,161	$ 9,453	$ -	$ 9,453

3) Policy reserve

	June 30, 2020			December 31, 2019			June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	$ 5,107,039	$ -	$ 5,107,039	$ 4,065,218	$ -	$ 4,065,218	$ 3,653,870	$ -	$ 3,653,870
Investment-linked insurance	265,278	-	265,278	169,402	-	169,402	94,499	-	94,499
	$ 5,372,317	$ -	$ 5,372,317	$ 4,234,620	$ -	$ 4,234,620	$ 3,748,369	$ -	$ 3,748,369

The changes of policy reserve are summarized below:

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	$ 4,234,620	$ -	$ 4,234,620	$ 3,219,759	$ -	$ 3,219,759
Provision	1,216,536	-	1,216,536	506,360	-	506,360
Foreign exchange	(78,839)	-	(78,839)	22,250	-	22,250
Ending balance	$ 5,372,317	$ -	$ 5,372,317	$ 3,748,369	$ -	$ 3,748,369

4) Liability adequacy reserve

	Insurance Contracts and Financial Instruments with Discretionary Participation Feature		
	June 30, 2020	December 31, 2019	June 30, 2019
Unearned premium reserve	$ 27,620	$ 25,518	$ 21,246
Policy reserve	5,372,317	4,234,620	3,748,369
Book value of insurance liabilities	$ 5,399,937	$ 4,260,138	$ 3,769,615
Estimated present value of cash flows	$ 4,631,352	$ 3,121,262	$ 1,953,398
Balance of liability adequacy reserve	$ -	$ -	$ -

Note 1: Shown by liability adequacy test range (integrated contract).

Note 2: Loss reserve is not included in liability adequacy test. Loss reserve is determined based on claims incurred before valuation date and therefore not included in the test.

Note 3: There is no merger or transfer of insurance contract for Cathay Life (Vietnam). Thus, the book value of related intangible assets shall not be deducted from book value of insurance liability for liability adequacy reserve test.

Liability adequacy testing methodology is listed as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Test method:	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups:	Integrated testing	Integrated testing	Integrated testing
Significant assumptions			
a) Information of policies	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.	Include insurance contracts and financial instruments with discretionary participation feature as of valuation date.
b) Discount rate	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.	Discount rates are calculated using Vietnam government bond rates in secondary market, with neutral assumption for discount rates after 15 years.

25. RESERVE FOR INSURANCE CONTRACTS WITH THE NATURE OF FINANCIAL PRODUCTS

The Company and Cathay Lujiazui Life issued financial instruments without discretionary participation feature and recognized reserve for insurance contracts with the nature of financial products. As of June 30, 2020 and 2019, reserve for insurance contracts with the nature of financial products is summarized and reconciled as follows:

a. The Company

	June 30, 2020	December 31, 2019	June 30, 2019
Life insurance	$ 73,345	$ 75,004	$ 82,324
Investment-linked insurance	982,210	926,987	954,970
	$ 1,055,555	$ 1,001,991	$ 1,037,294

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 1,001,991	$ 930,654
Claims and payments	(76,807)	(47,079)
Net provision of statutory reserve	133,865	151,303
Foreign exchange	(3,494)	2,416
Ending balance	$ 1,055,555	$ 1,037,294

b. Cathay Lujiazui Life

	June 30, 2020	December 31, 2019	June 30, 2019
Life insurance	$ 11,401,805	$ 9,930,017	$ 9,426,971

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 9,930,017	$ 8,388,059
Premiums received	2,959,139	2,090,033
Claims and payments	(1,393,359)	(1,321,746)
Net reserve (recovery) of statutory reserve	234,398	189,886
Foreign exchange	(328,390)	80,739
Ending balance	$ 11,401,805	$ 9,426,971

26. RESERVE FOR FOREIGN EXCHANGE VALUATION

a. The hedge strategy and risk exposure

Based on the principle of risk control and to maintain the consistent level of reserve for foreign exchange valuation, the Company consistently adjusts the hedge ratios and risk exposure position under the risk control.

b. Reconciliation for reserve for foreign exchange valuation

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 18,000,877	$ 17,075,289
Provision		
Compulsory reserve	4,213,412	4,272,698
Additional reserve	2,000,000	10,648,135
	6,213,412	14,920,833
Reversal	(17,613,517)	(7,114,207)
Ending balance	$ 6,600,772	$ 24,881,915

In April and June 2020, the Company applied to the FSC for approval to make provision for reserve for foreign exchange valuation of $1,000,000 thousand and $1,000,000 thousand, respectively, which were approved through Jin Guan Bao Shou No. 1090418613 issued on May 7, 2020 and Jin Guan Bao Shou No. 1090423624 issued on July 7, 2020, respectively.

c. Effects due to reserve for foreign exchange valuation

	For the Six Months Ended June 30, 2020		
Items	**Inapplicable Amount (1)**	**Applicable Amount (2)**	**Effects (2) - (1)**
Net income attributable to owners of the Company	$ 10,345,680	$ 19,465,764	$ 9,120,084
Earnings per share	1.77	3.33	1.56
Reserve for foreign exchange valuation	-	6,600,772	6,600,772
Equity attributable to owners of the Company	612,409,720	610,732,000	(1,677,720)

	For the Six Months Ended June 30, 2019		
Items	**Inapplicable Amount (1)**	**Applicable Amount (2)**	**Effects (2) - (1)**
Net income attributable to owners of the Company	$ 25,673,342	$ 19,428,041	$ (6,245,301)
Earnings per share	4.48	3.39	(1.09)
Reserve for foreign exchange valuation	-	24,881,915	24,881,915
Equity attributable to owners of the Company	540,725,366	524,422,731	(16,302,635)

27. RETAINED EARNED PREMIUM AND RETAINED CLAIM PAYMENTS

a. Retained earned premium

1) The Company

	For the Three Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 147,358,039	$ 39,957	$ 147,397,996	$ 140,557,343	$ 193,979	$ 140,751,322
Reinsurance premium	29,278	-	29,278	27,913	-	27,913
Premium income	147,387,317	39,957	147,427,274	140,585,256	193,979	140,779,235
Less: Reinsurance expenses	(515,507)	-	(515,507)	(496,004)	-	(496,004)
Net changes in unearned premium reserve	(404,651)	-	(404,651)	(145,664)	-	(145,664)
Retained earned premium	$ 146,467,159	$ 39,957	$ 146,507,116	$ 139,943,588	$ 193,979	$ 140,137,567

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 287,865,268	$ 105,600	$ 287,970,868	$ 291,737,652	$ 951,811	$ 292,689,463
Reinsurance premium	58,529	-	58,529	62,241	-	62,241
Premium income	287,923,797	105,600	288,029,397	291,799,893	951,811	292,751,704
Less: Reinsurance expenses	(1,004,978)	-	(1,004,978)	(943,624)	-	(943,624)
Net changes in unearned premium reserve	103,878	-	103,878	106,862	-	106,862
Retained earned premium	$ 287,022,697	$ 105,600	$ 287,128,297	$ 290,963,131	$ 951,811	$ 291,914,942

2) Cathay Lujiazui Life

	For the Three Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 2,331,598	$ -	$ 2,331,598	$ 2,394,282	$ -	$ 2,394,282
Reinsurance premium	-	-	-	-	-	-
Premium income	2,331,598	-	2,331,598	2,394,282	-	2,394,282
Less: Reinsurance expenses	(38,492)	-	(38,492)	(36,164)	-	(36,164)
Net changes in unearned premium reserve	34,404	-	34,404	29,200	-	29,200
Retained earned premium	$ 2,327,510	$ -	$ 2,327,510	$ 2,387,318	$ -	$ 2,387,318

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 6,185,593	$ -	$ 6,185,593	$ 6,152,120	$ -	$ 6,152,120
Reinsurance premium	-	-	-	-	-	-
Premium income	6,185,593	-	6,185,593	6,152,120	-	6,152,120
Less: Reinsurance expenses	(78,450)	-	(78,450)	(70,762)	-	(70,762)
Net changes in unearned premium reserve	48,699	-	48,699	9,024	-	9,024
Retained earned premium	$ 6,155,842	$ -	$ 6,155,842	$ 6,090,382	$ -	$ 6,090,382

3) Cathay Life (Vietnam)

	For the Three Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 526,965	$ -	$ 526,965	$ 349,363	$ -	$ 349,363
Reinsurance premium	-	-	-	-	-	-
Premium income	526,965	-	526,965	349,363	-	349,363
Less: Reinsurance expenses	(169)	-	(169)	-	-	-
Net changes in unearned premium reserve	(3,365)	-	(3,365)	(4,450)	-	(4,450)
Retained earned premium	$ 523,431	$ -	$ 523,431	$ 344,913	$ -	$ 344,913

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Written premium	$ 944,622	$	$ 944,622	$ 620,187	$ -	$ 620,187
Reinsurance premium	-			-	-	-
Premium income	944,622		944,622	620,187	-	620,187
Less: Reinsurance expenses	(227)	-	(227)	-	-	-
Net changes in unearned premium reserve	(2,537)		(2,537)	(6,367)	-	(6,367)
Retained earned premium	$ 941,858	$	$ 941,858	$ 613,820	$ -	$ 613,820

b. Retained claim payments

1) The Company

	For the Three Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 58,948,577	$ 1,901,623	$ 60,850,200	$ 102,881,695	$ 2,268,639	$ 105,150,334
Reinsurance claim payments	8,180	-	8,180	8,127	-	8,127
Insurance claim payments	58,956,757	1,901,623	60,858,380	102,889,822	2,268,639	105,158,461
Less: Claims recovered from reinsures	(349,197)	-	(349,197)	(281,830)	-	(281,830)
Retained claim payments	$ 58,607,560	$ 1,901,623	$ 60,509,183	$ 102,607,992	$ 2,268,639	$ 104,876,631

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 124,357,560	$ 3,728,332	$ 128,085,892	$ 201,440,515	$ 3,540,347	$ 204,980,862
Reinsurance claim payments	21,594	-	21,594	20,471	-	20,471
Insurance claim payments	124,379,154	3,728,332	128,107,486	201,460,986	3,540,347	205,001,333
Less: Claims recovered from reinsures	(626,390)	-	(626,390)	(490,277)	-	(490,277)
Retained claim payments	$ 123,752,764	$ 3,728,332	$ 127,481,096	$ 200,970,709	$ 3,540,347	$ 204,511,056

2) Cathay Lujiazui Life

	For the Three Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 426,533	$ -	$ 426,533	$ 401,283	$ -	$ 401,283
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	426,533	-	426,533	401,283	-	401,283
Less: Claims recovered from reinsures	(27,280)	-	(27,280)	(24,237)	-	(24,237)
Retained claim payments	$ 399,253	$ -	$ 399,253	$ 377,046	$ -	$ 377,046

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 812,676	$ -	$ 812,676	$ 830,849	$ -	$ 830,849
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	812,676	-	812,676	830,849	-	830,849
Less: Claims recovered from reinsures	(44,893)	-	(44,893)	(50,040)	-	(50,040)
Retained claim payments	$ 767,783	$ -	$ 767,783	$ 780,809	$ -	$ 780,809

3) Cathay Life (Vietnam)

	For the Three Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 77,033	$ -	$ 77,033	$ 37,368	$ -	$ 37,368
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	77,033	-	77,033	37,368	-	37,368
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$ 77,033	$ -	$ 77,033	$ 37,368	$ -	$ 37,368

	For the Six Months Ended June 30					
	2020			2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Insurance claim payments	$ 122,433	$ -	$ 122,433	$ 62,088	$ -	$ 62,088
Reinsurance claim payments	-	-	-	-	-	-
Insurance claim payments	122,433	-	122,433	62,088	-	62,088
Less: Claims recovered from reinsures	-	-	-	-	-	-
Retained claim payments	$ 122,433	$ -	$ 122,433	$ 62,088	$ -	$ 62,088

28. PROVISIONS

	June 30	
	2020	2019
Beginning balance	$ 233,871	$ 225,277
Provision	3,004	-
Reversal	(180,242)	-
Foreign exchange	(388)	(7,458)
Ending balance	$ 56,245	$ 217,819

29. OTHER LIABILITIES

	June 30, 2020	December 31, 2019	June 30, 2019
Advance receipts	$ 383,292	$ 456,211	$ 332,580
Deferred fee income	5,978	7,210	11,581
Guarantee deposits received	10,630,395	13,315,767	3,425,362
Others	5,816,742	5,408,207	3,571,711
	$ 16,836,407	$ 19,187,395	$ 7,341,234

Deferred fee income

The Company issues investment-linked insurance contracts without discretionary participation feature of financial instruments. Deferred fee income related to investment management services of such contracts are summarized below:

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 7,210	$ 18,785
Amortization	(833)	(7,411)
Foreign exchange	(399)	207
Ending balance	$ 5,978	$ 11,581

30. RETIREMENT BENEFIT PLANS

Pension expense under retirement benefits for the years ended December 31, 2019 and 2018 were calculated by using the actuarially determined pension cost rate at the end of the prior financial year and recognized in below:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
General expenses	$ 57,883	$ 56,898	$ 115,766	$ 113,796

31. EQUITY

a. Share capital

	June 30, 2020	December 31, 2019	June 30, 2019
Number of shares authorized (in thousands)	10,000,000	10,000,000	10,000,000
Shares authorized	$ 100,000,000	$ 100,000,000	$ 100,000,000
Number of shares issued and fully paid (in thousands)	5,851,527	5,851,527	5,726,527
Shares issued	$ 58,515,274	$ 58,515,274	$ 57,265,274

Fully paid ordinary shares, which have a par value of $10, carry one vote per share and the rights to dividend.

On November 13, 2019, the Company's board of directors (on behalf of the shareholders) resolved to issue 125,000 thousand ordinary shares with a par value of $10, for a consideration of $80 per share which increased the share capital issued and fully paid to $58,515,274 thousand. On November 21, 2019, the above transaction was approved by the FSC, and the subscription base date was determined by the board of directors to be December 4, 2019.

b. Capital surplus

	June 30, 2020	December 31, 2019	June 30, 2019
Additional paid-in capital	$ 59,550,000	$ 59,550,000	$ 50,800,000
Differences between share price and book value from acquisition or disposal of subsidiaries	29,142	29,142	29,142
Changes in amount of associates accounted for using the equity method	843,198	845,715	715,590
Share-based payments granted by the parent company to the Company's employees	182,599	182,599	-
	$ 60,604,939	$ 60,607,456	$ 51,544,732

The capital surplus arising from shares issued in excess of par and donations may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus). According to Jin Guan Bao Tsai No. 10202501991 issued by the FSC on February 8, 2013, if a life insurance enterprise intends to distribute its capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them in accordance with Article 241 of the Company Act, it should be approved by the FSC before the shareholders' meeting.

The capital surplus arising from investments accounted for using the equity method and share-based payments granted by the parent company to the Company's employees may not be used for any purpose.

On August 15, 2019, Cathay Financial Holdings' board of directors resolved to increase its capital and retained 10% of the capital increase in accordance with the law for employees of the parent company and subsidiaries subscripting. The Company recognized salary expenses and capital surplus of $182,599 thousand for share-based payments at fair value of the options at the grant date.

c. Retained earnings and dividends policy

Under the dividends policy as set forth in No. 37 of the Company's Article of Incorporation, where the Company made a profit in a fiscal year, the profit shall be first utilized for paying taxes, offsetting losses of previous years, setting aside as legal reserve of the remaining profit, setting aside a special reserve in accordance with the laws and regulations, the payment of preferred dividends also takes precedence in accordance with the dividends policy of the preferred share, and then any remaining profit together with any undistributed retained earnings shall be used by the Company's board of directors as the basis for proposing a distribution plan, which should be resolved in the shareholders' meeting. For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 33 d.

In order for the Company to continue to expand its scale and increase profitability in line with its long-term financial strategy, future demand for capital and meet the dividend needs of ordinary shareholders, the Company adopted a dividend policy in framing a proposal for the distribution of annual earnings for the purpose of sustainable development, whereby share dividends, if declared, shall not be less than 50% of the total ordinary share dividends declared for the year. However, the Company may adjust dividend policy moderately based on the capital needs of business and investment, the approval of dividend appropriation or major regulation amendments, etc.

Legal reserve should be appropriated from earnings until the legal reserve equals the Company's paid-in capital. Legal reserve may be used to offset deficit. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash. Pursuant to Jin Guan Bao Tsai No. 10202501991, if a life insurance enterprise intends to appropriate legal reserve under Article 145-1 of the Insurance Act and to distribute, in accordance with Article 241 of the Company Act, its legal reserve and capital surplus by cash to its shareholders in proportion to the number of shares being held by each of them, it should be approved by the FSC before shareholders' meeting.

According to Jin Guan Bao Tsai No. 10202501992, a life insurance enterprise intending to distribute cash dividends from earnings (not including dividends for preference share liabilities) should notify the FSC and then the FSC approves the distribution of earnings based on its financial position.

The appropriations of earnings for 2019 and 2018 had been approved by the Board of Directors (on behalf of shareholders) on April 29, 2020 and May 3, 2019. The appropriations and dividends per share were as follows:

	Appropriation of Earnings	
	For the Six Months Ended June 30	
	2019	**2018**
Legal reserve	$ 6,677,339	$ 2,871,520
Special reserve	59,449,742	12,730,041

The appropriation of earnings and offsetting of the deficits by legal reserve of $31,181,609 thousand were approved in the board of directors' meeting (on behalf of the shareholders) on April 29, 2020.

d. Special reserves

	June 30, 2020	December 31, 2019	June 30, 2019
Special reserve for catastrophic events and fluctuation of risks (1)	$ 14,552,237	$ 14,552,237	$ 14,165,457
Special reserve for the foreign exchange valuation reserve (2)	33,677,108	11,731,067	11,731,067
Special reserve appropriated at the first-time adoption of IFRSs (3)	47,327,860	47,327,860	47,327,860
Special reserve for investment properties at fair value model in subsequent measurement (4)	148,125,659	147,568,965	147,568,965
Special reserve as gains or losses on disposal of immature debts instruments (5)	25,491,229	-	-
Others (6)	76,415,368	68,252,401	66,905,147
	$ 345,589,461	$ 289,432,530	$ 287,698,496

1) Special reserve for catastrophic events and fluctuation of risks

According to the revised Regulations Governing the setting aside of Various Reserves by Insurance Enterprise on February 7, 2012, the Company transferred the balance of special reserve for catastrophic events and for fluctuation of risks, net of tax, from liability to special reserve under retained earnings.

In accordance with the rules submitted to the authorities and relevant regulations, the Company reserves special reserve for catastrophic events and special reserve for fluctuation of risks for retained insurance policies with policy periods shorter than one year and injury insurance policies with policy periods longer than one year as follows:

a) Special reserve for catastrophic events

All types of insurance should follow the reserve rates for catastrophic events set by the authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of $30,000 thousand can be withdrawn from the special reserve. If the reserve has been set aside for over 15 years, the Company could plan the recovering process of the reserve through assessment by certified actuarial professionals and submit the plan to the authorities for reference. The post-tax amount of the recovery determined in accordance with IAS 12 “Income Taxes” can be recorded in the special capital reserve for catastrophic events under equity.

b) Special reserve for fluctuation of risks

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is less than the anticipated claim amount, 15% of this difference should be provided in special reserve for fluctuation of risks.

When the actual claim payment less the offsetting amount from special reserve for catastrophic events is greater than the anticipated claim amount, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the total amount of special reserves for fluctuation of risks is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used, and the type of insurance and total amount written-down should be reported to the authority. When accumulative amount of special reserve for fluctuation of risks exceeds 30% of retained earned premium at that year, the exceeded amount will be recovered. To promote the sustainable development of insurance industry, the authorities may designate or restrict the use of the abovementioned recovered amount. The post-tax amount of write-down or recovery determined in accordance with the IAS 12 “Income Taxes” can be recorded in the special capital reserve for fluctuation of risks under equity.

For the abovementioned special reserves, the annual provision should be recorded in special reserve under equity, net of tax in accordance with IAS 12 “Income Taxes”.

According to Article 23-2 of the Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, life insurance enterprises should recognize the amount equals to initial amount of reserve for foreign exchange valuation transferred from liabilities as special reserve in three years, starting from the implementation. The abovementioned special reserve includes the reduced recover amounts of special reserve for catastrophic events and special reserve for fluctuation of risks, which are calculated in accordance with the Articles 19 and 20, due to transferring to the initial amount of reserve for foreign exchange valuation.

According to Jin Guan Bao Tsai No. 09802513192, the revised Regulations Governing the Setting Aside of Various Reserve by Insurance Enterprise, issued on December 28, 2009, the provision for special reserve for catastrophic events and for fluctuation of risks is recognized at the end of the year and should not be distributed as dividends or be used for any other purposes. The related account balances are summarized as follows:

	June 30, 2020		
	Insurance Contracts	**Financial Instruments with Discretionary Participation Features**	**Total**
Life insurance	$ 113,087	$ -	$ 113,087
Injury insurance	4,800,448	-	4,800,448
Health insurance	5,324,076	-	5,324,076
Group insurance	4,314,626	-	4,314,626
	$ 14,552,237	$ -	$ 14,552,237

	December 31, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 113,087	$ -	$ 113,087
Injury insurance	4,800,448	-	4,800,448
Health insurance	5,324,076	-	5,324,076
Group insurance	4,314,626	-	4,314,626
	$ 14,552,237	$ -	$ 14,552,237

	June 30, 2019		
	Insurance Contracts	Financial Instruments with Discretionary Participation Features	Total
Life insurance	$ 110,364	$ -	$ 110,364
Injury insurance	4,762,465	-	4,762,465
Health insurance	5,240,790	-	5,240,790
Group insurance	4,051,838	-	4,051,838
	$ 14,165,457	$ -	$ 14,165,457

2) Special reserve for foreign exchange valuation reserve

According to Jin Guan Bao Tsai No. 10102501551 issued on February 7, 2012 and Article 9 of the Direction for Reserve for Foreign Exchange Reserve, the Company should appropriate a special reserve of 10% of the profit after tax in order to strengthen the foreign exchange reserve and capital.

According to Jin Guan Bao Tsai No. 10102501551 and Jin Guan Bao Tsai No. 10402026901 issued on May 8, 2015 and Article 8 of the Direction for Reserve for Foreign Exchange Reserve, the Company should set aside special reserve as the amount of hedging expense saved. This special reserve should be set aside in later years if there are no sufficient earnings, and it should only be used for transferring to capital or offsetting deficit.

3) Special reserves appropriated at the first-time adoption of IFRSs

At the first-time adoption of IFRSs, the Company chose to use fair values as the deemed costs of investment properties and in accordance with Article 32 of Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, and the increments on property revaluation should be offset by other negative effects at the first-time adoption of IFRSs. The remaining increments on property revaluation should be recovered as special reserve under liabilities and the portion of increments on property revaluation used for offsetting other negative effects is recognized as retained earnings. According to Bao (Tsai) No. 10202508140, the abovementioned adjustments of retained earnings amounting to $2,994,565 thousand should be set aside as special reserve under equity following Jin Guan Bao Tsai No. 10102508861.

In accordance with Jin Guan Bao Tsai No. 10102515281, special reserves under liabilities due to the first-time adoption of IFRSs are allowed to recover 80% in five years and transferred to special reserve under equity. The limitation of the recoverable amount is $10 billion per year.

4) Special reserve for investment properties at fair value model in subsequent measurement

In accordance with Jin Guan Bao Tsai No. 10402501001, the Company set aside special reserve based on net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, which was measured by the fair value and approved by the authorities, and accumulated net gain on subsequent fair value measurements.

Special reserve for net effect for the first-time adoption of fair value model in subsequent measurement less additional policy reserve of effective contracts, can only be used for compensating deficit of policy reserve of effective contracts, which was measured by fair value and approved by the authorities, and stabilizing future adoption of the second stage of IFRS 4, which means that the Company can only transfer this special reserve with the approval by the authorities to provide enough liabilities in accordance of the second stage of IFRS 4.

When the Company disposes of relevant assets, special reserve for accumulated net gain of subsequent fair value measurements could be reversed in the proportion of initial recognition. The earnings appropriation regarding the reversal of special reserve should be arranged in accordance with Jin Guan Bao Tsai No. 10202501992.

5) Special reserve from gains or losses on disposal of immature debt instruments

According to Jin Guan Bao Tsai No. 10804501381 starting from January 1, 2019, a life insurance enterprise should make a special reserve from gains or losses after a tax of 20% on disposals of the following immature debt instruments, which should be amortized and released to distributable earnings in the remaining maturity periods of the disposed debt instruments or in 10 years for those whose remaining maturity periods cannot be determined:

1) Financial assets not measured at fair value

2) Financial assets measured at FVTOCI

3) Financial assets measured at FVTPL using overlay approach

In the calculation of immature debt instruments, beneficiary certificates, short-term notes, preferred shares (classified as equity instrument), and the positions belonging to the segregated assets for participating insurance or interest-sensitive commodities may be excluded.

6) Other special reserve mainly included the amount of $34,764,311 thousand transferred from insurance liabilities in accordance with Jin Guan Bao Tsai No. 10402029590.

e. Other equity

1) Exchange differences on translating financial statements of foreign operations

	For the Six Months Ended June 30	
	2020	**2019**
Beginning balance	$ (11,187,030)	$ (10,796,480)
Recognized for the year	(2,651,804)	631,117
Share of associates accounted for using the equity method	(231,914)	818,219
Tax effects	26,734	(158,495)
Other comprehensive income (loss) recognized for the year	(2,856,984)	1,290,841
Ending balance	$ (14,044,014)	$ (9,505,639)

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

	For the Six Months Ended June 30	
	2020	**2019**
Beginning balance per IFRS 9	$ 57,531,736	$ (20,547,627)
Recognized for the year	30,624,819	88,914,671
Share of associate accounted for using the equity method	177,005	273,498
Reclassification adjustment		
Disposal of investments in debt instruments	(14,833,631)	(12,439,000)
Tax effects	(1,989,418)	(15,099,461)
Other comprehensive income (loss) recognized for the year	13,978,775	61,649,708
Cumulative unrealized loss of equity instruments transferred to retained earnings due to disposal	227,975	2,627,758
Ending balance	$ 71,738,486	$ 43,729,839

3) Gain (loss) on hedging instruments

	For the Six Months Ended June 30	
	2020	**2019**
Beginning balance	$ 331,929	$ 173,288
Recognized for the period	186,172	129,165
Reclassification adjustment		
Hedged item that affects profit or loss	(34,335)	(32,737)
Tax effects	(26,197)	(25,630)
Other comprehensive income (loss) recognized for the period	125,640	70,798
Ending balance	$ 457,569	$ 244,086

4) Remeasurement of defined benefit plans

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 447,694	$ 287,100
Share of associates accounted for using the equity method	(9,697)	9,285
Tax effects	1,939	(1,857)
Other comprehensive (loss) income recognized for the period	(7,758)	7,428
Ending balance	$ 439,936	$ 294,528

5) Property revaluation surplus

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 187,503	$ 187,503
Tax effects	-	-
Ending balance	$ 187,503	$ 187,503

6) Other comprehensive income (loss) on reclassification using overlay approach

	For the Six Months Ended June 30	
	2020	2019
Beginning balance per IFRS 9	$ 57,760,564	$ (52,549,236)
Recognized for the period	24,375,965	119,583,886
Reclassification adjustment		
Disposal of investments in financial instruments	(35,648,808)	(24,848,258)
Tax effects	2,683,140	(9,361,229)
Other comprehensive (loss) income recognized for the period	(8,589,703)	85,374,399
Ending balance	$ 49,170,861	$ 32,825,163

f. Non-controlling interests

	For the Six Months Ended June 30	
	2020	2019
Beginning balance per IFRS 9	$ 5,899,205	$ 5,536,717
Net income attributed to non-controlling interests		
Net profit for the period	324,300	366,082
Other comprehensive (loss) income for the year		
Exchange differences on translating financial statements of foreign operations	(171,181)	54,473
Other comprehensive income reclassified using overlay approach	165,036	263,131
Acquisition of non-controlling interests in subsidiaries (Note 44)	1,302,994	-
Others	(344,482)	(67,890)
Ending balance	$ 7,175,872	$ 6,152,513

32. EARNINGS PER SHARE

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Basic earnings per share	$ 0.75	$ 2.29	$ 3.33	$ 3.39

The earnings and weighted average number of ordinary shares outstanding used in the computation of earnings per share were as follows:

Net Profit for the Period

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Earnings used in the computation of basic earnings per share	$ 4,366,634	$ 13,097,673	$ 19,465,764	$ 19,428,041

Weighted Average Number of Ordinary Shares Outstanding (In Thousands of Shares)

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Weighted average number of ordinary shares used in the computation of basic earnings per share	5,851,527	5,726,527	5,851,527	5,726,527

If reserve for foreign exchange valuation was not applied, basic earnings per share would be $0.06, $2.98, $1.77 and $4.48 for the three months and six months ended June 30, 2020 and 2019, respectively.

33. NET PROFIT FOR THE PERIOD

a. Interest income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Financial assets at FVTOCI	$ 7,367,602	$ 8,692,496	$ 14,902,151	$ 18,738,721
Financial assets measured at amortized cost	27,449,775	26,381,905	54,788,851	51,294,751
Loans	3,548,327	4,165,450	7,440,729	8,371,126
Others	831,369	933,960	1,671,081	1,736,036
	$ 39,197,073	$ 40,173,811	$ 78,802,812	$ 80,140,634

b. Expected credit impairment losses and gains on reversal

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Operating revenues - expected credit impairment losses and gains on reversal from investments				
Debt instrument investments at FVTOCI	$ (147,364)	$ 83,404	$ (322,919)	$ 99,348
Financial assets measured at amortized cost	(833,918)	208,691	(1,575,649)	582,414
Other financial assets	-	(23)	-	(73)
Loans	54,536	288,476	272,174	547,753
	(926,746)	580,548	(1,626,394)	1,229,442
Operating expenses - expected credit impairment losses from non-investments				
Receivables	(2,519)	(830)	(4,013)	(1,290)
Reinsurance assets	(6,408)	-	(6,408)	-
	(8,927)	(830)	(10,421)	(1,290)
	$ (935,673)	$ 579,718	$ (1,636,815)	$ 1,228,152

c. Employee benefits expense

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term benefits				
Salaries	$ 11,065,912	$ 9,075,785	$ 18,402,589	$ 20,901,831
Labor and health insurance expenses	691,623	783,732	1,594,309	1,644,130
Post-employment benefits				
Defined contribution plans	326,369	299,943	650,102	579,690
Defined benefit plans (Note 30)	57,883	56,898	115,766	113,796
Remuneration of directors	2,922	6,905	13,513	24,147
Other employee benefits	381,767	225,885	646,667	616,731
	$ 12,526,476	$ 10,449,148	$ 21,422,946	$ 23,880,325
An analysis of employee benefits expense by function				
Operating costs	$ 9,665,550	$ 7,677,627	$ 15,609,833	$ 18,123,806
Operating expenses	2,860,926	2,771,521	5,813,113	5,756,519
	$ 12,526,476	$ 10,449,148	$ 21,422,946	$ 23,880,325

For the six months ended June 30, 2020 and 2019, the average numbers of the Group’s employees were 40,960 and 39,785, including 15 non-executive directors.

d. Employees' compensation and remuneration of directors and supervisors

According to the Company's Articles of Incorporation, 0.01% to 0.1% of profit of the current year is distributable as employees' compensation and no more than 0.1% of profit of the current year is distributable as remuneration to directors and supervisors. However, the Company's accumulated losses shall have been covered. Employees' compensation shall be paid in cash or in shares and have been resolved by the board of directors, when no less than two-thirds of the members presented and over half of the presented agreed, and reported to shareholders.

In compliance with the Company's Articles of Incorporation, the Company accrued employees' compensation and remuneration of directors and supervisors for the three months and six months ended June 30, 2020 and 2019, respectively, as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Employees' compensation	$ 1,155	$ 1,577	$ 2,738	$ 2,228
Remuneration of directors and supervisors	1,275	1,425	2,700	2,850

If there is a change in the amounts after the annual consolidated financial statements are authorized for issue, the differences are recorded as a change in the accounting estimate and adjusted in the next year.

The compensation and remuneration of directors and supervisors for the years ended 2019 and 2018, which were resolved by the board of directors on March 11, 2020 and March 21, 2019, respectively, are as follows:

	For the Year Ended December 31	
	2019	2018
Employees' compensation	$ 3,961	$ 2,760
Remuneration of directors and supervisors	5,700	5,700

Information on the employees' compensation and remuneration to directors and supervisors resolved by the Company's board of directors is available at the Market Observation Post System website of the Taiwan Stock Exchange.

e. Depreciation and amortization

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Property and equipment	$ 177,270	$ 184,547	$ 358,893	$ 371,143
Right-of-use assets	142,702	144,337	283,534	292,199
Intangible assets	649,090	653,200	1,298,158	1,304,270
	$ 969,062	$ 982,084	$ 1,940,585	$ 1,967,612
An analysis of depreciation by function				
Operating expenses	$ 319,972	$ 328,884	$ 642,427	$ 663,342
An analysis of amortization by function				
Operating expenses	$ 649,090	$ 653,200	$ 1,298,158	$ 1,304,270

f. Non-operating income and expenses

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
(Loss) gain on disposal of property and equipment	$ (1,177)	$ 6,077	$ (2,041)	$ 5,908
Other	446,476	496,219	851,189	854,446
	$ 445,299	$ 502,296	$ 849,148	$ 860,354

34. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of tax (expense) income were as follows:

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
In respect of the current period	$ (5,996,768)	$ 1,015,013	$ (11,322,712)	$ 1,463,770
Adjustments for prior years	96,090	(279,394)	144,602	(211,405)
Deferred tax				
In respect of the current period	7,458,427	(3,063,749)	11,448,509	(3,885,814)
Adjustments for prior years	122	-	122	-
Other				
Tax effect under integrated income tax system	-	(144,128)	-	(497,617)
Income tax (expense) benefit recognized in profit or loss	$ 1,557,871	$ (2,472,258)	$ 270,521	$ (3,131,066)

Foreign withholding taxes of $268,168 thousand, $510,787 thousand, $456,779 thousand and $770,272 thousand were recognized in current tax expense for the three months and six months ended June 30, 2020 and 2019, respectively, since the Company evaluated that foreign withholding taxes were not tax-deductible.

b. Income tax recognized directly in equity

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Current tax				
Derecognition of equity instruments at FVTOCI	$ 4,687	$ 68,106	$ 13,370	$ 109,465
Deferred tax				
Derecognition of equity instruments at FVTOCI	(4,687)	(68,106)	(13,370)	(109,465)
Total income tax benefit recognized directly in equity	$ -	$ -	$ -	$ -

c. Income tax recognized in other comprehensive income

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Deferred tax				
Recognized in other comprehensive income				
Effect of tax rate changes	$ (5,134)	$ (104,561)	$ 26,734	$ (158,495)
(Gains) losses on hedging instruments	83,398	(5,206)	(26,197)	(25,630)
Unrealized (gains) losses on equity instruments at FVTOCI	(225,115)	(140,938)	469,389	(412,931)
(Gains) losses on debt instruments at FVTOCI	(10,484,915)	(6,096,810)	(2,480,374)	(14,658,235)
Shares of other comprehensive (loss) income of subsidiaries, associates, and joint ventures accounted for using the equity method	(225)	6,376	23,506	(30,152)
Other comprehensive (loss) income reclassified using overlay approach	(7,176,194)	(2,055,011)	2,683,140	(9,361,229)
Total income tax recognized in other comprehensive income	$ (17,808,185)	$ (8,396,150)	$ 696,198	$ (24,646,672)

d. Income tax assessments

The tax returns through 2014 have been assessed by the tax authorities. The Company has filed administrative remedial due to disagreements on assessment of the foreign withholding tax for fiscal year 2012, respectively.

35. TRANSACTIONS WITH RELATED PARTIES

Balances, transactions, revenues and expenses between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

a. Related party name and category

Related Party Name	Related Party Category
Cathay Financial Holdings	The Company's parent company
Cathay Securities Investment Consulting	Subsidiary
Global Evolution Holding ApS	Subsidiary (subsidiary's associate before June 2020)
Symphox Information Co., Ltd.	Associate
PSS Co., Ltd.	Associate
TaiYang Solar Power Co., Ltd.	Associate
Greenhealth Water Resources Co., Ltd.	Associate
Lin Yuan Property Management Co., Ltd.	Associate (other related party before May 2020)
Seaward Card Co., Ltd.	Subsidiary of associate
ThinkPower Information Co., Ltd.	Subsidiary of associate
Yua-Yung Marketing (Taiwan) Co., Ltd.	Subsidiary of associate
Hong-Sui Co., Ltd.	Subsidiary of associate
Cathay United Bank Co., Ltd.	Fellow subsidiary
Cathay Century Insurance Co., Ltd.	Fellow subsidiary
Cathay Securities Corporation	Fellow subsidiary
Cathay Venture Inc.	Fellow subsidiary
Cathay Securities Investment Trust Co., Ltd.	Fellow subsidiary
Indovina Bank Limited	Subsidiary of fellow subsidiaries
Cathay Futures Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Private Equity Co., Ltd.	Subsidiary of fellow subsidiaries
Cathay Securities (Hong Kong) Limited	Subsidiary of fellow subsidiaries
Cathay Securities Investment Trust Co., Ltd.'s Fund	Other related party
Private Equity Fund managed by Cathay Private Equity	Other related party
Funds managed by Global Evolution Holdings ApS	Other related party
Funds managed by Octagon Credit Investors, LLC	Other related party
Bonds managed by Octagon Credit Investors, LLC	Other related party
Ally Logistic Property Co., Ltd.	Other related party (subsidiary of associate before January 2020)
Cathay Real Estate Development Co., Ltd.	Other related party
Cathay Healthcare Management Co., Ltd.	Other related party
Cathay Medical Care Corp.	Other related party
Cathay Hospitality Management Co., Ltd.	Other related party
San Ching Engineering Co., Ltd.	Other related party
Cathay Hospitality Consulting Co., Ltd.	Other related party
Other (including directors, supervisors, key management personnel and their spouses and relatives within the second-degree of kinship)	Other related party

b. Significant transactions with related parties:

1) Property transactions

Property transactions between the Group and related parties are in the nature of undertaking contracted projects, trade, lease transactions and software appliance. The terms of such transactions are based on market surveys, the contracted terms of both parties and public bidding.

a) Significant transactions of undertaking contracted projects with related parties are listed below:

	For the Six Months Ended June 30			
	2020		2019	
Name	Items	Amount	Items	Amount
Subsidiary of associate				
Lin Yuan Property Management Co., Ltd.	Cathay Life Head Office Building	$ 4,180	-	$ -
Ally Logistic Property Co., Ltd.	-	-	Yangmei Logistics Park, etc.	255,935
		4,180		255,935
Other related party				
Lin Yuan Property Management Co., Ltd.	-	-	Cathay Land Mark, etc.	4,657
Ally Logistic Property Co., Ltd.	Yangmei Logistics Parck, etc.	314,653	-	-
San Ching Engineering Co., Ltd.	THSR Taoyuan Commercial Park, etc.	156,462	THSR Taoyuan Commercial Park, etc.	1,039,339
Cathay Real Estate Development Co., Ltd.	Minsheng Jingguo Building, etc.	-	Minsheng Jingguo Building, etc.	296,515
		471,115		1,340,511
		$ 475,295		$ 1,596,446

As of June 30, 2020, December 31, 2019 and June 30, 2019, the total amounts of contracted projects for real estate between the Group and Ally Logistic Property Co., Ltd. were $2,419,048 thousand, $1,130,238 thousand and $3,618,783 thousand, respectively.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the total amounts of contracted projects for real estate between the Group and San Ching Engineering Co., Ltd. were $144,528 thousand, $4,196,448 thousand and $1,838,045 thousand, respectively.

As of June 30, 2020, December 31, 2019 and June 30, 2019, the total amounts of contracted projects for real estate between the Group and Cathay Real Estate Development Co., Ltd. were $0 thousand, $0 thousand and $1,742,250 thousand, respectively.

b) Real-estate rental income (from related parties)

Name	For the Three Months Ended June 30 2020	For the Three Months Ended June 30 2019	For the Six Months Ended June 30 2020	For the Six Months Ended June 30 2019
Parent company				
Cathay Financial Holdings	$ 32,487	$ 29,176	$ 58,713	$ 43,786
Subsidiary				
Cathay Securities Investment Consulting Co., Ltd.	2,414	2,290	4,828	4,581
Associate and its subsidiary				
Symphox Information Co., Ltd.	11,260	12,390	24,121	23,212
Hong-Sui Co., Ltd.	12,977	-	12,977	-
Yua-Yung Marketing (Taiwan) Co., Ltd.	8,750	-	8,750	-
Lin Yuan Property Management Co., Ltd.	4,929	-	8,106	-
Ally Logistic Property Co., Ltd.	-	139,516	-	282,448
	37,916	151,906	53,954	305,660
Fellow subsidiaries and its subsidiary				
Cathay United Bank Co., Ltd.	195,578	169,181	345,336	295,964
Cathay Century Insurance Co., Ltd.	27,348	26,579	54,936	53,499
Cathay Securities Investment Trust Co., Ltd.	13,754	12,143	26,478	24,440
Cathay Securities Co., Ltd.	12,463	10,196	24,162	20,389
Cathay Futures Co., Ltd.	2,016	1,741	3,803	3,483
	251,159	219,840	454,715	397,775
Other related party				
Ally Logistic Property Co., Ltd.	189,669	-	374,968	-
Cathay Medical Care Corp.	50,346	48,205	95,628	93,248
Cathay Hospitality Management Co., Ltd.	41,775	48,500	90,695	96,936
Cathay Hospitality Consulting Co., Ltd.	20,177	23,359	45,180	51,848
Cathay Healthcare Management Co., Ltd.	17,468	17,271	34,935	34,060
Cathay Real Estate Development Co., Ltd.	5,285	4,265	9,799	8,529
Lin Yuan Property Management Co., Ltd.	-	1,411	-	1,909
	324,720	143,011	651,205	286,530
	$ 648,696	$ 546,223	$ 1,223,415	$ 1,038,332

Name	Guarantee Deposits Received		
	June 30, 2020	December 31, 2019	June 30, 2019
Parent company			
Cathay Financial Holdings	$ 29,392	$ 30,071	$ 28,168
Associate and its subsidiary			
Symphox Information Co., Ltd.	13,070	13,070	12,708
Yua-Yang Marketing (Taiwan) Co., Ltd.	3,471	-	-
Hong-Sui Co., Ltd.	4,645	-	-
Ally Logistic Property Co., Ltd.	-	123,085	110,488
	21,186	136,155	123,196
Fellow subsidiaries			
Cathay United Bank Co., Ltd.	188,914	188,158	175,220
Cathay Century Insurance Co., Ltd.	26,580	26,580	25,167
Cathay Securities Investment Trust Co., Ltd.	12,349	10,991	10,991
Cathay Securities Corporation	11,586	10,858	10,858
	239,429	236,587	222,236
Other related parties			
Ally Logistic Property Co., Ltd.	123,125	-	-
Cathay Medical Care Corp.	11,435	11,393	11,369
Cathay Real Estate Development Co., Ltd.	4,024	3,959	3,803
Cathay Healthcare Management Co., Ltd.	20,384	16,505	16,029
Cathay Hospitality Management Co., Ltd.	186,031	184,944	184,453
Cathay Hospitality Consulting Co., Ltd.	179,392	108,145	107,074
	524,391	324,946	322,728
	$ 814,398	$ 727,759	$ 696,328

Lease periods and terms of rental income received are in compliance with the lease contracts. Lease periods are usually between 2 to 5 years and rental incomes are collected on a monthly basis.

c) Lease arrangements

Name	Acquisition of Right-of-use Assets			
	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiaries				
Cathay United Bank Co., Ltd.	$ 58,426	$ -	$ 58,426	$ -
Other related party				
Cathay Real Estate Development Co., Ltd.	20,565	-	20,565	-
	$ 78,991	$ -	$ 78,991	$ -

Name	Lease Liabilities June 30, 2020	Lease Liabilities December 31, 2019	Lease Liabilities June 30, 2019
Fellow subsidiaries			
Cathay United Bank Co., Ltd.	$ 65,586	$ 30,983	$ 33,963
Other related party			
Cathay Real Estate Development Co., Ltd.	19,240	-	-
	$ 84,826	$ 30,983	$ 33,963

Name	Guarantee Deposits Paid June 30, 2020	Guarantee Deposits Paid December 31, 2019	Guarantee Deposits Paid June 30, 2019
Fellow subsidiaries			
Cathay United Bank Co., Ltd.	$ 12,019	$ 12,019	$ 12,019

d) Acquisition of equipment

Computer equipment

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Subsidiary of associate				
ThinkPower Information Co., Ltd	$ -	$ 10,185	$ -	$ 10,185

2) Shares transactions

Acquisition of shares issued by the related parties

Name	Items	For the Six Months Ended June 30	
		2020	2019
Subsidiary			
Cathay Securities Investment Consulting	Ordinary shares	$ 230,000	$ -
Associate			
Greenhealth Water Resources Co., Ltd.	Ordinary shares	-	387,816
PSS Co., Ltd.	Ordinary shares	51,386	-
Lin Yuan Property Management Co., Ltd.	Ordinary shares	50,649	-
TaiYang Solar Power Co., Ltd.	Ordinary shares	40,150	-
		142,185	387,816
Fellow subsidiary			
Cathay Venture Inc.	Ordinary shares	-	1,567,574
		$ 372,185	$ 1,955,390

3) Cash in banks

Name	Items	June 30, 2020	December 31, 2019	June 30, 2019
Fellow subsidiaries				
Cathay United Bank Co., Ltd.	Time deposit	$ 1,027,236	$ 864,340	$ 266,800
	Demand deposit	30,480,992	23,881,382	17,659,891
	Check deposit	229,121	240,154	248,497
	Security deposit	6	6	6
Subsidiary of fellow subsidiaries				
Indovina Bank Limited	Time deposit	717,597	485,177	752,376
	Demand deposit	20,145	12,042	7,845
		$ 32,475,097	$ 25,483,101	$ 18,935,415

For the three months and six months ended June 30, 2020 and 2019, interest income from Cathay United Bank Co., Ltd. were $5,439 thousand, $15,929 thousand, $12,666 thousand and $34,311 thousand, respectively.

For the for the three months and six months ended June 30, 2020 and 2019, interest income from Indovina Bank Limited were $8,368 thousand, $13,673 thousand, $14,028 thousand and $39,159 thousand, respectively.

As of June 30, 2020, December 31, 2019 and June 30, 2019, time deposit pledged which were included in the above deposits were $0 thousand, $0 thousand and $3,000 thousand.

4) Loans

Name	For the Six Months Ended June 30, 2020		
	Maximum	Rate	Ending Balance
Other related party	$ 967,480	0.75%-3.17%	$ 925,804

Name	For the Six Months Ended June 30, 2019		
	Maximum	Rate	Ending Balance
Other related party	$ 1,004,837	1.03%-3.44%	$ 979,467

For the three months and six months ended June 30, 2020 and 2019, interest income from other related parties were $2,043 thousand, $3,383 thousand, $5,891 thousand and $7,227 thousand, respectively.

5) Balance of bonds managed by related parties

Name	June 30, 2020	December 31, 2019	June 30, 2019
Other related party			
Bonds managed by Octagon Credit Investors, LLC	$ 5,158,642	$ 5,334,030	$ 5,682,928

6) Balance of funds managed by related parties

Name	Item	Guarantee Deposits Paid June 30, 2020	Guarantee Deposits Paid December 31, 2019	Guarantee Deposits Paid June 30, 2019
Other related party				
Funds managed by Octagon Credit Investors, LLC	Market value	$ 717,051	$ 670,292	$ 622,922
	Cost	$ 872,690	$ 679,795	$ 637,613
Funds managed by Global Evolution Holding ApS	Market value	$ 2,722,672	$ 2,874,903	$ 2,918,004
	Cost	$ 2,604,786	$ 2,642,230	$ 2,745,963
Cathay Securities Investment Trust Co., Ltd.	Market value	$ 64,443,120	$ 61,234,575	$ 43,779,179
	Cost	$ 62,226,085	$ 59,796,572	$ 41,388,705
Private Equity Fund managed by Cathay Private Equity	Market value	$ 676,657	$ 490,168	$ 246,476
	Cost	$ 666,719	$ 494,150	$ 245,425

7) Discretionary account management balance

Name	June 30, 2020	December 31, 2019	June 30, 2019
Subsidiary's associate			
Global Evolution Holding ApS	$ -	$ 22,215,022	$ 7,095,103
Fellow subsidiaries			
Cathay Securities Investment Trust Co., Ltd.	254,663,978	213,072,442	236,942,981
	$ 254,663,978	$ 235,287,464	$ 244,038,084

8) Other receivables

Name	June 30, 2020	December 31, 2019	June 30, 2019
Parent company			
Cathay Financial Holdings (Note)	$ -	$ 10,147,500	$ 10,934,473
Fellow subsidiaries			
Cathay United Bank Co., Ltd.	30,124	31,050	-
Cathay Century Insurance Co., Ltd.	67,992	67,834	77,367
Cathay Securities Investment Trust Co., Ltd.	44,614	51,416	43,300
Indovina Bank Limited	8,146	31,672	-
	150,876	181,972	120,667
	$ 150,876	$ 10,329,472	$ 11,055,140

Note: The receivables were mainly the refundable taxes under the integrated income tax system.

9) Guarantee deposits paid (deposits for future transactions)

Name	June 30, 2020	December 31, 2019	June 30, 2019
Fellow subsidiaries			
Cathay Futures Co., Ltd.	$ 2,528,705	$ 3,078,757	$ 2,301,049

For the three months and six months ended June 30, 2020 and 2019, interest income of the above deposits for future transactions were $334 thousand, $721 thousand, $1,013 thousand and $1,071 thousand, respectively.

10) Guarantee deposits received

Name	June 30, 2020	December 31, 2019	June 30, 2019
Associate and its subsidiary			
Lin Yuan Property Management Co., Ltd.	$ 5,000	$ -	$ -
Ally Logistic Property Co., Ltd.	-	151,275	213,060
	5,000	151,275	213,060
Other related party			
Ally Logistic Property Co., Ltd.	393,275	-	-
Lin Yuan Property Management Co., Ltd.	-	5,000	5,000
San Ching Engineering Co., Ltd.	461,635	453,225	453,225
Cathay Hospitality Management Co., Ltd.	-	51,000	235,170
	854,910	509,225	693,395
	$ 859,910	$ 660,500	$ 906,455

11) Other payables

Name	June 30, 2020	December 31, 2019	June 30, 2019
Parent company			
Cathay Financial Holdings (Note)	$ 1,914,742	$ 65,589	$ 690,411
Subsidiary			
Cathay Securities Investment Consulting	30,556	30,164	-
Associate			
Symphox Information Co., Ltd.	34,566	4,871	39,792
Lin Yuan Property Management Co., Ltd.	2,728	-	-
	37,294	4,871	39,792
Fellow subsidiaries			
Cathay United Bank Co., Ltd.	649,267	43,208	427,597
Cathay Securities Investment Trust Co., Ltd.	14,658	13,412	13,591
	663,925	56,620	441,188

(Continued)

Name	June 30, 2020	December 31, 2019	June 30, 2019
Other related party			
Lin Yuan Property Management Co., Ltd.	$ -	$ 21	$ 3,763
	$ 2,646,517	$ 157,265	$ 1,175,154

(Concluded)

Note: The payables were accrued interests of bonds payable and income taxes payable under the integrated tax system.

12) Bonds payable

Name	June 30, 2020	December 31, 2019	June 30, 2019
Parent company			
Cathay Financial Holdings	$ 35,000,000	$ 35,000,000	$ 35,000,000

13) Premium income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiaries				
Cathay United Bank Co., Ltd.	$ 16,615	$ 21,671	$ 21,680	$ 25,574
Cathay Century Insurance Co., Ltd.	6,700	5,049	11,204	8,451
Cathay Securities Co., Ltd.	2,569	1,997	5,066	4,026
	25,884	28,717	37,950	38,051
Other related party				
Cathay Medical Care Corp.	12,202	11,225	24,217	18,620
Other	106,822	97,453	210,771	174,908
	119,024	108,678	234,988	193,528
	$ 144,908	$ 137,395	$ 272,938	$ 231,579

14) Fee income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiaries				
Cathay Securities Investment Trust Co., Ltd.	$ 15,632	$ 15,982	$ 31,973	$ 31,424

15) Insurance expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiaries				
Cathay Century Insurance Co., Ltd.	$ 4,607	$ 5,103	$ 105,143	$ 93,807

16) Other operating revenue

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Fellow subsidiaries				
Cathay Securities Investment Trust Co., Ltd.	$ 33,346	$ 35,154	$ 70,760	$ 66,475

17) Other operating costs

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Subsidiary's associate				
Global Evolution Holding ApS	$ 8,775	$ 5,218	$ 14,163	$ 10,127
Fellow subsidiaries				
Cathay United Bank	298,456	319,636	575,707	609,078
Cathay Securities Investment Trust Co., Ltd.	69,592	46,853	135,224	91,787
	368,048	366,489	710,931	700,865
	$ 376,823	$ 371,707	$ 725,094	$ 710,992

18) Finance costs

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Parent company				
Cathay Financial Holdings	$ 313,278	$ 314,137	$ 626,557	$ 624,822

The finance costs were interest expenses of bonds payable issued by the Company.

19) Operating expenses

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Subsidiaries				
Cathay Securities Investment Consulting	$ 30,841	$ -	$ 61,335	$ -
Associate and its subsidiary				
Symphox Information Co., Ltd.	56,553	60,268	110,208	126,637
Lin Yuan Property Management Co., Ltd.	201,963	-	400,255	-
ThinkPower Information Co., Ltd.	5,095	4,290	6,848	4,290
Seaward Card Co., Ltd.	16,749	19,206	30,072	33,559
	280,360	83,764	547,383	164,486
Fellow subsidiaries and subsidiary of fellow subsidiaries				
Cathay United Bank Co., Ltd.	1,438,364	1,413,263	2,949,641	3,519,722
Cathay Securities (Hong Kong) Limited	3,043	1,563	3,043	3,115
	1,441,407	1,414,826	2,952,684	3,522,837
Other related party				
Lin Yuan Property Management Co., Ltd.	-	189,517	-	384,610
Cathay Healthcare Management Co., Ltd.	5,495	10,153	9,846	18,884
	5,495	199,670	9,846	403,494
	$ 1,758,103	$ 1,698,260	$ 3,571,248	$ 4,090,817

20) Non-operating income

Name	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Parent company				
Cathay Financial Holdings	$ 3,742	$ 3,254	$ 5,240	$ 3,956
Fellow subsidiaries				
Cathay Century Insurance Co., Ltd.	163,596	176,645	327,617	321,365
Cathay United Bank Co., Ltd.	56,184	47,457	84,722	83,817
Cathay Securities Investment Trust Co., Ltd.	6,889	4,203	10,024	8,401
Cathay Securities Co., Ltd.	14,390	3,986	18,049	12,055
	241,059	232,291	440,412	425,638
	$ 244,801	$ 235,545	$ 445,652	$ 429,594

The non-operating income was mainly generated from the Group's integrated promotion activities.

21) Other

As of June 30, 2020, December 31, 2019 and June 30, 2019, the nominal amounts of the financial instruments transactions with Cathay United Bank Co., Ltd. are summarized as follows (in thousands of USD):

Item	June 30, 2020	December 31, 2019	June 30, 2019
SWAP	US$ 2,965,000	US$ 2,615,000	US$ 3,595,000

c. Key management personnel compensation

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Short-term employee benefits	$ 13,760	$ 15,332	$ 37,492	$ 45,459
Post-employment benefits	597	624	1,274	1,247
	$ 14,357	$ 15,956	$ 38,766	$ 46,706

The key management includes chairman, directors, president, senior executive vice president and senior vice general managers.

36. SEPARATE ACCOUNT INSURANCE PRODUCTS

a. The Company

The related accounts of the Company were summarized as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Separate account insurance product assets			
Cash in bank	$ 490,440	$ 518,576	$ 753,775
Financial assets at FVTPL	564,816,440	600,237,158	591,352,978
Other receivables	5,807,641	6,668,998	4,570,377
	$ 571,114,521	$ 607,424,732	$ 596,677,130
Separate account insurance product liabilities			
Other payables	$ 258,682	$ 467,361	$ 1,000,097
Reserve for separate account - insurance contracts	236,077,731	244,601,804	239,655,246
Reserve for separate account - investment contracts	334,778,108	362,355,567	356,021,787
	$ 571,114,521	$ 607,424,732	$ 596,677,130

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Separate account insurance product income				
Premium income	$ 14,593,035	$ 7,791,694	$ 26,544,294	$ 15,746,317
Interest income	433	428	1,066	791
Gains (losses) from financial assets at FVTPL	23,747,449	4,751,511	(12,031,455)	20,747,788
Foreign exchange (losses) gains	(3,201,207)	1,301,328	(3,855,335)	2,162,922
	$ 35,139,710	$ 13,844,961	$ 10,658,570	$ 38,657,818
Separate account insurance product expenses				
Claims and payments	$ 2,590,779	$ 2,877,836	$ 4,751,459	$ 4,820,551
Cash surrender value	3,575,783	6,534,307	12,195,566	12,650,634
Dividends	50	1	51	2
Reserve of (recovery) separate account reserve	28,050,067	3,556,866	(8,094,354)	19,438,021
Administrative expenses	960,512	913,470	1,874,649	1,817,114
Non-operating income and expenses	(37,481)	(37,519)	(68,801)	(68,504)
	$ 35,139,710	$ 13,844,961	$ 10,658,570	$ 38,657,818

For the three months and six months ended June 30, 2020 and 2019, the rebates earned from counterparties due to the business of separate account insurance products were $206,142 thousand, $226,936 thousand, $429,971 thousand and $455,367 thousand, respectively, which were recorded under fee income.

b. Cathay Lujiazui Life

The related accounts of Cathay Lujiazui Life were summarized as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Separate account insurance product assets			
Cash in bank	$ 28,848	$ 5,231	$ 19,692
Financial assets at FVTPL	91,837	112,315	100,897
Interest receivables	1	1	5
Other	36	155	44
	$ 120,722	$ 117,702	$ 120,638
Separate account insurance product liabilities			
Other payables	$ 646	$ (134)	$ (652)
Reserve for separate account	120,076	117,836	121,290
Other			
	$ 120,722	$ 117,702	$ 120,638

	For the Three Months Ended June 30		For the Six Months Ended June 30	
	2020	2019	2020	2019
Separate account insurance product income				
Premium income	$ 50	$ 53	$ 101	$ 127
Gains (losses) from financial assets at FVTPL	16,872	120	13,539	12,333
Interest income	11	60	29	109
	$ 16,933	$ 233	$ 13,669	$ 12,569
Separate account insurance product expenses				
Cash surrender value	$ 5,879	$ 401	$ 6,265	$ 4,362
Reserve (recovery) of separate account reserve	9,640	(548)	5,871	6,732
Administrative expenses	368	391	742	762
Tax expenses	1,046	(11)	791	713
	$ 16,933	$ 233	$ 13,669	$ 12,569

37. THE ALLOCATION OF REVENUE AND EXPENSES ARISING FROM BUSINESS TRANSACTIONS, PROMOTION ACTIVITIES AND INFORMATION SHARING BETWEEN PARENT COMPANY AND OTHER SUBSIDIARIES

To elaborate the benefits of economic scale, Cathay Financial Holdings and its subsidiaries cooperate to launch promotion activities, and the related expenses are allocated to each subsidiary directly by the nature of business or on other reasonable basis.

38. PLEDGED ASSETS

a. The Company

The Company provided cash, time deposits and government bonds as collateral for the renting of real estate and as guarantee to the courts for litigations. Moreover, pursuant to Article 141 of the Insurance Act, the Company deposited 15% of its capital in the Central Bank as the insurance operation guarantee deposits. Pledged assets are summarized based on the net carrying amounts as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits paid - government bonds	$ 10,529,607	$ 10,315,438	$ 10,311,675
Guarantee deposits paid - time deposits	458,667	458,667	492,000
Guarantee deposits paid - others	35,548	39,996	45,525
	$ 11,023,822	$ 10,814,101	$ 10,849,200

b. Cathay Lujiazui Life

According to the requirement by the China Insurance Regulatory Commission, the guaranteed deposit is 20% of the registered capital. Details are as follows (in thousands of CNY):

	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits paid - time deposits	CNY 600,000	CNY 600,000	CNY 700,000

c. Cathay Life (Vietnam)

According to the requirement by the Ministry of Finance of Vietnam, the guaranteed deposit is 2% of the legal capital. Details are as follows (in thousands of VND):

	June 30, 2020	December 31, 2019	June 30, 2019
Guarantee deposits paid - time deposits	VND12,000,000	VND12,000,000	VND12,000,000

39. SIGNIFICANT COMMITMENTS AND CONTINGENCIES

a. The Company has its own formal control and response policies to manage legal claims. Once the losses can be reasonably estimated based on professional advices, the Company will recognize the losses and adjust negative impacts on financial figures resulting from the claims.

b. As of June 30, 2020, the remaining capital commitments for the contracted private equity fund of the Company were NT$1,327,430 thousand, US$3,234,491 thousand, EUR411,755 thousand and GBP1,557 thousand.

40. FINANCIAL INSTRUMENTS

a. The valuation technique and assumptions used in determining the fair value

Fair value is 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 following methods and assumptions were used by the Group to measure or disclose the fair values of financial assets and financial liabilities:

1) The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short maturities.

2) For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value is determined based on market quotation price (including listed equity securities, beneficiary certificates, bonds and futures etc.) at the reporting date.

3) Fair value of equity instruments without an active market (including private placement of listed equity securities, unquoted public company and private company equity securities) are estimated using the market method valuation techniques based on parameters such as prices based on market transactions of equity instruments of identical or comparable entities and other relevant information (for example, inputs such as discount for lack of marketability, P/E ratio of similar entities and P/B ratio of similar entities).

4) Fair value of debt instruments without an active market is determined based on the counterparty prices or valuation method. The valuation method uses discounted cash flow method as a basis, and the assumptions such as the interest rate and discount rate are primarily based on relevant information of similar instrument (such as yield curves published by Taipei Exchange, average prices for fixed rate commercial paper published by Reuters and credit risk information).

5) The fair values of derivatives which are not options and without an active market is determined based on the counterparty prices or discounted cash flow analysis using interest rate yield curve for the contract period. Fair value of option-based derivatives is obtained using the counterparty prices or appropriate option pricing model (for example, Black-Scholes model) or other valuation method (for example, Monte Carlo Simulation).

6) The Group evaluates the credit risk of the derivative contract traded over-the-counter through the following calculation. Under the assumption that the Group will not default, the Group determine their credit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Group calculates their debit value adjustment by multiplying three factors, specifically probability of default, loss given default, and exposure at default, of the Group. The Group decides the estimated probability of default by referring to the probability of default announced by external credit rating agencies. The Group sets estimated loss given default at 60% by considering the experience of Jon Gregory, a scholar, and foreign financial institutions. The estimated exposure at default for current period is evaluated by considering the fair value of the derivative instruments traded at Taipei Exchange.

b. Financial instruments not measured at fair value

Except for the accounts whose carrying amounts approximate their fair values, including cash and cash equivalents, receivables, loans, guarantee deposits paid, payables, bonds payable, lease liabilities and guarantee deposits received, the fair values of the financial instruments which are not measured at fair value are listed in the following table:

June 30, 2020

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at amortized cost (Note)	$ 2,690,119,074	$ 110,073,405	$ 2,883,648,059	$ -	$ 2,993,721,464

December 31, 2019

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at amortized cost (Note)	$ 2,625,787,121	$ 94,171,514	$ 2,724,567,377	$ -	$ 2,818,738,891

June 30, 2019

	Carrying Amounts	Fair Values			
		Level 1	Level 2	Level 3	Total
Financial assets					
Financial assets measured at amortized cost (Note)	$ 2,517,517,481	$ 92,295,134	$ 2,552,007,594	$ -	$ 2,644,302,728
Other financial assets	1,999,333	-	2,000,211	-	2,000,211

Note: Including those serving as refundable deposits.

The fair values of the financial assets and financial liabilities included in the Level 2 and Level 3 categories above have been determined in accordance with the income approach based on a discounted cash flow analysis. Significant unobservable inputs used in Level 3 fair value measurement were the discount rates that reflect the credit risk of counterparties and the cash flows that reflect the feature of early reimbursement.

c. Fair value of financial instruments that are measured at fair value - recurring measurements

1) Fair value hierarchy

Items	June 30, 2020				December 31, 2019				June 30, 2019			
	Total	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**
Non-derivative instruments												
Assets												
Financial assets at FVTPL												
Stocks	$ 485,114,055	$ 445,389,958	$ 35,526,280	$ 4,197,817	$ 479,266,326	$ 431,941,221	$ 42,710,567	$ 4,614,538	$ 588,395,557	$ 508,018,030	$ 76,881,747	$ 3,495,780
Bonds	224,322,381	1,683,167	220,437,213	2,202,001	244,924,559	1,966,609	241,202,978	1,754,972	236,591,389	2,026,542	232,888,357	1,676,490
Other	654,949,562	516,402,167	39,049,856	99,497,539	578,577,582	469,343,181	15,113,562	94,120,839	418,183,876	316,131,924	15,816,759	86,235,193
Financial assets at FVTOCI												
Stocks	75,919,296	70,690,438	-	5,228,858	35,629,504	30,305,530	-	5,323,974	39,627,662	35,212,645	152,896	4,262,121
Bonds (Note)	896,210,838	36,336,751	859,874,087	-	819,825,254	42,244,016	777,581,238	-	830,945,740	25,656,588	805,289,152	-
Derivative instruments												
Assets												
Financial assets at FVTPL	16,809,868	-	16,809,868	-	28,259,690	49,353	28,210,337	-	10,006,660	58,157	9,948,503	-
Financial assets for hedging	669,856	-	669,856	-	548,075	-	548,075	-	258,198	-	258,198	-
Liabilities												
Financial liabilities at FVTPL	2,692,495	-	2,692,495	-	2,974,334	18,016	2,956,318	-	33,266,335	111,046	33,155,289	-
Financial liabilities for hedging	65,647	-	65,647	-	30,894	-	30,894	-	31,843	-	31,843	-

Note: Including those serving as refundable deposits.

Transfers between Level 1 and Level 2:

For the six months ended June 30, 2020 and 2019, there were no transfers between Level 1 and Level 2 for assets or liabilities measured at fair value on a recurring basis.

2) Reconciliation of Level 3 fair value measurements of financial instruments:

	For the Six Months Ended June 30, 2020	
	Financial Assets at FVTPL	**Financial Assets at FVTOCI**
Beginning balance	$ 100,490,349	$ 5,323,974
Recognized in profit or loss		
Loss on financial assets and liabilities at FVTPL	(3,950,947)	-
Gains on reclassification using overlay approach	6,230,809	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	(31,549)	(82)
Other comprehensive gains (losses) reclassified using overlay approach	(6,230,809)	-
Gains on equity instruments at fair value of FVTOCI	-	(123,433)
Purchases	19,264,470	41,700
Disposals	(9,019,212)	(3,419)
Transfers out of Level 3	(855,754)	(9,882)
Ending balance	$ 105,897,357	$ 5,228,858

	For the Six Months Ended June 30, 2019	
	Financial Assets at FVTPL	**Financial Assets at FVTOCI**
Beginning balance	$ 83,474,291	$ 4,076,077
Recognized in profit or loss		
Loss on financial assets and liabilities at FVTPL	5,268,514	-
Loss on reclassification using overlay approach	(2,305,993)	-
Recognized in other comprehensive income		
Exchange differences on translating financial statements of foreign operations	11,818	43
Other comprehensive gains (losses) reclassified using overlay approach	2,305,993	-
Losses on equity instruments at fair value of FVTOCI	-	112,702
Purchases	12,466,004	83,400
Disposals	(9,813,164)	(10,101)
Ending balance	$ 91,407,463	$ 4,262,121

Regarding the above amounts recognized in profit or loss for the six months ended June 30, 2020 and 2019, unrealized losses of $1,302,086 thousand and unrealized losses of $815,506 thousand were related to financial assets held at the end of the period, respectively.

3) Information on significant unobservable inputs applied for Level 3 fair value measurement

The significant unobservable inputs applied for recurring Level 3 fair value measurement were as follows:

	June 30, 2020			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	10%-29%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	21%-30%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-32%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	80%-140%	The higher the dividend payout ratio, the higher the fair value estimates

	December 31, 2019			
Items	**Valuation Techniques**	**Significant Unobservable Inputs**	**Interval (Weighted-average)**	**Relationship Between Inputs and Fair Value**
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	23%-39%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-265%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	0%-140%	The higher the dividend payout ratio, the higher the fair value estimates

Items	June 30, 2019			
	Valuation Techniques	Significant Unobservable Inputs	Interval (Weighted-average)	Relationship Between Inputs and Fair Value
Financial assets at FVTPL and financial assets at FVTOCI	Equity approach	Discount for lack of liquidity	0%-3%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Market approach	Discount for lack of liquidity	11%-30%	The higher the discount for lack of liquidity, the lower the fair value estimates
	Income approach	Discount for lack of liquidity, discount for minority interest, etc.	22%-38%	The higher the discount for lack of liquidity and control, the lower the fair value estimates
		Growth rate of net profit after tax	(48%)-21%	The higher the growth rate of adjusted net profit after tax, the higher the fair value estimates
		Dividend payout ratio	80%-140%	The higher the dividend payout ratio, the higher the fair value estimates

4) Valuation process for Level 3 fair value measurement

The Group' risk management department is responsible for validating the fair value measurements of financial assets and ensuring that the results of the valuation are in line with market conditions, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. To ensure the fair value measurement is reasonable, the department analyzes the movements in the values of assets and liabilities which are required to be remeasured or reassessed at each reporting date according to the Group's accounting policies.

d. Categories of financial instruments

Items	June 30, 2020	December 31, 2019	June 30, 2019
Financial assets			
Financial assets at FVTPL	$ 1,381,195,866	$ 1,331,028,157	$ 1,253,177,482
Financial assets at FVTOCI	970,984,064	854,341,271	869,462,407
Measured at amortized cost			
Cash and cash equivalents (Note 1)	432,067,706	401,792,808	300,794,637
Receivables (Note 2)	70,395,898	72,320,392	77,904,354
Financial assets measured at amortized cost	2,680,735,538	2,616,585,170	2,503,473,143
Other financial assets	-	-	1,999,333
Loans	489,433,469	513,380,541	541,340,879
Guarantee deposits paid	23,132,167	23,151,476	33,726,685
Financial assets for hedging	669,856	548,075	258,198
Financial liabilities			
Financial liabilities at FVTPL	2,692,495	2,974,334	33,266,335
Financial liabilities at amortized cost			
Payables (Note 2)	25,537,268	30,964,602	27,393,708
Bonds payable	80,000,000	80,000,000	80,000,000

(Continued)

Items	June 30, 2020	December 31, 2019	June 30, 2019
Lease liabilities	$ 10,478,762	$ 10,381,894	$ 10,613,406
Guarantee deposits received	10,630,395	13,315,767	3,425,362
Financial liabilities for hedging	65,647	30,894	31,843

(Concluded)

Note 1: Cash on hand was excluded.

Note 2: Income tax refund receivable and payable were excluded.

e. Financial risk management objectives and policies

The Company's major financial instruments include equity and debt investments, derivative instruments, receivables, payables and bonds payable. The main financial risks include market risk (including foreign currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

1) Sources of market risk

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

The Group assesses, monitors, and manages market risks completely and effectively by applying Value at Risk ("VaR") and stress testing consistently.

a) Value at Risk

VaR is the maximum loss on the portfolio at a given confidence level and over a given period. Currently, the Group adopts one-week VaR at 95% and 99% confidence level to measure market risk.

b) Stress testing

The Group evaluates the potential risks occurred in extreme and abnormal events regularly in addition to VaR models.

The Group performs stress testing on positions regularly by applying simple sensitivity test and scenario analysis. Such tests cover the losses on positions resulted from a change in specific risk factors in various kinds of historical scenarios.

i. Simple sensitivity test

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

ii. Scenario analysis

Scenario analysis is to measure the changes in the total value of investment positions caused by hypothetical stress events, including the following scenarios:

i) Historical scenario

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

ii) Hypothetical scenario

The Group simulates rational expectations for the possible extreme market changes to evaluate the losses incurred for the investment positions by considering the fluctuations in related risk factors and the relevance between the investment targets and the risk factors.

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

Table of Stress Testing

		For the Six Months Ended June 30	
Risk Factors	**Changes (+/-)**	**2020**	**2019**
Equity risk (stock price index)	-10%	$ (51,731,656)	$ (58,504,844)
Interest rate risk (yield curve)	+100bps	(116,330,517)	(106,012,649)
Foreign currency risk (foreign exchange rate)	Appreciation of NTD to all foreign currencies by 1%	(10,257,249)	(12,561,108)

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

Note 3: Information of subsidiaries was not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

c) Sensitivity analysis

Summary of Sensitivity Analysis

Risk Factors	For the Six Months Ended June 30, 2020 Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	$ 5,504,725	$ 4,855,096
	CNY (CNH)/USD appreciates 1%	236,143	273,253
	HKD/USD appreciates 1%	3,674	275,598
	EUR/USD appreciates 1%	(58,396)	175,901
	GBP/USD appreciates 1%	797	272,922
Interest rate risk	Yield curve (USD) parallel shifts up 1bp	(1)	(968,024)
	Yield curve (CNY) parallel shifts up 1bp	-	(8,482)
	Yield curve (EUR) parallel shifts up 1bp	-	(9,333)
	Yield curve (GBP) parallel shifts up 1bp	-	(4,076)
	Yield curve (NTD) parallel shifts up 1bp	-	(284,826)
Equity price risk	Equity price increases 1%	(15,040)	5,175,213

Risk Factors	For the Six Months Ended June 30, 2019 Variables (+/-)	Changes in Profit or Loss	Changes in Equity
Foreign currency risk	USD/NTD appreciates 1%	$ 7,992,107	$ 4,543,104
	CNY (CNH)/USD appreciates 1%	316,606	480,346
	HKD/USD appreciates 1%	719	489,784
	EUR/USD appreciates 1%	316,323	135,327
	GBP/USD appreciates 1%	176,177	283,826
Interest rate risk	Yield curve (USD) parallel shifts up 1bp	2,040	(886,613)
	Yield curve (CNY) parallel shifts up 1bp	-	(16,361)
	Yield curve (EUR) parallel shifts up 1bp	-	(6,520)
	Yield curve (GBP) parallel shifts up 1bp	-	(7,293)
	Yield curve (NTD) parallel shifts up 1bp	286	(90,897)
Equity price risk	Equity price increases 1%	(64,204)	5,942,764

Note 1: Impacts of credit spread changes were not included.

Note 2: Effects of hedging were considered.

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

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

Note 5: Information of subsidiaries was not disclosed due to immaterial effects on disclosures for consolidation of subsidiaries.

2) Credit risk

a) Sources of credit risk

When engaged in financial transactions, the Company is exposed to credit risks, including issuer credit risk, counterparty credit risk and credit risk of underlying assets:

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

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

iii. Credit risk of underlying assets is the risk that the Company may suffer losses due to deterioration of the credit quality, increase of credit spread, downgrade or breach of any contract terms of underlying assets linked to financial instruments.

b) Concentration of credit risk

i. Regional distribution of maximum risk exposure for the Company's financial assets:

	June 30, 2020					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 288,952,301	$ 21,639,935	$ 123,425	$ 95,789,466	$ 16,100,003	$ 422,605,130
Financial assets at FVTPL	53,606,504	24,286,661	97,038,092	44,806,629	43,978,292	263,716,178
Financial assets at FVTOCI	47,410,170	38,642,166	152,940,363	387,863,973	268,208,096	895,064,768
Financial assets for hedging	93,403	-	478,903	97,550	-	669,856
Financial assets measured at amortized cost	153,196,803	171,692,421	443,011,157	1,222,827,666	686,354,639	2,677,082,686
	$ 543,259,181	$ 256,261,183	$ 693,591,940	$ 1,751,385,284	$ 1,014,641,030	$ 4,259,138,618
Proportion	12.8%	6.0%	16.3%	41.1%	23.8%	100%

	December 31, 2019					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 261,553,382	$ 27,832,083	$ 185,653	$ 86,397,047	$ 16,115,903	$ 392,084,068
Financial assets at FVTPL	43,409,974	31,448,394	113,252,004	46,690,879	56,395,527	291,196,778
Financial assets at FVTOCI	39,964,295	37,498,812	166,000,546	353,996,509	221,251,605	818,711,767
Financial assets for hedging	87,793	-	362,869	97,413	-	548,075
Financial assets measured at amortized cost	175,262,332	173,472,898	434,046,724	1,167,292,440	663,869,507	2,613,943,901
	$ 520,277,776	$ 270,252,187	$ 713,847,796	$ 1,654,474,288	$ 957,632,542	$ 4,116,484,589
Proportion	12.6%	6.6%	17.3%	40.2%	23.3%	100%

	June 30, 2019					
Financial Assets	**Taiwan**	**Asia**	**Europe**	**North America**	**Emerging Markets and Others**	**Total**
Cash and cash equivalents	$ 195,533,442	$ 7,331,966	$ 113,516	$ 81,168,881	$ 6,620,186	$ 290,767,991
Financial assets at FVTPL	33,644,548	31,573,274	101,246,825	42,922,734	88,946,941	298,334,322
Financial assets at FVTOCI	47,358,130	31,402,115	173,181,278	341,051,661	236,841,561	829,834,745
Financial assets for hedging	100,520	-	39,492	118,186	-	258,198
Financial assets measured at amortized cost	184,004,890	158,459,379	431,426,457	1,101,713,065	626,524,854	2,502,128,645
Other financial assets	-	-	1,999,333	-	-	1,999,333
	$ 460,641,530	$ 228,766,734	$ 708,006,901	$ 1,566,974,527	$ 958,933,542	$ 3,923,323,234
Proportion	11.7%	5.8%	18.1%	39.9%	24.5%	100%

ii. Regional distribution of maximum risk exposure for the Company's secured loans:

Location of Collaterals	June 30, 2020 Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	$ 218,350,165	$ 40,553,204	$ 60,644,049	$ 4,734,328	$ 324,281,746
Non-accrual receivables	843,017	45,272	69,900	-	958,189
	$ 219,193,182	$ 40,598,476	$ 60,713,949	$ 4,734,328	$ 325,239,935
Proportion	67.4%	12.5%	18.7%	1.4%	100%

Location of Collaterals	December 31, 2019 Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	$ 234,560,225	$ 40,573,607	$ 63,399,966	$ 6,598,385	$ 345,132,183
Non-accrual receivables	453,880	78,936	124,981	-	657,797
	$ 235,014,105	$ 40,652,543	$ 63,524,947	$ 6,598,385	$ 345,789,980
Proportion	68%	11.8%	18.4%	1.8%	100%

Location of Collaterals	June 30, 2019 Northern and Eastern Areas	Central Area	Southern Area	Overseas	Total
Secured loans	$ 256,204,669	$ 43,902,906	$ 68,758,809	$ 7,501,329	$ 376,367,713
Non-accrual receivables	345,098	60,018	95,027	-	500,143
	$ 256,549,767	$ 43,962,924	$ 68,853,836	$ 7,501,329	$ 376,867,856
Proportion	68.1%	11.6%	18.3%	2.0%	100%

iii. Categories for credit risk quality

The Company classified credit risk into low credit risk, medium credit risk, high credit risk and credit impaired. The definitions of each category are as follows:

i) Low credit risk indicates that an entity or a subject has a robust ability to perform financial commitment. Even though it encounters material uncertainty or exposes to unfavorable conditions, its ability to perform financial commitment will be kept and maintained

ii) Medium credit risk indicates that an entity or a subject has a weak ability to perform financial commitment. Unfavorable operational, financial or economic conditions will diminish its ability to perform financial commitment.

iii) High credit risk indicates that an entity or a subject has a fragile ability to perform financial commitment. The capability to perform the commitment depends on the favorability of its business environment and financial conditions.

iv) Credit impaired indicates that an entity or a subject fails to fulfill its obligations, and the Company evaluates the potential losses and determines it as impaired.

iv. Determination on the credit risk that has increased significantly since initial recognition

i) The Company assesses whether there is a significant increase in credit risk of a financial instrument applicable for impairment requirements under IFRS 9 since initial recognition at each reporting date. To make this assessment, the Company considers reasonable and supportable information (including forward-looking information) which indicates that credit risk has increased significantly since initial recognition. Main indicators include external credit rating, past due, credit spread and other market information which shows that the credit risk related to borrowers and issuers has increased significantly.

ii) If the credit risk of a financial instrument is determined to be low at the reporting date, it indicates that the credit risk of the financial instrument has not increased significantly since initial recognition.

v. The definition of default and credit-impaired financial assets

The Company's definition of default on financial assets is the same as that of a credit-impaired financial asset. If one or more of the following criteria are met, a financial asset is considered defaulted and credit-impaired:

i) Quantitative factor: When the contractual payments are overdue for more than 90 days, the financial asset is considered defaulted and credit-impaired.

ii) Qualitative factor: An evidence indicates that the issuers or borrowers cannot pay the contractual payments, or that they have significant financial difficulties, for example:

- The issuers or borrowers have entered into bankruptcy or are probable to enter into bankruptcy or financial reorganization.

- The issuers or borrower fail to pay interest or principal according to the issue terms and conditions.

- The collaterals of the borrowers are provisionally seized or enforced.

- The borrowers claim for a change of credit conditions due to financial difficulties.

iii) The abovementioned definitions of default on a financial asset and a credit-impaired financial asset are applicable to all financial assets held by the Company, and are aligned with those of relevant financial assets for internal credit risk management. The definitions are also applicable to related impairment assessment model.

vi. Measurement of expected credit loss

i) The methodology and assumption applied

For financial instruments on which the credit risk has not increased significantly since initial recognition, the Company measures loss allowance for financial instruments at an amount equal to 12-month expected credit losses; for financial instruments whose credit risk has increased significantly since initial recognition or those which have been credit-impaired, the Company measures loss allowance for financial instruments at an amount equal to the lifetime expected credit losses.

In the measurement of expected credit losses, 12-month and lifetime expected credit losses are the multiply of exposure at default ("LGD") and probability of default ("PD") of issuers, guarantee agencies or borrowers for 12 months and the lifetime, respectively, in consideration of time value of money.

PD is the rate that a default occurs on issuers, guarantee agencies or borrowers. LGD is the loss rate resulted from a default of issuers, guarantee agencies or borrowers. Loss given default used by the Company in impairment assessment is based on information regularly issued by Moody's. Probability of default is based on information regularly issued by Taiwan Ratings and Moody's and is determined based upon current observable information and macroeconomic information (for example, gross domestic product and economic growth rate) with adjustments of historical data. Exposure at default is measured at the amortized cost and interest receivables of financial assets.

ii) Forward-looking information considerations

The Company takes forward-looking information into consideration while measuring expected credit losses of financial assets.

vii. Gross carrying amounts of maximum credit risk exposure and categories for credit quality

i) Financial assets of the Company

	June 30, 2020					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 889,317,152	$ -	$ -	$ -	$ -	$ 889,317,152
Financial assets measured at amortized cost	2,655,285,862	-	-	-	(1,561,674)	2,653,724,188
Non-investment grade						
Debt instruments at FVTOCI	4,957,183	790,433	-	-	-	5,747,616
Financial assets measured at amortized cost	16,780,348	7,788,475	-	-	(1,210,325)	23,358,498

	December 31, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 806,786,368	$ -	$ -	$ -	$ -	$ 806,786,368
Financial assets measured at amortized cost	2,586,272,855	-	-	-	(988,749)	2,585,284,106
Non-investment grade						
Debt instruments at FVTOCI	11,734,687	190,712	-	-	-	11,925,399
Financial assets measured at amortized cost	25,743,796	3,124,271	-	-	(208,272)	28,659,795

	June 30, 2019					
			Stage 3			
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Gross Carrying Amount
Investment grade						
Debt instruments at FVTOCI	$ 814,202,195	$ -	$ -	$ -	$ -	$ 814,202,195
Financial assets measured at amortized cost	2,468,968,397	-	-	-	(1,003,660)	2,467,964,737
Other financial assets	2,000,000	-	-	-	(667)	1,999,333
Non-investment grade						
Debt instruments at FVTOCI	15,439,175	193,375	-	-	-	15,632,550
Financial assets measured at amortized cost	26,447,134	7,000,491	1,402,847	-	(686,564)	34,163,908

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

ii) Secured loans and overdue receivables of the Company

	June 30, 2020						
			Stage 3				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivable	$ 316,498,062	$ 76,332	$ 8,665,541	$ -	$ (2,192,495)	$ (2,355,369)	$ 320,692,071

	December 31, 2019						
			Stage 3				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivable	$ 337,652,839	$ 141,286	$ 7,995,855	$ -	$ (1,232,047)	$ (3,593,929)	$ 340,964,004

	June 30, 2019						
			Stage 3				
	Stage 1 12-month Expected Credit Losses	Stage 2 Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Assets	Loss Allowance	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Gross Carrying Amount
Secured loans and non-accrual receivable	$ 369,686,477	$ 83,312	$ 7,098,067	$ -	$ (1,126,075)	$ (4,129,037)	$ 371,612,744

viii. Reconciliation for loss allowance is summarized below:

i) Debt instrument investments at FVTOCI

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2020	$ 337,078	$ 9,666	$ -	$ -	$ 346,744
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(1,691)	1,691	-	-	-
New financial assets originated or purchased	139,398	-	-	-	139,398
Financial assets that have been derecognized during the period	(129,793)	(114,795)	-	-	(244,588)
Changes in models/risk parameters	171,460	267,825	-	-	439,285
Foreign exchange and other movements	(7,308)	(3,868)	-	-	(11,176)
June 30, 2020	$ 509,144	$ 160,519	$ -	$ -	$ 669,663

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9
January 1, 2019	$ 468,280	$ 17,049	$ 12,339	$ -	$ 497,668
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(99)	99	-	-	-
New financial assets originated or purchased	66,728	-	7	-	66,735
Financial assets that have been derecognized during the period	(160,277)	(17,387)	(12,462)	-	(190,126)
Changes in models/risk parameters	15,566	3,661	-	-	19,227
Foreign exchange and other movements	5,169	115	116	-	5,400
June 30, 2019	$ 395,367	$ 3,537	$ -	$ -	$ 398,904

ii) Financial assets measured at amortized cost

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2020	$ 1,043,037	$ 153,984	$ -	$ -	$ 1,197,021
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(7,977)	7,977	-	-	-
New financial assets originated or purchased	219,671	-	-	-	219,671
Financial assets that have been derecognized during the period	(186,284)	(444,876)	-	-	(631,160)
Changes in models/risk parameters	569,480	1,459,786	-	-	2,029,266
Foreign exchange and other movements	(20,236)	(22,563)	-	-	(42,799)
June 30, 2020	$ 1,617,691	$ 1,154,308	$ -	$ -	$ 2,771,999

		Lifetime Expected Credit Losses			
	12-month Expected Credit Losses	Collectively Assessed	Not Purchased or Originated Credit-impaired Financial Asset	Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	$ 904,430	$ 705,622	$ 710,444	$ -	$ 2,320,496
Changes due to financial instruments recognized as at January 1					
Transfer to lifetime expected credit losses	(542)	542	-	-	-
New financial assets originated or purchased	146,677	-	-	-	146,677
Financial assets that have been derecognized during the period	(77,045)	(180,095)	(545,978)	-	(803,118)
Changes in models/risk parameters	78,587	(18,161)	(23,535)	-	36,891
Foreign exchange and other movements	9,639	7,997	(28,358)	-	(10,722)
June 30, 2019	$ 1,061,746	$ 515,905	$ 112,573	$ -	$ 1,690,224

iii) Other financial assets

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Asset	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9
January 1, 2019	$ 594	$ -	$ -	$ -	$ 594
Foreign exchange and other movements	73	-	-	-	73
June 30, 2019	$ 667	$ -	$ -	$ -	$ 667

iv) Secured loans and non-accrual receivable

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Accrued in Accordance with IFRS 9	Difference from Impairment Accrued in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2020	$ 84,809	$ 299	$ 1,146,939	$ -	$ 1,232,047	$ 3,593,929	$ 4,825,976
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(16)	16	-	-	-	-	-
Transfer to credit-impaired financial assets	(1,397)	(74)	1,471	-	-	-	-
Transfer to 12-month expected credit losses	432	(101)	(331)	-	-	-	-
New financial assets originated or purchased	17,514	-	18,403	-	35,917	-	35,917
Financial assets that have been derecognized during the period	(34,141)	(107)	(78,813)	-	(113,061)	-	(113,061)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(1,238,560)	(1,238,560)
Changes in models/risk parameters	290,186	1,005	746,401	-	1,037,592	-	1,037,592
June 30, 2020	$ 357,387	$ 1,038	$ 1,834,070	$ -	$ 2,192,495	$ 2,355,369	$ 4,547,864

	12-month Expected Credit Losses	Lifetime Expected Credit Losses: Collectively Assessed	Lifetime Expected Credit Losses: Not Purchased or Originated Credit-impaired Financial Assets	Lifetime Expected Credit Losses: Purchased or Originated Credit-impaired Financial Assets	Total of Impairment Charged in Accordance with IFRS 9	Difference from Impairment Charged in Accordance with Guidelines for Handling Assessment of Assets	Total
January 1, 2019	$ 90,567	$ 201	$ 591,486	$ -	$ 682,254	$ 5,126,352	$ 5,808,606
Changes due to financial instruments recognized as at January 1							
Transfer to lifetime expected credit losses	(11)	11	-	-	-	-	-
Transfer to credit-impaired financial assets	(1,281)	(74)	1,355	-	-	-	-
Transfer to 12-month expected credit losses	2,021	(85)	(1,936)	-	-	-	-
New financial assets originated or purchased	39	-	-	-	39	-	39
Financial assets that have been derecognized during the period	(7,862)	(26)	(46,301)	-	(54,189)	-	(54,189)
Difference from impairment accrued in accordance with Guidelines for Handling Assessment of Assets	-	-	-	-	-	(997,315)	(997,315)
Changes in models/risk parameters	6,223	123	491,625	-	497,971	-	497,971
June 30, 2019	$ 89,696	$ 150	$ 1,036,229	$ -	$ 1,126,075	$ 4,129,037	$ 5,255,112

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

ix. Exposure to credit risk and loss allowance of receivables

Measurement of loss allowance of the Company's receivables which are in the scope of the impairment requirements under IFRS 9 are based upon the lifetime expected credit losses under simplified approach. Loss allowance measured by a provision matrix under simplified approach was as follows:

	Recognition				
	Not Yet Due/within 1 Month	**1-3 Months**	**3-6 Months**	**Over 6 Months**	**Total**
June 30, 2020					
Gross carrying amounts (Note)	$ 20,816,749	$ 60,442	$ 36,524	$ -	$ 20,913,715
Loss rate	0%	2%	10%	50%	-
Lifetime expected credit losses	-	1,209	3,652	-	4,861

Note: Notes receivable of $94,792 thousand and other receivables of $20,818,923 thousand were included.

	Recognition				
	Not Yet Due/within 1 Month	**1-3 Months**	**3-6 Months**	**Over 6 Months**	**Total**
December 31, 2019					
Gross carrying amounts (Note)	$ 14,553,629	$ 74,573	$ 495	$ -	$ 14,628,697
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,491	50	-	1,541

Note: Notes receivable of $80,968 thousand and other receivables of $14,547,729 thousand were included.

	Recognition				
	Not Yet Due/within 1 Month	**1-3 Months**	**3-6 Months**	**Over 6 Months**	**Total**
June 30, 2019					
Gross carrying amounts (Note)	$ 28,264,701	$ 99,355	$ 7,638	$ -	$ 28,371,694
Loss rate	0%	2%	10%	50%	
Lifetime expected credit losses	-	1,987	764	-	2,751

Note: Notes receivable of $90,054 thousand and other receivables of $28,281,640 thousand were included.

The reconciliation of loss allowance was as follows:

	For the Six Months Ended June 30	
	2020	**2019**
Beginning balance	$ 1,541	$ 2,346
(Reversal) provision for the period	3,320	405
Ending balance	$ 4,861	$ 2,751

3) Liquidity risk analysis

a) Sources of liquidity risk

Liquidity risks of financial instruments are comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth.

b) Liquidity risk management

The Company assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, the Company manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions symmetrically.

The Company uses cash flow model and stress testing to assess cash flow risk based on actual management needs or special situations. Also, for abnormal and urgent financing needs, management of the Company makes an emergency operating procedure to deal with significant liquidity risks.

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

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

	June 30, 2020				
	Less than 6 Months	**Due in 6-12 Months**	**Due in 1-2 Years**	**Due in 2-5 Years**	**Over 5 Years**
Non-derivative financial liabilities					
Payables (Note 1)	$ 23,503,492	$ 496,362	$ 419,367	$ 1,061,899	$ 56,148
Bonds payables (Note 2)	569,589	1,293,120	2,715,000	8,145,000	86,030,000
Lease liabilities (Note 3)	400,661	270,420	634,453	1,390,089	18,229,940
Derivative financial liabilities					
SWAP	3,376,667	372,800	-	-	-
Forward	1,318,971	52,050	-	-	-

	December 31, 2019				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
Non-derivative financial liabilities					
Payables	$ 29,055,173	$ 281,015	$ 385,835	$ 1,195,135	$ 47,444
Bonds payables (Note 2)	561,650	1,194,411	2,715,000	8,145,000	87,485,000
Lease liabilities (Note 3)	297,218	358,116	568,511	1,375,285	18,287,241
Derivative financial liabilities					
SWAP	1,834,039	298,058	-	-	-
Forward	1,231,198	-	-	-	-
IRS	1,481	1,517	3,410	1,259	-
Option	18,016	-	-	-	-

	June 30, 2019				
	Less than 6 Months	Due in 6-12 Months	Due in 1-2 Years	Due in 2-5 Years	Over 5 Years
Non-derivative financial liabilities					
Payables	$ 25,295,338	$ 449,205	$ 320,417	$ 1,294,005	$ 34,743
Bonds payables (Note 2)	569,589	1,293,120	2,715,000	8,145,000	88,745,000
Lease liabilities (Note 3)	485,253	277,429	504,322	1,399,277	18,610,802
Derivative financial liabilities					
SWAP	27,127,830	9,895,786	-	-	-
Forward	3,259,246	281,111	-	-	-
IRS	4,743	1,148	4,151	2,160	-
Option	111,046	-	-	-	-

Note 1: The tax payable under the integrated income tax system was excluded.

Note 2: For the bonds without maturity dates, the remaining period used to calculate the contractual cash flows was 10 years.

Note 3: For the lease liabilities, the remaining period used to calculate the contractual cash flows ranged from 1 to 43 years.

f. Hedge accounting disclosures

Cash flow hedges

The future cash flows of the bond investments held by the Group may fluctuate due to the changes in market interest rates and thus lead to risks. Accordingly, the Group held derivative instruments to hedge risks arising from the changes in interest rates. Information of hedge accounting is as follows:

1) Hedging instruments

	June 30, 2020				
	Nominal Amount of the Hedging	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current
Hedging Instrument	Instrument	Assets	Liabilities	Instrument Is Included	Period
IRS	$ 6,800,000	$ 190,953	$ -	Financial assets for hedging	$ 40,086
IRS	1,223,475	-	65,647	Financial liabilities for hedging	(35,661)

Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
	December 31, 2019				
		Assets	**Liabilities**		
IRS	$ 6,800,000	$ 185,206	$ -	Financial assets for hedging	$ 34,498
IRS	1,317,138	-	30,894	Financial liabilities for hedging	(31,677)

Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period
	June 30, 2019				
		Assets	**Liabilities**		
IRS	$ 6,800,000	$ 218,706	$ -	Financial assets for hedging	$ 34,833
IRS	1,359,400	-	31,843	Financial liabilities for hedging	(31,720)

2) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	**1-3 Months**	**3 Months - 1 Year**	**1-5 Years**	**Over 5 Years**
June 30, 2020					
IRS					
Nominal principal	$ -	$ 600,000	$ 2,339,031	$ 5,084,444	$ -
Average fixed rate	-	1.7%	1.5%-2.5%	1.7%-2.5%	-

	Period Till Maturity				
	1 Month	**1-3 Months**	**3 Months - 1 Year**	**1-5 Years**	**Over 5 Years**
December 31, 2019					
IRS					
Nominal principal	$ -	$ -	$ 2,922,306	$ 5,194,832	$ -
Average fixed rate	-	-	1.6%-2.5%	1.7%-2.5%	-

	Period Till Maturity				
	1 Month	**1-3 Months**	**3 Months - 1 Year**	**1-5 Years**	**Over 5 Years**
June 30, 2019					
IRS					
Nominal principal	$ -	$ -	$ 38,840	$ 8,120,560	$ -
Average fixed rate	-	-	2.5%	1.6%-2.5%	-

3) Hedged items

	For the Six Months Ended June 30, 2020							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	$ (40,086)	$ 190,953	N/A	$ 40,086	$ -	$ -	$ (34,340)	Finance costs
Payables	35,661	(65,647)	N/A	(35,661)	-	-	-	Finance costs
Discontinued hedge - bonds investments	N/A	N/A	(266)	N/A	N/A	N/A	5	Finance costs

	For the Six Months Ended June 30, 2019							
	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the Current Period	Cash Flow Hedge Reserve	Balance of Cash Flow Hedge Reserve Generated from the Hedging Relationships Where Hedge Accounting Is No Longer Applicable	Changes in the Value of the Hedging Instrument Recognized in Other Comprehensive Income	Hedge Ineffectiveness Recognized in Profit or loss	Line Item in Profit or Loss that Includes Hedge Ineffectiveness	Amount Reclassified from the Cash Flow Hedge Reserve to Profit or Loss	Line Items Affected in Profit or Loss Because of the Reclassification
Floating-rate bonds	$ (34,833)	$ 218,706	N/A	$ 34,833	$ -	$ -	$ (32,737)	Finance costs
Payables	31,720	(31,843)	N/A	(31,720)	-	-	-	Finance costs
Discontinued hedge - floating-rate bonds	N/A	N/A	$ -	N/A	N/A	N/A	-	Finance costs

4) Reconciliation for equity component applying hedge accounting and related other comprehensive income were summarized below:

	For the Six Months Ended June 30	
	2020	2019
Beginning balance	$ 116,268	$ 173,288
Gross amounts recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	4,429	3,113
Amount reclassified from cash flow hedge reserve to profit or loss	(34,335)	(32,737)
Income tax	10,152	(420)
Ending balance	$ 96,514	$ 143,244

Fair value hedges

The book value of the foreign currency denominated assets held by the Company may fluctuate due to the changes in market exchange rates and thus lead to risk. Accordingly, the Company held derivative instruments related to exchange rates to hedge risks arising from changes in exchange rates. Information of hedge accounting is as follows:

1) Hedging instruments

	June 30, 2020				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
		Assets	Liabilities		
CCS	$ 5,020,697	$ 478,903	$ -	Financial assets for hedging	$ (65,709)

	December 31, 2019				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
		Assets	Liabilities		
CCS	$ 9,742,013	$ 362,869	$ -	Financial assets for hedging	$ 93,293

	June 30, 2019				
Hedging Instrument	Nominal Amount of the Hedging Instrument	Carrying Amounts of the Hedging Instrument		Line Items in Balance Sheet Where the Hedging Instrument Is Included	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for Current Year
		Assets	Liabilities		
CCS	$ 11,447,869	$ 39,492	$ -	Financial assets for hedging	$ (86,560)

2) Maturities of the nominal amount of hedging instruments and average price or rate

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
June 30, 2020					
CCS					
Nominal principal	$ -	$ -	$ -	$ -	$ 5,020,697
Interest rate	-	-	-	-	2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
December 31, 2019					
CCS					
Nominal principal	$ -	$ -	$ -	$ -	$ 9,742,013
Interest rate	-	-	-	-	2.20%-2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1285-1.1353

	Period Till Maturity				
	1 Month	1-3 Months	3 Months - 1 Year	1-5 Years	Over 5 Years
June 30, 2019					
CCS					
Nominal principal	$ -	$ -	$ -	$ -	$ 11,447,869
Interest rate	-	-	-	-	1.59%-2.39%
Exchange rate (EUR/USD)	-	-	-	-	1.1210-1.1353

3) Hedged items

	For the Six Months Ended June 30, 2020							
	Book Value of Hedged Items		Cumulative Adjustment for Changes in Fair value of Hedged Items included in Book Value of Hedged Items		Line item in Statement of Financial Position that includes	Changes in Fair Value Used for Calculating Hedge Ineffectiveness for the	Ineffectiveness Recognized in	Line item in Profit or Loss that includes Hedge
	Assets	Liabilities	Assets	Liabilities	Hedged items	Period	Profit or loss	Ineffectiveness
Oversea bonds	$ 5,020,697	$ -	$ 65,709	$ -	Financial assets measured at amortized cost	$ 65,709	$ -	$ -

	For the Six Months Ended June 30, 2019							
	Book Value of Hedged Items		Cumulative Adjustment for Changes in Fair value of Hedged Items included in Book Value of Hedged Items		Line item in Statement of Financial Position that includes	Charges in Fair Value Used for Calculating Hedge Ineffectiveness for the	Ineffectiveness Recognized in	Line item in Profit or Loss that includes Hedge
	Assets	Liabilities	Assets	Liabilities	Hedged items	Period	Profit or loss	Ineffectiveness
Oversea bonds	$ 11,447,869	$ -	$ 86,560	$ -	Financial assets measured at amortized cost	$ 86,560	$ -	$ -

4) Reconciliation for equity component applying hedged accounting and related other comprehensive income were summarized below:

	For the Six Months Ended June 30	
	2020	2019
Foreign currency basis-related period		
Beginning balance	$ 215,661	$ -
Gross amounts recognized in other comprehensive income		
Changes in the values of the hedging instruments recognized in other comprehensive income	181,743	126,052
Income tax	(36,349)	(25,210)
Ending balance	$ 361,055	$ 100,842

g. Offsetting of financial assets and financial liabilities

The Group engages in derivative financial instruments that do not meet the offsetting criteria of standards, but enters into master netting arrangements or other similar agreements with counterparties. Financial instruments subject to master netting arrangements or other similar agreements could be settled at net amount as agreed by both parties of the transaction, or the financial instrument should be settled at gross amount otherwise. However, if one of both parties of the transaction defaults, the other party could choose to settle the transaction at net amount.

Information related to offsetting of financial assets and financial liabilities is disclosed as follows:

June 30, 2020

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Assets (a)	Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Received	
Derivative financial instruments	$ 17,479,724	$ -	$ 17,479,724	$ 2,568,883	$ 9,339,559	$ 5,571,282

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement

Item	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments	Cash Collateral Paid	
Derivative financial instruments	$ 2,692,495	$ -	$ 2,692,495	$ 2,568,883	$ 54,335	$ 69,277

December 31, 2019

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
		Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet (b)	Net Financial Assets Recognized on Balance Sheet (c)=(a)-(b)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		
Item	Gross Amounts of Recognized Financial Assets (a)			Financial Instruments	Cash Collateral Received	Net Amount (e)=(c)-(d)
Derivative financial instruments	$ 28,758,412	$ -	$ 28,758,412	$ 2,952,747	$ 13,341,124	$ 12,464,541

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
		Gross Amount of Offset Financial Assets Recognized on Balance Sheet (b)	Net Financial Liabilities Recognized on Balance Sheet (c)	Relevant Amount That Has Not Been Offset on Balance Sheet (d)		
Item	Gross Amounts of Recognized Financial Liabilities (a)			Financial Instruments	Cash Collateral Paid	Net Amount (e)=(c)-(d)
Derivative financial instruments	$ 2,956,318	$ -	$ 2,956,318	$ 2,952,747	$ -	$ 3,571

June 30, 2019

Financial Assets Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
		Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Assets Recognized on Balance Sheet	Relevant Amount That Has Not Been Offset on Balance Sheet		
Item	Gross Amounts of Recognized Financial Assets			Financial Instruments	Cash Collateral Received	Net Amount
Derivative financial instruments	$ 10,206,701	$ -	$ 10,206,701	$ 9,311,480	$ 887,759	$ 7,462

Financial Liabilities Bound by Offsetting or Master Netting Arrangements or Similar Agreement						
		Gross Amount of Offset Financial Liabilities Recognized on Balance Sheet	Net Financial Liabilities Recognized on Balance Sheet	Relevant Amount That Has Not Been Offset on Balance Sheet		
Item	Gross Amounts of Recognized Financial Liabilities			Financial Instruments	Cash Collateral Paid	Net Amount
Derivative financial instruments	$ 33,155,289	$ -	$ 33,155,289	$ 9,311,480	$ 11,940,116	$ 11,903,693

41. RISK MANAGEMENT AND INSURANCE RISK INFORMATION

a. Risk management objectives, policies, procedures and methods

1) Objectives of risk management

The Company’s risk management policy aims to promote operational efficiency, ensure asset safety, increase shareholders’ value, and comply with applicable domestic and oversea laws and regulations for the purpose of steady growth and sustainable management.

2) Framework, organizational structure and responsibilities of risk management

a) The board of directors

i. The board of directors should establish appropriate risk management framework and culture, ratify appropriate risk management policy and review it regularly, and allocate resources in the most effective manner.

ii. The board of directors and senior management should consistently promote, execute risk management and keep the consistency of the operational objectives of the Company as well as operational strategies and operations management.

iii. The board of directors should be aware of the risks arising from operations, ensure the effectiveness of risk management and bear the ultimate responsibility for overall risk management.

iv. The board of directors should delegate authority to risk management department to deal with violation to risk limits by other departments.

b) Risk management committee

i. The committee should propose the risk management policies, framework and organizational functions and establish quantitative and qualitative risk management standards. The committee is also responsible for reporting the results of implementing risk management to the board of directors regularly and making necessary suggestions for improvement.

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

iii. The committee should assist and monitor the risk management activities.

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

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

c) Chief risk officer

i. The chief risk officer should maintain independence. Besides a position directly related to risk management and without conflict of interest, the chief risk officer should not hold a position in any profit center of the Company.

ii. The chief risk officer should be able to access any business information which may have an impact on risk overview of the Company.

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

iv. The chief risk officer should participate in the Company’s important decision-making process and, as appropriate, provide opinions from a risk management perspective.

d) Risk management department

i. The department is responsible for operational affairs such as monitoring, measuring and evaluating daily risks, which should be performed independently to business units.

ii. The department should perform the following functions with regard to different business activities:

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

ii) Propose the risk limits based on risk appetite.

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

iv) Regularly present risk management reports.

v) Regularly review the risk limits of each business unit and deal with the violation of the business units authorized by the board of directors.

vi) Assist to execute stress testing.

vii) Execute back testing if necessary.

viii) Other risk management related issues.

e) Business units

i. Each business unit should assign a risk management coordinator to assist in execution of the risk management of each business unit.

ii. The duties of the risk management include the following:

i) Identify and measure risks and report risk exposures and potential impacts on time.

ii) Regularly review the risks and their limits and, in case of any excess of risk limits, report the excess of risk limits along with the corresponding actions.

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

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

v) Assist to collect data related to operational risk.

vi) Manager of a business unit is responsible for daily risk management and risk reporting of the unit, if necessary, and takes necessary actions to such risks.

vii) Manager of a business unit should supervise the unit to summit risk management information regularly to the risk management department.

f) Audit department

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

g) Subsidiary

Each subsidiary's risk management department or related unit should develop risk management policies based on the nature of its business and needs and report to the Company's risk management committee for future reference.

3) Range and nature of risk assessment or risk reporting

The Company's risk management procedures include risk identification, risk measurement, risk control and risk reporting. The Company sets its management standards for market risk, credit risk, country risk, liquidity risk, operational risk, insurance risk, and asset and liability matching risk, capital adequacy, as well as for information security and personal data management. The Company also develops methods of assessment and evaluation, monitors its risks and regularly provides the risk management reports.

a) Market risk

Market risk is the risk of losses in value of the Company's financial assets arising from the changes in market prices of financial instruments. The Company adopts measurement indicators for market risk based on VaR and reviews regularly. In addition, the Company performs back testing to ensure the accuracy of the market risk model regularly. Furthermore, the Company applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly. In response to the implementation of foreign exchange valuation reserve, the Company determines the ceiling of foreign exchange risk, implements warning system and monitors foreign exchange risk regularly.

b) Credit risk

Credit risk is the risk of losses on the Company's rights due to that the counterparty or debtor does not perform the contractual obligation. The Company applies credit rating, credit concentration and VaR of credit as measurement indicators which are reviewed regularly. Furthermore, the Company applies scenario analysis and stress testing to evaluate the possible impacts on asset portfolio due to significant domestic and/or international events regularly.

c) Country risk

Country risk is the risk that the Company suffers losses from loans, financial investments and long-term investments in a specific country as a result of market price fluctuation or default of security issuers or debtors stemming from local political and/or economic situations. The Company adopts measurement indicators for country risk, which are calculated by total investments in a certain country or specific area divided by total foreign investments or adjusted net assets. The Company reviews and adjusts the indicator on a regular basis.

d) Liquidity risk

Liquidity risk is comprised of funding liquidity risk and market liquidity risk. Funding liquidity risk is the risk that the Company is not capable of performing matured commitment because its fails to realize assets or obtain sufficient funds. The Company has established measurement indicators of funding liquidity risk and reviews the indicators regularly. In addition, funding reporting system has been established under which the risk management department manages funding liquidity based on the information provided by relevant business units. Furthermore, cash flow analysis model has been applied and monitored regularly, and improvements should be made once unusual events occur. Cash flow analysis model is also applied to set the annual assets allocation plan to maintain appropriate liquidity of assets. Market liquidity risk is the risk of significant changes in fair values when the Company sells or offsets its positions during a market disorder or a lack of sufficient market depth. The Company has established a liquidity threshold for investment positions. Each investment department evaluates the market trading volumes and adequacy of positions held according to the features and objectives of its investment positions.

e) Operational risk

Operational risk is the risk of losses caused by misconducts or errors of internal process, personnel, and system by external issues. Operational risk includes legal risk but excludes strategic risk and reputation risk. The Company has set the standard operating procedures based on the nature of the business and established reporting system for loss events of operation risk as well as to collect and manage information with respect to losses resulting from operational risk. To maintain the Company's operation and ability to provide customer services while minimizing the losses under a major crisis, the Company has established emergency handling mechanism and information system damage responses.

f) Insurance risk

The Company assumes certain risks which is transferred from policyholders after the collection of premiums from policyholders, and the Company may bear losses due to unexpected changes when paying claims and related expenses. This risk is involved with policy design and pricing risk, underwriting risk, reinsurance risk, catastrophe risk, claim risk and reserve-related risk.

g) Asset and liability matching risk

This risk resulted from the differences between the changes in values of assets and those of liabilities. The Company measures the risk with capital costs, duration, cash flow management and scenario analysis.

h) Capital adequacy

The Company regards RBC ratio and equity ratio as a management indicator for capital adequacy. The RBC ratio is the total capital of the Company divided by its risk-based capital, as regulated under the Insurance Act and the Regulations Governing Capital Adequacy of Insurance Companies. The equity ratio is the Company's equity audited (or reviewed) by the auditors divided by the total assets excluding the total assets recorded in separate accounts for investment type insurance policies.

i) Risk of information security and personal data management

The risk of information security and personal data management refers to the damage resulted from confidentiality, accuracy and availability of information asset, or damage caused by stealing, tampering, damaging, losing or leaking personal data. The Company has a security and personal data management policy to reduce the impact of information security incidents and personal data damages.

4) The process of assuming, measuring, monitoring and controlling risks and the underwriting policies to determine the proper risk classification and premium levels

a) The process of assuming, measuring, monitoring and controlling insurance risks

i. Stipulate the Company's insurance risk management standards including the definitions and range of risks, management structure, risk management indicators and other risk management measures.

ii. Establish methods to evaluate insurance risks.

iii. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.

iv. Regularly summarize the results of implementing risk management policies and report to the risk management committee. When an exceptional risk event occurs, the related departments should propose corresponding solutions to the risk management committee of the Company and that of Cathay Financial Holdings.

b) The underwriting policies to determine proper risk classification and premium levels

i. Underwriters should comply with the rules of financial underwriting. For underwriting a new policy of an existing policyholders, the underwriter should consider previous information as well as the exceptional cases from insurance notification database and total insured amounts in insurance enterprises, to check if the number of policies, the insured amounts and the premiums are reasonable and affordable according to the policyholder's financial resources and socioeconomic status and to determine if the policyholder is capable of paying renewal premiums.

ii. The Company has set up an underwriting team to deal with controversial cases with regard to new contracts and to interpret relevant underwriting standards.

iii. The Company has set up a special panel for large policies to enhance risk management over large policies and avoid adverse selection and moral hazard.

5) The scope of insurance risk assessment and management from a company-wide perspective

a) Insurance risk assessment covers the following risks:

i. Product design and pricing risk: The risk arises from improper design of products, inconsistent terms and conditions and pricing or unexpected changes.

ii. Underwriting risk: Unexpected losses arise from solicitation activities, underwriting and approval activities, other expenditure activities, etc.

iii. Reinsurance risk: This risk occurs when a company fails to reinsure the excess risk over the limits or a reinsurer fails to fulfill its obligations such that premiums, claims or expenses cannot be reimbursed.

iv. Catastrophe risk: This risk arises from accidents which lead to considerable losses in one or more categories of insurance and the aggregate amount of such losses is huge enough to affect the Company's credit rating or solvency.

v. Claim risk: This risk arises from mishandling claims.

vi. Reserve-related risk: This risk occurs when the Company does not have sufficient reserves to fulfill its obligations owing to underestimation of its liabilities.

b) The scope of management of insurance risk

i. Develop a risk control framework of the Company's insurance risk to empower related development to execute risk management.

ii. Establish the Company's insurance risk management standards including the definitions and types of risks, management structure, risk management indicators and other risk management measures.

iii. Develop related response in consideration of the Company's growth strategy and changes in the domestic and global economic and financial environments.

iv. Determine methods to measure insurance risks.

v. Regularly provide the insurance risk management report as a reference for monitoring insurance risk and a developing insurance risk management strategies.

vi. Other insurance risk management issues.

6) The method to limit or transfer insurance risk exposure and to avoid inappropriate concentration risk

The Company limits or transfers insurance risk exposure and avoids inappropriate concentration risk mainly through the reinsurance management plan which is developed considering the Company's risk taking ability, risk profiling and legal issues factors to determine whether to retain or cede a policy. In order to maintain safety of risk transfer and to control the risk of reinsurance transactions, the Company has established reinsurer selection standards.

7) Asset/liability management

a) The Company established an asset/liability management committee to improve the asset/liability management structure, ensure the application of the asset/liability management policy and review the performance from strategy and practice aspect on a regular basis to reduce all types of risks the Company faces.

b) Authorized departments review the measurement of asset/liability matching risk and report to the asset/liability management committee regularly and results are also reported to the risk management committee of the Company. Furthermore, the annual report is delivered to the risk management committee of the Cathay Financial Holdings.

c) When an exceptional situation occurs, the related departments should propose reactions to the asset/liability management committee, the risk management committee of the Company and that of Cathay Financial Holdings.

8) The procedures to manage, monitor and control a special event for which the Company is committed to assuming additional liabilities or funding addition capital

Pursuant to the applicable laws and regulations, the Company's RBC ratio and equity ratio should be higher than a certain number. In order to enhance the Company's capital management and to maintain a proper RBC ratio and equity ratio, the Company has established a set of capital adequacy management standards as follows:

a) Capital adequacy management

i. Regularly provide capital adequacy management reports and analysis to the finance department of Cathay Financial Holdings.

ii. Regularly provide the analysis report to the risk management committee.

iii. Conduct simulation analysis to figure out the use of funding, the changes of the financial environment or the amendments to applicable laws and regulations affecting RBC ratio and equity ratio.

iv. Regularly review RBC ratio, equity ratio and related control standards to ensure a solid capital adequacy management.

b) Exception management process

When RBC ratio or equity ratio exceeds the internal risk criteria or other exceptions occur, the Company is required to notify the risk management department and the finance department and the risk management department of Cathay Financial Holdings together with the capital adequacy analysis report and actions.

9) Policies for hedge or mitigation of risk and monitoring procedures on continuous effectiveness of hedging instruments

a) The Company enters into derivative transactions to reduce market risk and credit risk of the asset positions including stock index options, index futures, interest rate futures, IRS, forwards, CCS and credit default swaps for hedging the equity risk, interest rate risk, cash flow risk, foreign exchange risk and credit risk from the Company’s investments; however, the derivatives not qualified for hedge accounting are classified as financial assets at FVTPL.

b) Hedging instruments against risks and implementation are developed preliminarily in consideration of the risk taking abilities. The Company executes hedge and exercises authorized financial instruments to adjust the overall risk level to the tolerance levels based on the market dynamics, business strategies, the characteristics of products and risk management policies.

c) The Company assesses and reviews the effectiveness of the hedge instruments and hedged items regularly. The assessment report is issued and forwarded to the management which is delegated by the board of directors; meanwhile, a copy of the assessment report is delivered to the audit department for future reference.

10) The policies and procedures against the concentration of credit and investment risks

Considering the credit risk factors, the Company has set up the measurement indicators for credit and investment positions by business groups, industries and countries. When the limits of credit and investments are reached or breached as a result of any increase of the credit line or investment, the Company shall not grant loans or make investment in general. However, if the Company has to undertake the business under certain circumstances, the Company shall follow the internal regulations, including but not limited to “Guidelines for sovereign risk management”, “Guidelines for securities investment risk limit” and “Guidelines for credit and investment risk management on conglomerate and other juristic person institute”.

b. Information of insurance risk

1) Sensitivity of insurance risk - insurance contracts and financial instruments with discretionary participation features

a) The Company

For the Six Months Ended June 30, 2020					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 1,429,086	Decrease (increase)	$ 1,143,269
Expense	×1.05 (×0.95)	Decrease (increase)	1,527,531	Decrease (increase)	1,222,025
Surrender rate	×1.05 (×0.95)	Increase (decrease)	223,173	Increase (decrease)	178,538
Rate of return	+0.1%	Increase	3,110,821	Increase	2,488,657
Rate of return	-0.1%	Decrease	3,112,361	Decrease	2,489,889

For the Six Months Ended June 30, 2019					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 1,403,154	Decrease (increase)	$ 1,122,523
Expense	×1.05 (×0.95)	Decrease (increase)	1,661,697	Decrease (increase)	1,329,358
Surrender rate	×1.05 (×0.95)	Increase (decrease)	295,832	Increase (decrease)	236,665
Rate of return	+0.1%	Increase	2,847,340	Increase	2,277,872
Rate of return	-0.1%	Decrease	2,848,750	Decrease	2,279,000

b) Cathay Lujiazui Life

For the Six Months Ended June 30, 2020					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 77,036	Decrease (increase)	$ 57,777
Expense	×1.05 (×0.95)	Decrease (increase)	44,580	Decrease (increase)	33,435
Surrender rate	×1.10 (×0.90)	Increase (decrease)	41,339	Increase (decrease)	31,004
Rate of return	+0.25%	Increase	115,920	Increase	86,940
Rate of return	-0.25%	Decrease	116,206	Decrease	87,155

For the Six Months Ended June 30, 2019					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.10 (×0.90)	Decrease (increase)	$ 79,980	Decrease (increase)	$ 59,985
Expense	×1.05 (×0.95)	Decrease (increase)	43,904	Decrease (increase)	32,928
Surrender rate	×1.10 (×0.90)	Increase (decrease)	47,608	Increase (decrease)	35,706
Rate of return	+0.25%	Increase	95,739	Increase	71,804
Rate of return	-0.25%	Decrease	95,976	Decrease	71,982

c) Cathay Life (Vietnam)

For the Six Months Ended June 30, 2020					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 659	Decrease (increase)	$ 527
Expense	×1.05 (×0.95)	Decrease (increase)	25,441	Decrease (increase)	20,353
Surrender rate	×1.05 (×0.95)	Increase (decrease)	3,123	Increase (decrease)	2,498
Rate of return	+0.1%	Increase	7,808	Increase	6,246
Rate of return	-0.1%	Decrease	7,812	Decrease	6,249

For the Six Months Ended June 30, 2019					
	Scenarios	**Changes in Income Before Tax**		**Changes in Equity**	
Life table/morbidity	×1.05 (×0.95)	Decrease (increase)	$ 486	Decrease (increase)	$ 388
Expense	×1.05 (×0.95)	Decrease (increase)	20,038	Decrease (increase)	16,030
Surrender rate	×1.10 (×0.95)	Increase (decrease)	3,564	Increase (decrease)	2,851
Rate of return	+0.1%	Increase	6,335	Increase	5,068
Rate of return	-0.1%	Decrease	6,338	Decrease	5,070

i. Changes in income before tax listed above referred to the effects of income before tax for the six months ended June 30, 2020 and 2019. The changes in equity of the Company, Cathay Lujiazui Life and Cathay Life (Vietnam) were assumed that the income tax was calculated at rates of 20%, 25% and 20% of pre-tax income, respectively.

ii As an increase (decrease) of 0.1% in discount rates is applied to liability adequacy test, the result of the test is still adequate for the Company and there is no impact on income before tax and equity. However, if the discount rate keeps declining significantly, income before tax and equity may be affected.

iii. Sensitivity test

i) Mortality/morbidity sensitivity test is executed by multiplying the mortality rate and the morbidity rate of injury insurance by changes in scenarios, resulting in the corresponding changes in income before tax.

ii) Expense sensitivity test is executed by multiplying all expense items listed in statements of comprehensive income (Note 1) by changes in scenarios, resulting in the corresponding changes in income before tax.

iii) Surrender rate sensitivity test is executed by multiplying surrender rate by changes in scenarios, resulting in the corresponding changes in income before tax.

iv) Rate of return sensitivity test is executed by adjusting rate of return (Note 2) to increase (decrease) by changes in scenarios, resulting in the corresponding changes in income before tax.

Note 1: Expense items includes underwriting expenses, commission expenses, other operating costs as well as general expenses, administration expenses, employee training expenses of operating expenses and expected credit impairment losses and gains on reversal from non-investments.

Note 2: Rate of return is calculated as follows (to be annualized):

2 × (Net investment - Finance costs)/(The beginning balance of available funds + The ending balance of available funds - Net incomes (losses) on investment + Finance costs)

2) Concentration of insurance risks

The Company's insurance business is mainly from the R.O.C., and all the insurance policies have similar risk exposure; for example, the risk exposure to the unexpected changes in trend (mortality, morbidity, and surrender rate) or the risk exposure to multiple insurance contracts caused by a single incident (for example, simultaneous risk exposure to life insurance, health insurance, and casualty insurance caused by an earthquake). The Company reduces risk exposure not only by monitoring risks consistently, but also by arranging reinsurance contracts.

In principle, the Company considers the hazard and its ability to assume risk, and performs an evaluation of insurance risks according to the retention risks, which is submitted for approval by authority. The Company cedes the excess of insurance risks over the retention risks to reinsurers. At the same time, the Company considers unexpected human and natural disasters to estimate the reasonable maximum of losses according to the retained risks in each year; the Company determines whether it is necessary to adjust the reinsured amount or catastrophe reinsurance according to the hazard and its ability to assume risks. Hence, the insurance risks to some degree have been diversified to reduce the potential impact on unexpected losses.

Furthermore, according to Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises, special reserve for catastrophic events should be provided for huge claims and payments due to future catastrophic events, and special reserve for fluctuation of risk should be provided for abnormal changes in loss ratio and claims of each insurance type. The annual increase of special reserve for catastrophic events and fluctuation of risks should be recorded in special reserve of equity, net of tax in accordance with IAS 12.

3) Claim development trend

a) The Company

i. Direct business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2013Q3-2014Q2	14,430,297	17,717,754	18,040,951	18,142,401	18,145,908	18,170,461	18,186,367	-	-
2014Q3-2015Q2	14,571,990	18,110,741	18,441,030	18,521,678	18,563,115	18,587,024	18,603,807	16,783	16,816
2015Q3-2016Q2	15,612,219	19,236,420	19,604,451	19,681,903	19,729,832	19,756,431	19,774,207	44,375	44,464
2016Q3-2017Q2	16,041,023	19,907,013	20,260,407	20,348,766	20,394,648	20,422,448	20,441,120	92,354	92,538
2017Q3-2018Q2	18,543,719	22,888,227	23,332,963	23,438,501	23,491,406	23,523,260	23,543,683	210,720	211,141
2018Q3-2019Q2	20,263,104	25,132,218	25,599,146	25,712,064	25,770,031	25,804,940	25,826,920	694,702	696,092
2019Q3-2020Q2	21,103,207	26,101,871	26,591,428	26,706,769	26,766,950	26,803,122	26,825,676	5,722,469	5,733,913

Expected future payments	$ 6,794,964
Add: Assumed reserve for claims not yet filed	21,509
Reserve for claims not yet filed	6,816,473
Add: Claims filed but not yet paid	4,247,661
Loss reserve balance	$ 11,064,134

ii. Retained business development trend

Accident Year	Development Year							Claims Not Yet Filed	Reserve for Claims Not Yet Filed
	1	2	3	4	5	6	7		
2013Q3-2014Q2	14,508,785	17,834,585	18,162,290	18,264,353	18,268,596	18,293,585	18,309,566	-	-
2014Q3-2015Q2	14,685,660	18,279,560	18,612,485	18,694,584	18,736,320	18,760,308	18,777,239	16,931	16,965
2015Q3-2016Q2	15,749,673	19,399,201	19,773,769	19,851,792	19,899,854	19,926,690	19,944,554	44,700	44,789
2016Q3-2017Q2	16,100,992	20,016,979	20,373,156	20,461,802	20,507,983	20,535,984	20,554,724	92,922	93,108
2017Q3-2018Q2	18,688,695	23,063,158	23,509,021	23,615,597	23,669,050	23,701,322	23,721,921	212,900	213,326
2018Q3-2019Q2	20,326,834	25,207,686	25,677,527	25,791,367	25,849,886	25,885,380	25,907,630	699,944	701,343
2019Q3-2020Q2	21,131,012	26,139,887	26,630,972	26,746,807	26,807,286	26,843,778	26,866,483	5,735,471	5,746,942

Expected future payments	$ 6,816,473
Add: Claims filed but not yet paid	4,205,862
Retained loss reserve balance less ceded loss reserve	$ 11,022,335

Note: Retained business represents direct business plus assumed reinsurance business less ceded reinsurance business.

In accordance with Jin Guan Bao Shou No.10402133590 issued on December 22, 2015 by the FSC, reserve for claims not yet filed is provided claims filed and adjusted for related expenses; reserve for claims filed but not yet paid is provided on a case-by-case basis. Loss reserve is the sum of the above reserve, and due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to the Company may be delayed in certain cases, and estimates of the payments for cases not yet filed are involved with a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in at specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in at specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in at specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

b) Cathay Lujiazui Life

i. Direct business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2013Q3-2014Q2	354,310	569,577	605,286	614,620	614,620	614,620	614,620	-
2014Q3-2015Q2	207,948	389,198	416,522	421,318	421,318	421,318	421,318	-
2015Q3-2016Q2	246,755	461,477	504,828	539,737	539,737	539,737	539,737	-
2016Q3-2017Q2	253,863	459,672	502,054	502,054	502,054	502,054	502,054	-
2017Q3-2018Q2	271,688	309,263	435,582	446,111	446,111	446,111	446,111	10,529
2018Q3-2019Q2	346,838	491,353	553,095	566,464	566,464	566,464	566,464	75,111
2019Q3-2020Q2	362,844	578,457	651,144	666,884	666,884	666,884	666,884	304,040

Expected future payments	$ 389,680
Add: Assumed reserve for claims not yet filed	(1,904)
Reserve for claims not yet filed	387,776
Add: Claims filed but not yet paid	16,178
Loss reserve balance	$ 403,954

ii. Retained business development trend

Accident Year	Development Year							Expected Future Payment
	1	2	3	4	5	6	7	
2013Q3-2014Q2	348,969	561,286	596,955	606,286	606,286	606,286	606,286	-
2014Q3-2015Q2	186,357	367,395	394,506	399,302	399,302	399,302	399,302	-
2015Q3-2016Q2	244,266	455,366	488,641	523,549	523,549	523,549	523,549	-
2016Q3-2017Q2	241,138	446,945	484,971	484,971	484,971	484,971	484,971	-
2017Q3-2018Q2	254,656	283,513	416,931	427,336	427,336	427,336	427,336	10,405
2018Q3-2019Q2	333,760	472,827	532,642	545,934	545,934	545,934	545,934	73,107
2019Q3-2020Q2	350,297	563,239	634,492	650,325	650,325	650,325	650,325	300,028

Expected future payments	$ 383,540
Less: Expected claims filed but not yet paid	(1,904)
Add: Claims filed but not yet paid	13,515
Retained loss reserve balance less ceded loss reserve	$ 395,151

Note: Retained business represents direct business plus assumed reinsurance business less ceded reinsurance business.

Cathay Lujiazui Life provides loss reserve for claims filed but not paid and claims not yet filed. Due to uncertainty, estimation, and judgment, there is a high degree of complexity in provision of loss reserve. Any changes in the estimation or judgment are treated as changes in accounting estimates and the impacts of the changes are recognized as profit or loss as incurred. Notification to Cathay Lujiazui Life may be delayed in certain cases, and estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments. The loss reserve is estimated based upon the currently available information; however, the final results may deviate from the original estimates because of the subsequent conditions of the cases.

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in at specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in at specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in at specific accident year. The circumstances and trends affecting the provision of loss reserve in current year may differ in the future; therefore, the expected future payments cannot be determined by this table.

c) Cathay Life (Vietnam)

i. Direct business development trend

Accident Year	Development Year				
	1	2	3	4	5
2015Q3-2016Q2	1,119	1,273	1,273	1,273	1,273
2016Q3-2017Q2	5,564	7,027	7,027	7,027	7,027
2017Q3-2018Q2	31,850	36,763	36,826	36,834	36,834
2018Q3-2019Q2	103,676	120,312	120,467	120,492	120,492
2019Q3-2020Q2	135,344	157,303	157,505	157,539	157,539

ii. Retained business development trend

Accident Year	Development Year				
	1	2	3	4	5
2015Q3-2016Q2	1,119	1,273	1,273	1,273	1,273
2016Q3-2017Q2	5,564	7,027	7,027	7,027	7,027
2017Q3-2018Q2	31,850	36,763	36,826	36,834	36,834
2018Q3-2019Q2	103,676	120,312	120,467	120,492	120,492
2019Q3-2020Q2	135,344	157,303	157,505	157,539	157,539

The above table shows the development trend of claim payments. The accident year is the year when the insurance events occurred; the x-axis is the year of the development for the cases; the amounts above the diagonal line represent the cases in specific accident year the corresponding accumulated claims and payments and claims filed but not yet paid at the end of the year for the cases in at specific accident year; the amounts below the diagonal line represent the estimates of corresponding accumulated developments for the cases in at specific accident year.

Cathay Life (Vietnam) provides loss reserve for claims filed but not paid and claims not yet filed. Reserve for claims not yet filed is estimated by multiplying the loss ratio of earned premiums based upon the past loss experiences instead of loss triangle method, which was approved by local authorities in Vietnam; therefore, provision for loss reserve is not determined by the above table. Estimates of the payments for cases not yet filed involved a large volume of past experiences and subjective judgement; therefore, it is unable to confirm that the loss reserve on the balance sheet date will be equal to the final settlements of claims and payments.

c. Credit risk, liquidity risk, and market risk for insurance contracts

1) Credit risk

The credit risk of the insurance contracts occurs as the reinsurers fail to perform the obligations of reinsurance contracts, which may result in impairment losses on reinsurance assets.

Due to the nature of reinsurance market and the regulations on qualified reinsurers, the insurers in Taiwan sustain certain degree of credit risk concentration of reinsurers. To reduce this risk, the Company chooses the reinsurance counterparty, reviews its credit rating periodically, monitors and controls the risk of reinsurance transactions properly in accordance with the Company’s Reinsurance Risk Management Plan and Evaluation Standards for Reinsurers.

For the six months ended June 30, 2020, the credit ratings of the Company’s reinsurers are above a certain level, complying with the Company’s internal rules and relevant legal requirements in Taiwan. Furthermore, reinsurance assets are relatively immaterial to the Company’s total assets; therefore, no significant credit risk exists.

2) Liquidity risk

The table below is the analysis of the net (undiscounted) cash flow of insurance contracts and of financial instruments with discretionary participation features. The figures shown in this table are the estimated amount of the total insurance payments and expenses of valid insurance contracts in the future, deducting total premium on the balance sheet date. The actual future payment amounts may differ due to the difference between the result and expected amount.

Unit: In Billion of New Taiwan Dollars

	Insurance Contracts and Financial Instruments with Discretionary Participation Features		
	Within 1 Year	**1 to 5 Years**	**Over 5 Years**
June 30, 2020	$ (128.2)	$ 368.9	$ 18,268.2
December 31, 2019	(166.5)	301.2	17,932.0
June 30, 2019	(207.1)	212.2	18,041.0

Note: Separate account products were not included.

3) Market risk

The Company measures insurance liabilities by the discounted rates required by the authorities. The authorities regularly review the assumption of the discount rate for policy reserves; however, the change of the assumption may not be at the same time, in the same direction of change with the market price and interest rate, and only applied to new contracts. Therefore, the impacts of those possible changes in market risk on the provision of policy reserve for the Company's valid insurance contacts are considered minor to profit or loss or equity. When the authorities change the discount rate assumption in a reasonably possible manner with remote possibility as current assessment, it will have an impact in a range on profit or loss or equity depending upon the level of the change and the overall product portfolio of the Company. Furthermore, the reasonably possible change in the market risk may have impact on the future cash flows of insurance contracts and financial instruments with discretionary participation features, which are estimated based on available information at the balance sheet date and are used for assessing the adequacy of recognized insurance liabilities. Based on the reasonably possible changes in current market risk, it has little impact on the adequacy of recognized insurance liabilities.

42. SEGMENT INFORMATION

The Group operates life insurance business in accordance with Insurance Act. In accordance with IFRS 8, since the Group only provides insurance policy products and the business decision makers allocate the resources to the Group as a whole, the Group is considered as single operating segment.

43. CAPITAL MANAGEMENT

a. Management objectives

In order to ensure capital structure and stimulate business growth, the Company manages its capital adequacy in accordance with Regulations Governing Capital Adequacy of Insurance Companies and management policies established by the Company and maintains adequate capital to effectively absorb different types of risk.

b. Management policies

In order for sufficient capital to assume all types of risks, the Company applies RBC ratio as the management indicator for capital adequacy. The Company calculates RBC ratio periodically and aperiodically to monitor the status of short and mid-term capital adequacy and the calculation would serve as reference for business objectives, asset allocation and dividend policy.

In accordance with Regulations Governing Capital Adequacy of Insurance Companies, the components of owned capital and risk-based capital are as follows:

1) Owned capital

Owned capital is the insurance companies' capital as admitted by the authorities, which includes:

a) Admitted owner's equity

b) Other adjustments prescribed by the authorities.

Calculation of owned capital should comply with requirements regulated by the authorities.

2) Risk-based capital

Risk-based capital is calculated according to the risks occurring in the business of an insurance enterprise, including:

a) Asset risk

b) Insurance risk

c) Interest rate risk

d) Other risk

Calculation of risk-based capital should comply with requirements regulated by the authorities.

c. Management procedures

1) Periodical calculation

To implement management of RBC, the RBC ratio is inspected periodically. In accordance with cash flow of current contracts and assets, future target of new contracts, and the assumptions of best estimates, the Company estimates RBC ratio for the incoming year through the asset/liability model and analyzes the solvency if the expected ratio deviates from the control criteria, the Company decreases risk exposures or increases capital in response.

2) Aperiodic calculation

The Company conducts RBC ratio analysis for specific events and assesses their impacts, such as usage of funding, business development, reinsurance arrangement, or changes of the financial market and regulations.

d. Current status of RBC ratio

The Company's RBC ratio, which is calculated in accordance with Regulations Governing Capital Adequacy of Insurance Companies, is above 200% during the past three years, which complies with the regulations.

44. BUSINESS COMBINATIONS - SUBSIDIARIES ACQUIRED

a. Subsidiaries acquired

Subsidiary	Principal Activity	Date of Acquisition	Proportion of Voting Equity Interests Acquired (%)	Consideration Transferred
Global Evolution Holding ApS	Asset Management Services	June 25, 2020	53	$ 781,317

On June 25, 2020, CHL acquired more equity shares of Global Evolution Holding ApS, increased the ownership interest from 45% to 53%, and obtained control.

b. Assets acquired and liabilities assumed at the date of acquisition

	Global Evolution Holding ApS
Current assets	
Cash and cash equivalents	$ 117,198
Other	1,031,302
Intangible assets - customer relationships	2,467,576
Non-current assets	108,021
Current liabilities	(596,864)
Non-current liabilities	(233,440)
	$ 2,893,793

c. Non-controlling interests

The non-controlling interest (47% ownership interest in Global Evolution Holding ApS) recognized at the acquisition date was measured by reference to the proportionate share of the identifiable net assets.

d. Goodwill recognized on acquisitions

	Global Evolution Holding ApS
Consideration transferred	$ 781,317
Plus: Non-controlling interests (47% ownership interest in Global Evolution Holding ApS)	1,302,994
Plus: Fair value of 45% share in equity	4,396,904
	6,481,215
Less: Fair value of identifiable net assets acquired	(2,893,793)
Goodwill recognized on acquisitions	$ 3,587,422

e. Net cash outflow on the acquisition of subsidiaries

	Global Evolution Holding ApS
Consideration paid in cash	$ 781,317
Less: Cash and cash equivalent balance acquired	(117,198)
	$ 664,119

45. OTHERS

a. Impact of the COVID-19 Pandemic

The Group had evaluated the economic impact caused by the COVID-19 pandemic, and as of the date of approval of this consolidated financial report, there were no significant impact on the Group. The Group will continue to observe the relevant epidemic situation and evaluate its impact.

b. Significant assets and liabilities denominated in foreign currencies

The group entities' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

	June 30, 2020		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 119,212,850	29.660000	$ 3,535,853,143
CNY	13,047,162	4.195636	54,741,144
AUD	4,231,927	20.336379	86,062,070
Non-monetary items			
USD	10,399,273	29.660000	308,442,423
HKD	7,201,497	3.826949	27,559,760
Investments accounted for the using equity method			
CNY	408,192	4.192800	1,711,469
PHP	27,086,722	0.595100	16,119,308
Financial liabilities			
Monetary items			
USD	1,195,698	29.660000	35,464,392

	December 31, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 111,963,979	30.106000	$ 3,370,787,537
CNY	16,076,378	4.323121	69,500,132
AUD	3,791,660	21.101295	80,008,942
Non-monetary items			
USD	8,811,685	30.106000	265,284,585
HKD	9,076,942	3.866013	35,091,580
Investments accounted for the using equity method			
CNY	410,632	4.321700	1,774,628
PHP	26,747,682	0.594200	15,893,473
IDR	6,526,743,236	0.002172	14,176,087
Financial liabilities			
Monetary items			
USD	395,619	30.106000	11,910,495

	June 30, 2019		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Financial assets			
Monetary items			
USD	$ 108,002,243	31.072000	$ 3,355,845,705
CNY	18,086,670	4.523182	81,809,302
AUD	3,245,236	21.798562	70,741,473
Non-monetary items			
USD	8,266,954	31.072000	256,870,787
HKD	12,357,641	3.979432	49,176,388
Investments accounted for the using equity method			
CNY	400,250	4.523972	1,810,731
PHP	26,714,933	0.606283	16,197,264
IDR	6,575,475,055	0.002201	14,472,621
Financial liabilities			
Monetary items			
USD	855,803	31.072000	26,591,511

Note: Impacts of foreign currencies other than functional currencies of subsidiaries are immaterial; therefore, information of subsidiaries is not disclosed.

c. Total amount of assets and liabilities expected to recover or settle within/over 12 months

Items	June 30, 2020		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Cash and cash equivalents	$ 432,374,349	$ -	$ 432,374,349
Receivables	70,393,926	1,972	70,395,898
Investments			
Financial assets at FVTPL	53,530,635	1,327,665,231	1,381,195,866
Financial assets at FVTOCI	11,348,115	959,635,949	970,984,064
Financial assets measured at amortized cost	32,192,421	2,648,543,117	2,680,735,538
Financial assets for hedging	10,024	659,832	669,856
Investments accounted for using the equity method	-	28,643,650	28,643,650
Investment property	-	489,280,760	489,280,760
Investment property under construction	-	1,695,775	1,695,775
Prepayments for buildings and land - investments	-	695,446	695,446
Loans	7,445,464	481,988,005	489,433,469
Total investments	104,526,659	5,938,807,765	6,043,334,424
Reinsurance assets	257,114	1,392,211	1,649,325
Property and equipment	-	31,649,253	31,649,253
Right-of-use assets	-	1,663,365	1,663,365
Intangible assets	-	46,030,819	46,030,819
Deferred tax assets	-	45,366,468	45,366,468
Other assets	7,314,774	23,163,532	30,478,306
Separate account insurance product assets	6,418,804	564,816,439	571,235,243
Total assets	$ 621,285,626	$ 6,652,819,824	$ 7,274,177,450
Payables	$ 25,223,471	$ 1,537,414	$ 26,760,885
Current tax liabilities	639,137	-	639,137
Financial liabilities at FVTPL	2,692,495	-	2,692,495
Financial liabilities for hedging	-	65,647	65,647
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	17,762,311	17,762,311
Loss reserve	-	11,480,249	11,480,249
Policy reserve	-	5,815,629,652	5,815,629,652
Special reserve	-	11,084,525	11,084,525
Premium deficiency reserve	-	17,425,315	17,425,315
Other reserve	-	1,861,141	1,861,141
Total insurance liabilities	-	5,875,243,193	5,875,243,193

(Continued)

	June 30, 2020		
Items	**Recovery/ Settlement within 12 Months**	**Recovery/ Settlement over 12 Months**	**Total**
Reserve for insurance contracts with the nature of financial products	$ -	$ 12,457,360	$ 12,457,360
Reserve for foreign exchange valuation	-	6,600,772	6,600,772
Provisions	-	56,245	56,245
Lease liabilities	663,154	9,815,608	10,478,762
Deferred tax liabilities	-	53,203,432	53,203,432
Other liabilities	728,772	16,107,635	16,836,407
Separate account insurance product liabilities	379,404	570,855,839	571,235,243
Total liabilities	$ 30,326,433	$ 6,625,943,145	$ 6,656,269,578

(Concluded)

	December 31, 2019		
Items	**Recovery/ Settlement within 12 Months**	**Recovery/ Settlement over 12 Months**	**Total**
Cash and cash equivalents	$ 402,051,684	$ -	$ 402,051,684
Receivables	82,456,625	11,289	82,467,914
Investments			
Financial assets at FVTPL	49,497,161	1,281,530,996	1,331,028,157
Financial assets at FVTOCI	6,707,439	847,633,832	854,341,271
Financial assets measured at amortized cost	39,592,170	2,576,993,000	2,616,585,170
Financial assets for hedging	21,093	526,982	548,075
Investments accounted for using the equity method	-	44,557,549	44,557,549
Investment property	-	483,871,717	483,871,717
Investment property under construction	-	4,546,717	4,546,717
Prepayments for buildings and land - investments	-	1,152,363	1,152,363
Loans	6,233,423	507,147,118	513,380,541
Total investments	102,051,286	5,747,960,274	5,850,011,560
Reinsurance assets	357,722	1,386,210	1,743,932
Property and equipment	-	32,271,269	32,271,269
Right-of-use assets	-	1,577,679	1,577,679
Intangible assets	-	41,346,899	41,346,899
Deferred tax assets	-	36,156,766	36,156,766
Other assets	7,154,019	23,299,350	30,453,369
Separate account insurance product assets	7,187,575	600,354,859	607,542,434
Total assets	$ 601,258,911	$ 6,484,364,595	$ 7,085,623,506

(Continued)

Items	December 31, 2019		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Payables	$ 29,430,865	$ 1,533,737	$ 30,964,602
Current tax liabilities	635,483	-	635,483
Financial liabilities at FVTPL	2,966,992	7,342	2,974,334
Financial liabilities for hedging		30,894	30,894
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	17,832,203	17,832,203
Loss reserve	-	11,042,612	11,042,612
Policy reserve	-	5,592,979,067	5,592,979,067
Special reserve	-	11,084,624	11,084,624
Premium deficiency reserve	-	19,679,457	19,679,457
Other reserve	-	1,873,141	1,873,141
Total insurance liabilities	-	5,654,491,104	5,654,491,104
Reserve for insurance contracts with the nature of financial products	-	10,932,008	10,932,008
Reserve for foreign exchange valuation	-	18,000,877	18,000,877
Provisions	-	233,871	233,871
Lease liabilities	655,334	9,726,560	10,381,894
Deferred tax liabilities	-	55,730,622	55,730,622
Other liabilities	271,043	18,916,352	19,187,395
Separate account insurance product liabilities	467,361	607,075,073	607,542,434
Total liabilities	$ 34,427,078	$ 6,456,678,440	$ 6,491,105,518

(Concluded)

Items	June 30, 2019		
	Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Cash and cash equivalents	$ 301,071,566	$ -	$ 301,071,566
Receivables	88,790,071	48,403	88,838,474
Current tax assets	3,970	-	3,970
Investments			
Financial assets at FVTPL	25,117,385	1,228,060,097	1,253,177,482
Financial assets at FVTOCI	11,111,316	858,351,091	869,462,407
Financial assets measured at amortized cost	37,967,226	2,465,505,917	2,503,473,143
Financial assets for hedging	-	258,198	258,198
Investments accounted for using the equity method	-	45,158,727	45,158,727
Other financial assets	-	1,999,333	1,999,333
Investment property	-	473,618,735	473,618,735
Investment property under construction	-	2,681,313	2,681,313

(Continued)

Items	June 30, 2019 Recovery/ Settlement within 12 Months	Recovery/ Settlement over 12 Months	Total
Prepayments for buildings and land - investments	$ -	$ 1,705,324	$ 1,705,324
Loans	705,638	540,635,241	541,340,879
Total investments	74,901,565	5,617,973,976	5,692,875,541
Reinsurance assets	327,749	1,306,514	1,634,263
Property and equipment	-	32,281,633	32,281,633
Right-of-use assets	-	1,782,506	1,782,506
Intangible assets	-	42,910,800	42,910,800
Deferred tax assets	-	26,315,512	26,315,512
Other assets	6,625,311	35,555,714	42,181,025
Separate account insurance product assets	5,324,152	591,473,616	596,797,768
Total assets	$ 477,044,384	$ 6,349,648,674	$ 6,826,693,058
Payables	$ 25,744,542	$ 1,649,166	$ 27,393,708
Current tax liabilities	261,649	-	261,649
Financial liabilities at FVTPL	33,257,899	8,436	33,266,335
Financial liabilities for hedging	-	31,843	31,843
Bonds payable	-	80,000,000	80,000,000
Insurance liabilities			
Unearned premium reserve	-	16,812,188	16,812,188
Loss payments	-	10,292,949	10,292,949
Policy insurance	-	5,397,742,222	5,397,742,222
Special reserve	-	11,084,360	11,084,360
Premium deficiency reserve	-	21,114,903	21,114,903
Other reserve	-	1,883,542	1,883,542
Total insurance liabilities	-	5,458,930,164	5,458,930,164
Reserve for insurance contracts with the nature of financial products	-	10,464,265	10,464,265
Reserve for foreign exchange valuation	-	24,881,915	24,881,915
Provisions	-	217,819	217,819
Lease liabilities	-	10,613,406	10,613,406
Deferred tax liabilities	-	45,917,708	45,917,708
Other liabilities	226,202	7,115,032	7,341,234
Separate account insurance product liabilities	1,000,097	595,797,671	596,797,768
Total liabilities	$ 60,490,389	$ 6,235,627,425	$ 6,296,117,814

(Concluded)

c. Information for discretionary investment

1) As of June 30, 2020, December 31, 2019 and June 30, 2019, the Company contracts with securities investment trust companies for discretionary investment service and the related investments are as follows:

Items	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Domestic stocks	$ 132,434,149	$ 110,798,703	$ 130,231,044
Overseas stocks	63,195,526	51,029,574	49,371,682
Repurchase bonds	12,824,000	14,812,000	13,935,000
Cash in banks	45,870,765	35,979,663	42,811,331
Beneficiary certificates	122,790	17,180	112,793
Futures and options	216,748	435,322	481,131
	$ 254,663,978	$ 213,072,442	$ 236,942,981

The carrying amounts of the financial assets operated discretionarily by securities investment trust enterprises are equal to their fair values.

2) As of June 30, 2020, December 31, 2019 and June 30, 2019, the discretionary investments limits are as follows (in thousand):

Items	**June 30, 2020**	**December 31, 2019**	**June 30, 2019**
Monetary items			
NTD	$ 84,358,163	$ 64,358,163	$ 102,872,589
USD	1,252,200	952,200	1,238,500
HKD	544,084	544,084	1,351,384

d. Structured entities

1) Consolidated structured entities

The consolidated structured entities in the Group's consolidated financial statements are the real estate investment and management organizations. As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group provided loans amounting to GBP345,000 thousand as financial support to the entities for operation and investment needs.

2) Unconsolidated structured entities

a) The Group holds interests in structured entities which are not consolidated in the Group's consolidated financial statements and the Group does not provide financial support or other support to these structured entities. The maximum exposure to these structured entities is the carrying amount of the related assets held by the Group. The information of these unconsolidated structured entities is disclosed as follows:

Types of Structured Entity	**Nature and Purpose**	**Interests Owned**
Private equity fund	Investment in private equity funds issued by external third parties to receive returns	Investment in units or limited partnership interests issued by the funds
Securitization vehicle	Investment in securitization vehicle to receive returns	Investment in asset-backed securities issued by the entities

b) As of June 30, 2020, December 31, 2019 and June 30, 2019, the carrying amounts of the Group's assets related to its interests in unconsolidated structured entities are disclosed as follows:

	June 30, 2020	
	Private Equity Funds	**Securitization Vehicle**
Financial assets at FVTPL	$ 99,497,539	$ 36,180,034
Financial assets at FVTOCI	-	51,957,648
Financial assets measured at amortized cost	-	133,722,037
	$ 99,497,539	$ 221,859,719

	December 31, 2019	
	Private Equity Funds	**Securitization Vehicle**
Financial assets at FVTPL	$ 94,120,839	$ 33,447,848
Financial assets at FVTOCI	-	47,465,038
Financial assets measured at amortized cost	-	191,072,559
	$ 94,120,839	$ 271,985,445

	June 30, 2020	
	Private Equity Funds	**Securitization Vehicle**
Financial assets at FVTPL	$ 94,120,839	$ 33,447,848
Financial assets at FVTOCI	-	47,465,038
Financial assets measured at amortized cost	-	191,072,559
	$ 94,120,839	$ 271,985,445

	June 30, 2019	
	Private Equity Funds	Securitization Vehicle
Financial assets at FVTPL	$ 86,235,193	$ 32,004,612
Financial assets at FVTOCI	-	33,249,074
Financial assets measured at amortized cost	-	181,855,837
	$ 86,235,193	$ 247,109,523

46. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions:

No.	Description	Explanation
1	Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital.	Table 3
2	Disposal of individual real estate at price over $100 million or 20% of the paid-in capital.	Table 4
3	Engage in core business transactions with related parties amounting over $100 million or 20% of the paid-in capital.	Note 35
4	Receivables from related parties amounting over $100 million or 20% of the paid-in capital.	Note 35
5	Trading in derivative instruments.	Notes 8, 10 and 40

b. Information of investees

No.	Description	Explanation
1	Information on investee, including name, location and etc.	Table 1
2	Financing provided to others.	N/A
3	Endorsements/guarantees provided.	N/A
4	Marketable securities held.	Table 2
5	Marketable securities acquired or disposed of at accumulated amounts over $100 million or 20% of the paid-in capital.	N/A
6	Acquisition of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
7	Disposal of individual real estate at price over $100 million or 20% of the paid-in capital.	N/A
8	Engage in core business transactions with related parties and transaction amounting over $100 million or 20% of the paid-in capital	Note 35
9	Receivables from related parties amounting over $100 million or 20% of the paid-in capital.	N/A
10	Trading in derivative instruments.	N/A

c. Information on investments in Mainland China

No.	Description	Explanation
1	Name, principle business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, investment income, carrying amount of the investment, repatriation of investment income, and limit of investment in mainland China. If the investee belongs to the insurance industry, the location, status of capital funds and related income, provision methodology and balances of insurance policy reserves, percentage of insurance income and percentage of insurance benefits and claims should also be revealed.	Table 5
2	Significant transaction, with investee in mainland China, directly or indirectly through a third region including transaction prices, payment conditions, and unrealized gains or losses.	N/A
3	Mutual transactions in core business areas, such as the underwriting of insurance policy contracts where the policyholder is the investee, the amount of such transactions and their percentages, and the end-of-period balances of the related payables and receivables and their percentages.	N/A
4	The amount of property transactions and the amount of the resulting gains or losses.	N/A
5	The highest balance, the end-of-period balance, the interest rate range, and total interest in the current period with respect to the financing of funds.	N/A
6	Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receipt of services.	N/A

d. The important intercompany transactions among the Group are disclosed in Table 6 following the notes to the consolidated financial statements.

e. Information on major shareholders: For all shareholders with ownership of 5% or greater, the name of the shareholder, the number of shares owned, and percentage of ownership of each shareholder should be disclosed: N/A

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars/In Thousands Share of Ordinary Shares)

Investor Company	Name of Investee	Location	Main Businesses and Products	Original Investment Amount		As of June 30, 2020			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				June 30, 2020	December 31, 2019	Number of Shares	Ratio (%)	Carrying Amount			
Cathay Life Insurance Co., Ltd.	Conning Holdings Limited	UK	Holding company	$ 15,723,539	$ 15,723,539	2,029	100.00	$ 16,593,330	$ 2,144,597	$ 2,083,192	Subsidiary (Note 2)
	Cathay Life Insurance (Vietnam) Co., Ltd.	Vietnam	Life insurance	9,090,730	9,090,730	-	100.00	11,663,954	(418,592)	(418,592)	Subsidiary (Note 2)
	Cathay Woolgate Exchange Holding 1 Limited	Jersey Island	Real estate investment and operation management	16,654,013	16,654,013	326,700	100.00	12,888,583	44,755	44,755	Subsidiary (Note 1)
	Cathay Woolgate Exchange Holding 2 Limited	Jersey Island	Real estate investment and operation management	168,222	168,222	3,300	100.00	128,965	(115)	(115)	Subsidiary (Note 1)
	Cathay Walbrook Holding 1 Limited	Jersey Island	Real estate investment and operation management	10,189,090	10,189,090	213,750	100.00	8,192,292	(137,763)	(137,763)	Subsidiary (Note 1)
	Cathay Walbrook Holding 2 Limited	Jersey Island	Real estate investment and operation management	536,268	536,268	11,250	100.00	427,512	(7,913)	(7,913)	Subsidiary (Note 1)
	Rizal Commercial Banking Corporation	Philippines	Banking	15,683,953	15,683,953	452,019	23.35	16,119,308	1,843,577	430,522	Associate (Note 2)
	PT Bank Mayapada Internasional Tbk	Indonesia	Banking	13,317,536	13,317,536	2,550,767	37.33	-	(3,032,026)	(13,980,277)	Associate (Note 2)
	Cathay Securities Investment Consulting Co., Ltd.	Taiwan	Securities investment consulting services	300,000	70,000	30,000	100.00	518,986	97,238	97,238	Subsidiary (Note 1)
	Symphox Information Co., Ltd	Taiwan	Wholesale of information software	404,432	404,432	24,511	49.12	434,390	49,460	24,295	Associate (Note 2)
	WK Technology Fund VI Co., Ltd.	Taiwan	Venture investment	108,372	108,372	10,837	21.43	60,681	(103)	(22)	Associate (Note 2)
	Dasheng Venture Capital Co., Ltd.	Taiwan	Venture investment	957,118	957,118	95,712	25.00	2,004,143	513,450	128,363	Associate (Note 2)
	Dasheng IV Venture Capital Co., Ltd.	Taiwan	Venture investment	750,000	750,000	75,000	21.43	870,729	24,873	5,330	Associate (Note 2)
	CMG International One Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	674,277	(3,750)	(1,688)	Associate (Note 2)
	CMG International Two Co., Ltd.	Taiwan	Lease and development of residence and buildings	675,000	675,000	67,500	45.00	671,622	(5,520)	(2,484)	Associate (Note 2)
	CM Energy Co., Ltd.	Taiwan	Energy technical services	270,000	270,000	27,000	45.00	286,347	11,001	4,951	Associate (Note 2)
	Neo Cathay Power Corp.	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	690,881	30,056	13,525	Associate (Note 2)
	Cathay Sunrise Corporation	Taiwan	Energy technical services	675,000	675,000	67,500	45.00	701,742	34,886	15,698	Associate (Note 2)
	DingTeng Co., Ltd.	Taiwan	Sewage treatment	756,116	756,116	37,284	27.36	804,420	48,343	13,228	Associate (Note 2)
	PSS Co., Ltd.	Taiwan	Parking space management	832,750	781,364	14,186	36.22	895,227	27,647	10,103	Associate (Note 2)
	Greenhealth Water Resources Co., Ltd.	Taiwan	Sewage treatment	470,916	470,916	45,600	30.00	466,995	(9,105)	(2,731)	Associate (Note 2)
	Cathay Venture Inc.	Taiwan	Venture investment	1,567,574	1,567,574	114,129	25.00	1,621,139	196,183	49,046	Associate (Note 1)
	Lin Yuan Property Management Co., Ltd.	Taiwan	Property management services	63,636	-	1,470	49.00	40,985	29,248	5,720	Associate (Note 2)
	TaiYang Solar Power Co., Ltd.	Taiwan	Self-usage power generation equipment utilizing renewable energy	70,000	-	7,000	28.00	70,309	(916)	309	Associate (Note 2)
Conning Holdings Limited	Global Evolution Holding ApS	Denmark	Investment management	(Note 3)	2,679,234	(Note 3)	(Note 3)	(Note 3)	383,313	150,413	(Note 3)

Note 1: Share of profit or loss is recognized on the basis of the financial statements audited by an independent auditor.

Note 2: Share of profit or loss is recognized on the basis of the financial statements unaudited by an independent auditor.

Note 3: CHL originally held 45% equity shares in Global Evolution Holding ApS, which were recorded as investments accounted for using the equity method. On June 25, 2020, CHL acquired a further 8% equity shares, increased the ownership interest from 45% to 53%, and obtained control over Global Evolution Holding ApS. Refer to Note 44 for information relating to the business combination.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
JUNE 30, 2020
(In Thousands of New Taiwan Dollars/In Thousands Share of Ordinary Shares)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statements Accounts	June 30, 2020				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
	Preference shares							
Conning Inc.	Centerprise Services Inc.	N/A	Financial assets at FVTOCI	400	$ 5,645	1.76	$ 5,645	
	Stocks							
Symphox Information Co., Ltd.	Appworks Fund I Co., Ltd.	N/A	Financial assets at FVTOCI	43	366	0.63	366	
	Fashionguide Co., Ltd.	N/A	Financial assets at FVTOCI	1,293	19,853	7.72	19,853	
	Buyforyou Co., Ltd.	N/A	Financial assets at FVTOCI	117	-	10.00	-	
	Seaward Card Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	3,000	59,884	100.00	59,884	
	Thinkpower Information Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	4,545	332,661	71.00	332,661	
	Bowl Cut Entertainment Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	500	6,553	100.00	6,553	
Greenhealth Water Resources Co., Ltd.	Lung Chuan Water Resources Co., Ltd.	Parent and subsidiary	Investments accounted for using the equity method	152,000	1,521,100	100.00	1,521,100	

TABLE 3

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Buyer	Property	Event Date	Transaction Amount (Note 1)	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party				Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date	Amount			
The Company	Land located at Sanmin Section, Taoyuan City	2020.1.20	$ 474,182	Installment payments according to contracts	King Kong Zen Temple	Non-related party	-	-	-	$ -	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Hecuo Section, Taichung City	2020.4.21	201,344	Installment payments according to contracts	10 people surnamed He and Hui Tak Industrial Co., Ltd.	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None
	Land located at Shangshibei Section, Taichung City	2020.5.14	427,978	Installment payments according to contracts	Natural person surnamed You	Non-related party	-	-	-	-	Valuation report of appraisers	Real estate investment in accordance with the Insurance Act.	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript expense, scrivener expense and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of payment, date of consignment trade, date of transfer, date of boards of directors’ resolutions, or other date that can confirm the counterpart and monetary amount of the transaction, whichever date is earlier.

TABLE 4

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

DISPOSAL OF INDIVIDUAL REAL ESTATE AT PRICES OF AT LEAST NT$100 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Seller	Property	Event Date	Original Acquisition Date	Carrying Amount	Transaction Amount	Collection	Gain or Loss on Disposal	Counterparty	Relationship	Purposes of Disposal	Pricing Reference	Other Terms
The Company	Land located at Tongan Section, Taoyuan City	2020.05.22 2020.05.25	2019.07.24	$ 186,541	$ 186,541	(Note 3)	(Note 3)	Taoyuan City Government	Non-related party	(Note 3)	(Note 3)	None

Note 1: The transaction amount is the total contract price, not including the land registration fee, transcript fee, typing fee, and stamp duty.

Note 2: The term “event date” refers to the date of contract signing, date of collection, date of consignment trade, date of transfer, date of board of directors’ resolutions, or other date that can confirm the counterparty and monetary amount of the transaction, whichever date is earlier.

Note 3: The Company donated the land to the Taoyuan City government and the Republic of China for use in the transfer of offices.

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

Investee Company	Principle business activities	Paid-in Capital	Method of Investment (Note 1)	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2020	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of June 30, 2020	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of June 30, 2020	Accumulated Repatriation of Investment Income as of June 30, 2020
					Outflow	Inflow						
Cathay Lujiazui Life Insurance Co., Ltd.	Life insurance	$ 13,497,155	(a)	$ 6,748,578	$ -	$ -	$ 6,748,578	$ 525,791	50.0	$ 262,896 (Note 2,b,2)	$ 5,617,611	$ -
Cathay Insurance Company Limited (China)	Property insurance	12,196,844	(a)	2,943,663	-	-	2,943,663	13,430	24.5	3,290 (Note 2,b,3)	1,711,469	-
Lin Yuan (Shanghai) Real Estate Co., Ltd.	Office leasing	7,223,435	(a)	7,223,435	-	-	7,223,435	68,375	100.0	36,287 (Note 2,b,2)	7,233,527	-

Accumulated Outward Remittance for Investment in Mainland China as of June 30, 2020	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
$16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand)	$16,915,676 (Including the amounts of CNY2,845,000 thousand and US$106,352 thousand)	$366,439,200

Note 1: The 3 methods of investment are as follows:

a. Direct investment in China.
b. Reinvestment in China through the third-region companies.
c. Others.

Note 2: The column of investment profit or loss for the period:

a. If it is in preparation, there are no investment gains and losses, it should be noted.

b. The recognition basis for investment gain (loss) are as follows:

1) Financial statement is audited by an international. CPA firms with the cooperation of the ROC CPA firm.
2) Financial statement is audited by the parent company's CPA firm in Taiwan.
3) Other.

Note 3: Information on investments in mainland China

On December 25, 2002 and July 24, 2003, the Investment Commission of the Ministry of Economic Affairs (“MOEAIC”) authorized the Company to remit US$22,850 thousand and US$27,150 thousand, respectively, as the registered capital to establish a China-based company named Cathay Life Insurance Co., Ltd. (Guangzhou). The total amount of the registered capital was revised from US$50,000 thousand to US$48,330 thousand approved by MOEAIC on December 20, 2010. Also, MOEAIC authorized the Company to remit US$59,000 thousand as the registered capital again on May 16, 2008. MOEAIC authorized the Company to remit US$3,400 thousand as the registered capital again on April 2, 2012. MOEAIC also authorized the revision of the amount of US$32,520 thousand of unexecuted project to CNY200,000 thousand to avoid currency risk on September 14, 2013. The total registered capital was US$110,730 thousand. On September 25, 2003, MOEAIC authorized Cathay Life Insurance Co., Ltd. (Guangzhou) to change its location from Guangzhou to Shanghai. The Company’s subsidiary, Cathay Life Insurance Ltd. (China) acquired a business license of an enterprise as legal person on December 29, 2004 and changed its name to Cathay Lujiazui Life Insurance Company Ltd. following approval by the China Insurance Regulatory Commission on August 12, 2014. The Company remitted US$48,330 thousand to the subsidiary as of December 31, 2009. The Company injected additional US$29,880 thousand on September 29, 2010 and CNY200,000 thousand on May 8, 2014. On August 23, 2017, MOEAIC authorized the Company to remit CNY700,000 thousand and the amount was remitted on September 20, 2017. As of June 30, 2020, the Company’s remittances to the subsidiary amounted to a total of approximately CNY900,000 thousand and US$78,210 thousand.

(Continued)

On October 17, 2007, MOEAIC authorized the Company to remit US$26,390 thousand as the registered capital to establish a China-based general insurance subsidiary (in the form of a joint venture with Cathay Century Insurance) of which was also approved by China Insurance Regulatory Commission on October 8, 2007. On March 6, 2008, MOEAIC authorized the Company to increase the remittances from US$26,390 thousand to US$28,960 thousand. On August 15, 2008, MOEAIC further authorized the Company to revise the remittance from US$28,960 thousand to US$28,140 thousand. The joint venture company named Cathay Insurance Company Ltd. (China) established by the Company and Cathay Century Insurance in Shanghai acquired a business license of an enterprise as legal person on August 26, 2008. On May 28, 2013, MOEAIC authorized the Company to remit CNY200,000 thousand to increase the share capital. Also, MOEAIC authorized the Company to remit CNY245,000 thousand on December 6, 2018. As of June 30, 2020, the Company's remittances to this general insurance company amounted to approximately CNY445,000 thousand and US$28,140 thousand.

On November 1, 2011 and April 11, 2012, MOEAIC authorized the Company to remit CNY300,000 (US$47,000) thousand and CNY500,000 (US$80,000) thousand, respectively. A total of US$127,000 thousand was used as the registered capital to establish a China-based company named Lin Yuan (Shanghai) Real Estate Co., Ltd. The Company's subsidiary, Lin Yuan (Shanghai) Real Estate Co., Ltd. acquired a business license of an enterprise as legal person on August 15, 2012. On April 1, 2013, MOEAIC authorized the Company to remit CNY700,000 (US$111,000) thousand to increase the share capital. As of June 30, 2020, the Company's remittances to Lin Yuan (Shanghai) Real Estate Co., Ltd. amounted to approximately CNY1,500,000 thousand.

(Concluded)

CATHAY LIFE INSURANCE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE SIX MONTHS ENDED JUNE 30, 2020
(In Thousands of New Taiwan Dollars)

No. (Note 1)	Investee Company	Counterparty	Relationship (Note 2)	Transactions Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total operating revenue or Assets (Note 3)
0	Cathay Life Insurance Co., Ltd.	Cathay Walbrook Holding 1 Limited	a	Other loans	$ 11,940,870	Equivalent to general conditions of transactions	0.16
		Cathay Walbrook Holding 1 Limited	a	Other receivables	11,046	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 1 Limited	a	Interest income	216,040	Equivalent to general conditions of transactions	0.05
		Cathay Walbrook Holding 2 Limited	a	Other loans	628,467	Equivalent to general conditions of transactions	0.01
		Cathay Walbrook Holding 2 Limited	a	Other receivables	581	Equivalent to general conditions of transactions	-
		Cathay Walbrook Holding 2 Limited	a	Interest income	11,371	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Processing fee expense	630,694	Equivalent to general conditions of transactions	0.14
		Conning Holdings Limited	a	Other payables	315,318	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Prepaid expense	4,392	Equivalent to general conditions of transactions	-
		Conning Holdings Limited	a	Administrative expense	2,919	Equivalent to general conditions of transactions	-
1	Lin Yuan (Shanghai) Real Estate Co., Ltd.	Cathay Lujiazui Life Insurance Co., Ltd.	c	Guarantee deposits received	9,684	Equivalent to general conditions of transactions	-
		Cathay Lujiazui Life Insurance Co., Ltd.	c	Rental income	19,721	Equivalent to general conditions of transactions	-
		Cathay Life Insurance Co., Ltd.	b	Rental income	1,094	Equivalent to general conditions of transactions	-

Note 1: Parent is number 0; subsidiaries are sequentially numbered starting from 1.

Note 2: Categories of relationships:

a. Parent to subsidiary.
b. Subsidiary to parent.
c. Between subsidiaries.

Note 3: Percentage of transaction amount to total consolidated operating revenue or assets is calculated as follows:

For balance sheet accounts: Transaction amount ÷ Total consolidated assets
For income statement accounts: Accumulated transaction amount in current period ÷ Total consolidated operating revenues.

Note 4: Terms and conditions of related party transactions are made on arm’s length basis. There is no difference in terms and conditions between related parties and non-related parties transactions.