China Life Insurance Co., Ltd.
Financial Statements
For The Years Ended
31 December 2019 and 2018
With Independent Auditors' Report

The reader is advised that these financial statements have been prepared originally in Chinese. These financial statements do not include additional disclosure information that is required for Chinese-language reports under the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. If there is any conflict between these financial statements and the Chinese version or any difference in the interpretation of the two versions, the Chinese language financial statements shall prevail.

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Index to financial statements

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Independent Auditors' Report

Independent Auditors' Report Translated from Chinese

To China Life Insurance Co., Ltd.

Opinion

We have audited the accompanying balance sheets of China Life Insurance Co., Ltd. (the "Company") as of 31 December 2019 and 2018, and the related statements of comprehensive income, changes in equity and cash flows for the years ended 31 December 2019 and 2018, and notes to the financial statements, including the summary of significant accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2019 and 2018, and its financial performance and cash flows for the years ended 31 December 2019 and 2018, in conformity with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by 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 Financial Statements section of our report. We are independent of the Company in accordance with the Norm of Professional Ethics for Certified Public Accountant of the Republic of China (the "Norm"), and we have fulfilled our other ethical responsibilities in accordance with the Norm. Based on our audits, 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 2019 financial statements. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of investments with no active market exists

Some of the Company's financial assets were measured at fair value determined by valuation techniques as no active market exists. The Company adopts internal models to evaluate or refer to quotes of other financial institutions as fair value. The changes in the assumptions used in the valuation will affect the fair value of financial instruments and have a significant influence on the financial statements of the Company; therefore, we consider it as key audit matter. We performed audit procedures, including but not limited to the following for valuation of financial assets with no active market exists. We performed audit of internal controls to understand procedures of valuation, including decision of valuation methods, model approval and change process, and test for the effectiveness of controls over valuation. We understood and evaluated reasonableness of methods and key assumptions of valuation, performed independent verification, and compared whether the evaluation made by the management is within the reasonable range on a sample basis with the assistance of our valuation specialists. Finally, we assessed the appropriateness of the disclosure related to valuation for those financial assets in Notes IV, V and VIII.

Valuation of insurance liabilities

The Company' insurance liabilities represented 94% of the total liabilities as of 31 December 2019. The assessment of insurance liabilities is based on the assumptions established at the time of the contract and calculated in accordance with the relevant laws and regulations. The assessment has a significant influence on the financial statements of the Company; therefore, we consider it as key audit matter. We performed audit procedures including but not limited to the following for valuations of insurance liabilities. We performed audit of internal controls to understand and test procedures of valuation, including decision of valuation methods, model approval and change process, and test for the effectiveness of controls over valuation. We used our actuarial specialists to assist us in sampling and performing our audit procedures. We reviewed the classification of insurance contracts, assessed whether reserve methods and assumptions complied with the relevant laws and regulations and independently built models to verify the accuracy of the sampled policy reserve amounts. Finally, we assessed the appropriateness of the disclosure related to insurance liabilities in Notes IV, V, VI and VII.

Liability adequacy test

Liability adequacy test is based on integrated insurance contracts and relevant laws and regulations. This test compared net of reserve for insurance contracts, deferred acquisition cost and related intangible assets with anticipated present value of insurance contract cash flow at each reporting date. If net book value is insufficient, recognize all insufficient amounts as liability adequacy reserve. The result of test has a significant influence on the financial statements of the Company; therefore, we consider it as key audit matter. We performed audit procedures, including but not limited to the following for liability adequacy test with the assistance of our actuarial specialists. We assessed the completeness of scope tested, the reasonableness of relevant methods and assumptions, and sensitivity analysis for significant assumptions. Finally, we assessed the appropriateness of the disclosure related to liability adequacy in Notes IV, V, VI and VII.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting

Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by Financial Supervisory Commission of the Republic of China and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance, including audit committee, are responsible for overseeing the financial reporting process of the Company.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 financial statements.

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

1. Identify and assess the risks of material misstatement of the 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 internal control of the Company.
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 ability to continue as a going concern of the Company. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are

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based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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 2019 financial statements and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

/s/FUH, WEN-FUN

/s/CHANG, CHENG-TAO

Ernst & Young, Taiwan

20 February 2020

<u>Notice to Readers:</u>

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

Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Balance sheets

As at 31 December 2019 and 31 December 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019/12/31		2018/12/31	
Assets	Notes	Amount	%	Amount	%
Cash and cash equivalents	VI.1	$85,927,723	4	$42,947,426	2
Receivables	VI.2	26,826,102	1	17,549,054	1
Current tax assets		526,131	0	499,407	0
Financial assets at fair value through profit or loss	VI.3	312,985,212	16	215,549,254	13
Financial assets at fair value through other comprehensive income	VI.4	382,691,543	19	323,006,735	19
Financial assets at amortized cost	VI.5	1,011,036,234	51	950,482,240	55
Investment property	VI.7	23,136,905	1	23,143,854	1
Loans	VI.6	34,033,871	2	33,379,965	2
Reinsurance assets	VI.8	533,134	0	534,353	0
Property and equipment	VI.9	14,113,541	1	10,722,338	1
Right-of-use assets	VI.10	15,174,273	1	-	-
Intangible assets		190,409	0	230,128	0
Deferred tax assets	VI.27	8,264,170	0	9,949,639	1
Other assets	VI.11	6,876,554	0	19,859,278	1
Separate account product assets	VI.29	77,922,118	4	63,501,665	4
Total assets		$2,000,237,920	100	$1,711,355,336	100

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Balance sheets - (continued)

As at 31 December 2019 and 31 December 2018

(Expressed in Thousands of New Taiwan Dollars)

		2019/12/31		2018/12/31	
Liabilities and equity	Notes	Amount	%	Amount	%
Payables	VI.12	$19,417,296	1	$10,727,086	1
Current tax liabilities		714,434	0	-	-
Financial liabilities at fair value through profit or loss	VI.13	1,426,070	0	2,469,127	0
Lease liabilities	VI.10	2,206,846	0	-	-
Insurance liabilities	VI.14	1,738,260,215	88	1,552,528,196	91
Foreign exchange valuation reserve	VI.15	2,367,039	0	3,169,331	0
Provisions	VI.16	209,328	0	134,940	0
Deferred tax liabilities	VI.27	7,286,894	0	1,342,297	0
Other liabilities		7,758,119	0	4,388,310	0
Separate account product liabilities	VI.29	77,922,118	4	63,501,665	4
Total liabilities		1,857,568,359	93	1,638,260,952	96
Capital stock	VI.20				
Common stock		44,635,823	2	40,135,823	2
Capital surplus	VI.21	7,214,523	0	2,289,273	0
Retained earnings	VI.22				
Legal capital reserve		13,663,689	1	11,628,092	1
Special capital reserve		34,807,350	2	25,738,277	1
Unappropriated retained earnings		12,769,119	1	10,877,140	1
Other equity	VI.23	29,579,057	1	(17,574,221)	(1)
Total equity		142,669,561	7	73,094,384	4
Total liabilities and equity		$2,000,237,920	100	$1,711,355,336	100

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Statements of comprehensive income

For the years ended 31 December 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

Item	Notes	2019 Amount	2019 %	2018 Amount	2018 %	Percentage change(%)
Operating revenue						
Direct premium income		$261,851,291	77	$282,483,099	83	(7)
Premium income		261,851,291	77	282,483,099	83	(7)
Deduct: Premiums ceded to reinsurers		(1,335,913)	(0)	(1,230,840)	(0)	9
Net changes in unearned premium reserve	VI.14	(431,277)	(0)	(433,453)	(0)	(1)
Retained premium earned	VI.24	260,084,101	77	280,818,806	83	(7)
Reinsurance commission earned		217,603	0	255,262	0	(15)
Handling fees earned		1,107,936	0	973,683	0	14
Net investment profits and losses						
Interest income	VI.22	55,291,913	16	47,806,915	14	16
Gains (losses) on financial assets and liabilities at fair value through profit or loss		39,646,579	12	(32,851,299)	(10)	(221)
Net losses (gains) on derecognised Financial assets at amortized cost	VI.5	1,882,062	1	25,028	0	7,420
Realized gains on financial assets at fair value through other comprehensive income		7,597,529	2	5,689,357	2	34
Foreign exchange (losses) gains		(20,499,847)	(6)	17,218,597	5	(219)
Net changes in foreign exchange valuation reserve	VI.15	802,292	0	(465,568)	(0)	(272)
Gains on investment property		480,777	0	418,396	0	15
Expected credit impairment losses and gains on reversal of investments	VI.23	(24,091)	(0)	(2,118)	(0)	1,038
Net investment profits and losses on other investments		172	0	17,438	0	(99)
Impairment losses and gains on reversal of other investments		453	0	36	0	1,163
(Losses) gains from adoption of overlay approach	VI.3	(18,045,432)	(5)	14,651,209	5	(223)
Other operating revenue		281	0	-	-	100
Separate account product revenue	VI.29	10,573,123	3	3,939,371	1	168
Subtotal		339,115,451	100	338,495,113	100	0
Operating costs						
Insurance claim payments		(104,329,343)	(30)	(95,841,742)	(28)	9
Deduct: Claims recovered from reinsures		740,223	0	731,146	0	1
Retained claim payments	VI.25	(103,589,120)	(30)	(95,110,596)	(28)	9
Net changes in insurance liabilities	VI.14	(191,941,972)	(57)	(213,695,965)	(63)	(10)
Brokerage expenses		(12,534)	(0)	(9,741)	(0)	29
Commission expenses		(12,127,956)	(4)	(12,318,006)	(4)	(2)
Finance costs		(27,119)	(0)	(35,170)	(0)	(23)
Other operating costs		(442,149)	(0)	(475,061)	(0)	(7)
Separate account product expenses	VI.29	(10,573,123)	(3)	(3,939,371)	(1)	168
Subtotal		(318,713,973)	(94)	(325,583,910)	(96)	(2)
Operating expenses	VI.26					
Business expenses		(3,491,193)	(1)	(2,983,375)	(1)	17
Administrative and general expenses		(2,283,478)	(1)	(1,933,052)	(1)	18
Employee training expenses		(36,061)	(0)	(31,233)	(0)	15
Expected credit impairment losses and gains on reversal of non-investments	VI.23	70	0	(7,191)	(0)	(101)
Subtotal		(5,810,662)	(2)	(4,954,851)	(2)	17
Operating income		14,590,816	4	7,956,352	2	83
Non-operating income and expenses		10,910	0	1,646,887	1	(99)
Income from continuing operations before income tax		14,601,726	4	9,603,239	3	52
Income tax benefit (expenses)	VI.27	(1,003,848)	(0)	574,748	0	(275)
Net income from continuing operations		13,597,878	4	10,177,987	3	34
Net income		13,597,878	4	10,177,987	3	34
Other comprehensive income, net of tax	VI.21					
Items that will not be reclassified subsequently to profit or loss						
Remeasurement on Defined benefit plans		(94,039)	(0)	(21,083)	(0)	346
Gains on property revaluation surplus		-	-	50,414	0	(100)
Gains (losses) on equity instruments at fair value through other comprehensive income		1,401,560	0	(5,144,343)	(2)	127
Income taxes relating to items that are not be reclassified		(103,206)	(0)	1,021,968	0	(110)
Items that are or may be reclassified subsequently to profit or loss						
Gains (losses) on debt instruments at fair value through other comprehensive income		35,217,672	10	(21,750,666)	(6)	262
Other comprehensive income (loss) from adoption of overlay approach	VI.3	18,045,432	5	(14,651,209)	(4)	223
Income taxes relating to items that are or may be reclassified subsequently to profit or loss		(7,905,966)	(2)	5,066,705	2	(256)
Other comprehensive income (loss), net of tax		46,561,453	13	(35,428,214)	(10)	231
Total comprehensive income (loss)		$60,159,331	17	$(25,250,227)	(7)	338
Earnings per share (In New Taiwan Dollars)	VI.28					
Basic earnings per share		$3.20		$2.54		

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

<u>English Translation of Financial Statements Originally Issued in Chinese</u>

China Life Insurance Co., Ltd.

Statements of changes in equity

For the years ended 31 December 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

				Retained earnings			Other equity				
Summary	Notes	Common stock	Capital surplus	Legal capital reserve	Special capital reserve	Unappropriated retained earnings	Unrealized valuation gains (losses) on financial assets at fair value through other comprehensive income	Unrealized valuation gains (losses) on available-for-sale financial assets	Gains on Property Revaluation surplus	Other comprehensive income from adoption of overlay approach	Total
Balance on 1 January 2018		$37,863,984	$2,289,273	$9,811,298	$23,458,101	$10,807,840	$-	$10,825,857	$281,394	$-	$95,337,747
The effects on retrospective application and retrospective restatement		-	-	-	-	(63,878)	18,913,045	(10,825,857)	-	(2,092,193)	5,931,117
Balance on 1 January 2018(adjusted)		37,863,984	2,289,273	9,811,298	23,458,101	10,743,962	18,913,045	-	281,394	(2,092,193)	101,268,864
Appropriation and distribution of earnings for the year 2017											
Legal capital reserve		-	-	1,816,794	-	(1,816,794)	-	-	-	-	-
Special capital reserve		-	-	-	1,874,051	(1,874,051)	-	-	-	-	-
Cash dividends		-	-	-	-	(3,029,119)	-	-	-	-	(3,029,119)
Stock dividends		2,271,839	-	-	-	(2,271,839)	-	-	-	-	-
Net income for the year ended 31 December 2018		-	-	-	-	10,177,987	-	-	-	-	10,177,987
Other comprehensive income for the year ended 31 December 2018	VI.21	-	-	-	-	(16,994)	(22,249,693)	-	42,415	(13,203,942)	(35,428,214)
Total comprehensive income for the year ended 31 December 2018		-	-	-	-	10,160,993	(22,249,693)	-	42,415	(13,203,942)	(25,250,227)
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	(734,753)	734,753	-	-	-	-
Net changes in special reserve		-	-	-	406,125	(301,259)	-	-	-	-	104,866
Balance on 31 December 2018		$40,135,823	$2,289,273	$11,628,092	$25,738,277	$10,877,140	$(2,601,895)	$-	$323,809	$(15,296,135)	$73,094,384
Balance on 1 January 2019		$40,135,823	$2,289,273	$11,628,092	$25,738,277	$10,877,140	$(2,601,895)	$-	$323,809	$(15,296,135)	$73,094,384
Appropriation and distribution of earnings for the year 2018											
Legal capital reserve		-	-	2,035,597	-	(2,035,597)	-	-	-	-	-
Special capital reserve		-	-	-	8,841,543	(8,841,543)	-	-	-	-	-
Net income for the year ended 31 December 2019		-	-	-	-	13,597,878	-	-	-	-	13,597,878
Other comprehensive income for the year ended 31 December 2019	VI.21	-	-	-	-	(75,231)	29,578,498	-	-	17,058,186	46,561,453
Total comprehensive income for the year ended 31 December 2019		-	-	-	-	13,522,647	29,578,498	-		17,058,186	60,159,331
Changes in other capital surplus											
Issuance of common stock reserved for employee share options in capital surplus		-	155,250	-	-	-	-	-	-	-	155,250
Issuance of common stock by cash		4,500,000	4,770,000	-	-	-	-	-	-	-	9,270,000
Disposal of equity instruments at fair value through other comprehensive income		-	-	-	-	(516,594)	516,594	-	-	-	-
Net changes in special reserve		-	-	-	227,530	(236,934)	-	-	-	-	(9,404)
Balance on 31 December 2019		$44,635,823	$7,214,523	$13,663,689	$34,807,350	$12,769,119	$27,493,197	$-	$323,809	$1,762,051	$142,669,561

Note:

The amounts of the employees' compensation, $84,000 thousand and directors' remuneration, $84,000 thousand have been deducted from the statement of the comprehensive income for the year of 2018.

The amounts of the employees' compensation, $150,000 thousand and directors' remuneration, $98,000 thousand have been deducted from the statement of the comprehensive income for the year of 2019.

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.
Statements of cash flows
For the years ended 31 December 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	2019	2018
Cash flows from operating activities		
Net income before tax	$14,601,726	$9,603,239
Adjustments:		
Adjustments to reconcile profit (loss)		
Depreciation expense	245,378	153,968
Amortization expense	117,736	99,108
Net losses (gains) on financial assets and liabilities at fair value through profit or loss	(30,510,293)	39,348,211
Net losses (gains) on financial assets at fair value through other comprehensive income	(6,838,166)	(4,887,090)
Net losses (gains) on Financial assets at amortized cost	(1,881,430)	(25,028)
Interest expenses	27,119	35,170
Interest income	(55,291,913)	(47,806,915)
Dividend income	(9,895,387)	(7,299,179)
Net changes in insurance liabilities	185,744,463	219,261,788
Net changes in foreign exchange valuation reserve	(802,292)	465,568
Net changes in provisions	648	(221)
Expected credit impairment losses (reversal gains) of investments	24,091	2,118
Expected credit impairment losses of (reversal gains) non-investments	(70)	7,191
Share-based payments	155,250	-
(Gains) losses from adoption of overlay approach	18,045,432	(14,651,209)
(Gains) losses on disposal or scrapping of property and equipment	12	685
Property and equipment transfers into expenses	8,086	-
(Gains) losses on disposal of investment property	(1,289)	(2,392)
Impairment losses on non-financial assets and (gains) on reversal of impairment losses	(656)	(234)
Unrealized foreign exchange losses (gains)	16,895,961	(20,285,967)
(Gains) losses on valuation of investment property	37	57,947
(Gains) from bargain purchase	-	(1,731,438)
Changes in operating assets and liabilities		
Decrease (increase) in financial assets at fair value through profit or loss	(70,235,711)	(87,135,201)
Decrease (increase) in notes receivable	43,581	35,549
Decrease (increase) in other receivables	(8,544,809)	(2,747,999)
Decrease (increase) in prepaid expenses and other prepayments	(13,040)	58,207
Decrease (increase) in refundable deposits	557,369	(593,093)
Decrease (increase) in reinsurance assets	(6,868)	(217,282)
Decrease (increase) in other assets	988	2,716
Increase (decrease) in notes payable	(10,917)	(29,073)
Increase (decrease) in life insurance proceeds payable	(7,569)	75,614
Increase (decrease) in other payables	8,778,954	1,690,109
Increase (decrease) in due to reinsurers and ceding companies	(42,312)	242,327
Increase (decrease) in commissions payable	(1,723)	355,385
Increase (decrease) in accounts collected in advance	(790,081)	714,207
Increase (decrease) in guarantee deposits received	5,329,119	(2,111,898)
Increase (decrease) in other liabilities	(1,169,228)	807,487
Increase (decrease) in provision for employee benefits	(20,299)	(6,006)
Cash generated from operations activities	64,511,897	83,486,369
Interest received	44,461,174	32,800,100
Dividends received	9,619,235	7,272,625
Interest paid	(26,403)	(35,170)
Income taxes refunded (paid)	(690,410)	(5,534,662)
Net cash provided by (used in) operating activities	117,875,493	117,989,262
Cash flows from investing activities		
Cash acquired from acquisition of insurance business	-	49,856,478
Acquisition of financial assets at fair value through other comprehensive income	(157,737,960)	(137,595,284)
Disposal of financial assets at fair value through other comprehensive income	138,976,385	90,952,094
Return of capital from financial assets at fair value through profit and loss	65,301	45,582
Acquisition of financial assets at amortized cost	(187,748,649)	(153,040,348)
Disposal of financial assets at amortized cost	90,669,935	12,947,131
Maturity principal from financial assets at amortized cost	35,805,715	22,650,548
Acquisition of property and equipment	(3,332,984)	(1,374,491)
Acquisition of intangible assets	(68,414)	(92,066)
Decrease (increase) in loans	(648,963)	(1,117,314)
Acquisition of right-of-use assets	(40)	-
Disposal of investment property	8,654	37,340
Net cash provided by (used in) investing activities	(84,011,020)	(116,730,330)
Cash flows from financing activities		
Principle repayment of lease liabilities	(154,176)	-
Issuance of common stock by cash	9,270,000	-
Cash dividend paid	-	(3,029,119)
Net cash provided by (used in) financing activities	9,115,824	(3,029,119)
Increase (decrease) in cash and cash equivalents	42,980,297	(1,770,187)
Cash and cash equivalents at the beginning of the year	42,947,426	44,717,613
Cash and cash equivalents at the end of the year	$85,927,723	$42,947,426

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

English Translation of Financial Statements Originally Issued in Chinese

China Life Insurance Co., Ltd.

Notes to financial statements

For the years ended 31 December 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars except for share and per share data and unless otherwise stated)

I. Organizations and business scope

China Life Insurance Co., Ltd. (the "Company") was incorporated in Taiwan on 25 April 1963, previously known as Overseas Life Corp. The Company was renamed China Life Insurance Co., Ltd. and authorized by Ministry of Finance, R.O.C. and Ministry of Economic Affairs, R.O.C. in January 1981. The registered office address of the Company is 5F., No.122, Dunhua N. Rd., Songshan Dist., Taipei City, Taiwan (R.O.C.). The Company's shares were listed on the Taiwan Stock Exchange. The Company mainly engages in the business of life insurance. The Company is headquartered in Taipei City, and has branches in Taoyuan City, Taichung City, Chiayi City, Tainan City, Kaohsiung City, Pintung County, Hualien County and Penghu County.

To enhance operation synergy, the Company accomplished the acquisition of major assets and liabilities from Prudential Corporation Asia Life Taiwan on 19 June 2009. The deal was approved by Financial Supervisory Commission ("FSC") under Order No. Financial-Supervisory-Securities-Corporate-09802552211 on 16 June 2009.

The Company established an offshore insurance unit (OIU) on 14 September 2015 following resolution of the board of directors and receiving approval from FSC.

The Company was informed by China Development Financial Holding Corp. (CDF), about the tender offer of the Company's ordinary shares and the Public Tender Offer Report on 16 August 2017. CDF started the tender offer from 17 August 2017 to 6 September 2017. CDF completed the tender to acquire 25.33% of the Company's common shares, totaling 880,000,000 shares, on 13 September 2017. The Company became a subsidiary of CDF as defined in the "Financial Holding Company Act". As of 31 December 2019, CDF and its subsidiary, KGI Securities (excluding KGI Securities' hedge positions of derivative products), jointly held 34.82% of the Company's common shares.

On 19 October 2017, the Board has resolved to pay $1 to acquire the traditional policies and riders spun off from Allianz Taiwan Life. The transaction is approved by FSC on 27 February 2018 and settled on 18 May 2018.

II. Date and procedures of authorization of financial statements for issue

The financial statements of the Company were authorized to issue in accordance with a resolution of the Company's board of directors on 20 February 2020.

III. Newly issued or revised standards and interpretations

1. Changes in accounting policies resulting from applying for the first time certain standards and amendments

The Company applied for the first time International Financial Reporting Standards, International Accounting Standards, and Interpretations issued, revised or amended which are endorsed by Financial Supervisory Commission ("FSC") and become effective for annual periods beginning on or after 1 January 2019. The nature and the impact of each new standard and amendment that has a material effect on the Company is described below:

(1) *IFRS 16"Leases"*

IFRS 16 "Leases" replaces IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases - Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

The Company followed the transition provision in IFRS 16 and the date of initial application was 1 January 2019. The impacts arising from the adoption of IFRS 16 are summarized as follows:

A. Please refer to Note IV for the accounting policies before or after 1 January 2019.

B. For the definition of a lease, the Company elected not to reassess whether a contract was, or contained, a lease on 1 January 2019. The Company was permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. That is, for contracts entered into (or changed) on or after 1 January 2019, the Company need to assess whether contacts are, or contain, leases applying IFRS 16. In comparing to IAS 17, IFRS 16 provides that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Company assessed most of the contracts are, or contain, leases and has no significant impact arised.

C. The Company is a lessee and elects not to restate comparative information in accordance with the transition provision in IFRS 16.

(a) Leases previously classified as operating leases

For leases that were previously classified as operating leases applying IAS 17, the Company measured and recognized those leases as lease liability on 1 January 2019 at the present value of the remaining lease payments, and; the Company chose, on a lease-by-lease basis, to measure the right-of-use asset at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the balance sheet immediately before 1 January 2019.

On 1 January 2019, the Company’s right-of-use asset and lease liability increased by $15,358,793 thousand and $2,178,892 thousand, respectively. Prepayments decreased by $13,179,901 thousand.

In accordance with the transition provision in IFRS 16, the Company used the following practical expedients on a lease-by-lease basis to leases previously classified as operating leases:

i. Apply a single discount rate to a portfolio of leases with reasonably similar characteristics.
ii. Rely on its assessment of whether leases are onerous immediately before 1 January 2019 as an alternative to performing an impairment review.
iii. Elect to account in the same way as short-term leases to leases for which the lease term ends within 12 months of 1 January 2019.
iv. Exclude initial direct costs from the measurement of the right-of-use asset on 1 January 2019.
v. Use hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease.

(b) Leases previously classified as finance leases

For leases that were previously classified as finance leases applying IAS 17, the Company reclassified the lease asset of $85,505 thousand and the payables of $44,819 thousand as measured by IAS 17 to the right-of-use asset and the lease liability, respectively, on 1 January 2019.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(c) Please refer to Note IV and Note VI for additional disclosure of lessee and lessor which required by IFRS 16.

(d) As at 1 January 2019, the impacts arising from the adoption of IFRS 16 are summarized as follows:

i. The average weighted interest rate applied by the Company to lease liabilities measured and recognized by the present value of the remaining lease payments on 1 January 2019 was 3.3%.

ii. The explanation for the difference between: 1) operating lease commitments disclosed applying IAS 17 as at 31 December 2018, discounted using the applicable rate on 1 January 2019; and 2) lease liabilities recognized in the balance sheet as at 1 January 2019 is summarized as follows:

Operating lease commitments disclosed applying IAS 17 as at 31 December 2018	$5,384,983
Discounted using the applicable rate on 1 January 2019	$2,153,639
Less: adjustment to leases that meet and elect to account in the same way as short-term leases	(11,563)
Add/(less): others	36,816
The carrying value of lease liabilities recognized as at 1 January 2019	$2,178,892

D. The Company is a lessor and has not made any adjustments. Please refer to Note IV and Note VI for the information relating to the lessor.

2. Standards or interpretations issued, revised or amended by International Accounting Standards Board ("IASB") which are endorsed by FSC but not yet adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	Definition of a Business (Amendments to IFRS 3)	1 January 2020
2	Definition of Material (Amendments to IAS 1 and 8)	1 January 2020
3	Interest Rate Benchmark Reform - Amendments to IFRS 9, IAS 39 and IFRS 7	1 January 2020

The abovementioned standards and interpretations were issued by IASB and endorsed by FSC so that they are applicable for annual periods beginning on or after 1 January 2020. The Company assess these standards and interpretations have no material impact on the Company.

3. Standards or interpretations issued, revised or amended by International Accounting Standards Board ("IASB") which are not yet endorsed by FSC and adopted by the Company as at the end of the reporting period are listed below.

Items	New, Revised or Amended Standards and Interpretations	Effective Date issued by IASB
1	IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined by IASB
2	IFRS 17 "Insurance Contracts"	1 January 2021
3	Classification of Liabilities as Current or Non-current – Amendments to IAS 1	1 January 2022

The abovementioned standards and interpretations issued by IASB have not yet endorsed by FSC at the date when the Company's financial statements were authorized for issue, the local effective dates are to be determined by FSC. As the Company is still currently determining the potential impact of the standards and interpretations listed below, it is not practicable to estimate their impact on the Company at this point of time. The remaining standards and interpretations have no material impact on the Company.

IFRS 17 "Insurance contracts"

IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects (including recognition, measurement, presentation and disclosure requirements). The core of IFRS 17 is the General (building block) Model, under this model, on initial recognition, an entity shall measure a group of insurance contracts at the total of the fulfilment cash flows and the contractual service margin. The fulfilment cash flows comprise of the following:

1. estimates of future cash flows;
2. Discount rate: an adjustment to reflect the time value of money and the financial risks related to the future cash flows, to the extent that the financial risks are not included in the estimates of the future cash flows; and
3. a risk adjustment for non-financial risk.

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. Regard to liability for remaining coverage, other than the General Model, the standard also provides a specific adaptation for contracts with direct participation features (the Variable Fee Approach) and a simplified approach (Premium Allocation Approach) mainly for short-duration contracts.

IV. Summary of significant accounting policies

1. Statement of compliance

The financial statements of the Company for the years ended 31 December 2019 and 2018 have been prepared in accordance with the requirements of the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and International Financial Reporting Standards, International Accounting Standards, Interpretations developed by the International Financial Reporting Interpretations Committee or the former Standing Interpretations Committee as endorsed and became effective by FSC.

2. Basis of preparation

The financial statements have been prepared on a historical cost basis, except for financial instruments and investment property that have been measured at fair value. The financial statements are expressed in thousands of New Taiwan Dollars ("NT$") unless otherwise stated.

3. Foreign currency transactions

The Company's financial statements are presented in its functional currency, NT$. Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Monetary items denominated in foreign currencies are translated using the closing rate of exchange at the reporting date. Non-monetary items measured at fair value in foreign currencies are translated using the exchange rates at the date when the fair value is measured. Non-monetary items measured at historical cost in foreign currencies are translated using the exchange rates at the date of initial transactions.

Apart from the items mentioned below, the exchange differences due to settlement or translation are recognized in profit or loss for the period.

(1) The foreign currency items which are applicable to IFRS 9 *Financial Instrument* should be dealt with the accounting policy of financial instruments.

(2) Exchange differences of monetary items arising from the translation of the net investment in foreign operations are recognized in other comprehensive income. When the

investment is disposed of or sold, exchange differences are reclassified from other comprehensive income into profit or loss.

If a gain or loss on a non-monetary item is recognized in other comprehensive income, any foreign exchange component of that gain or loss is also recognized in other comprehensive income. If a gain or loss on a non-monetary item is recognized in profit or loss, any foreign exchange component of that gain or loss is also recognized in profit or loss.

4. Product categories

Insurance contract means the insurer accepts the transfer of significant insurance risk from insurance policyholder, and agrees to compensate the policyholder for any damages when a particular uncertain event (insured event) occurs in the future. The definition of a significant insurance risk means any insured event occurs and causes the Company to pay additional significant fees.

Insurance contract with features of financial instruments is the contract that transfers the significant financial risk. The definition of the financial risk refers to one or more specific interest rates, product prices, exchange rates, price index, rate index, credit ratings and indicators, and other variables related to risks of possible changes in the future. If the above variables are non-financial variables, then the variables exist in both sides under the contract.

When the original judgment meets the criteria of the policy under the insurance contract, before the right of ownership and obligations expires or extinguishes, the policy will still be considered as an insurance contract; even if the exposure to insurance risk during the policy period has been significantly reduced. However, if insurance risk following the renewal of an insurance contract with features of financial instruments is transferred to the Company, the Company will reclassify the contract as an insurance contract.

Insurance contracts and insurance contracts with feature of financial instruments can be further broken down into separate categories depending on whether the contracts have discretionary participation feature or not. To have discretionary participation feature means a guaranteed payment from the contract plus contractual rights to receive additional payments.

These contractual rights have the following characteristics:

(1) Additional payments as a percentage of total contractual payments may be more significant and take up a bigger portion.
(2) In accordance with the contract, the amount and date of additional payments are at the Company’s discretion.
(3) In accordance with the contract, additional payments are handed out based on one of the following matters:

a. Performance of a specific combination of contracts or specific type of contract
b. The investment return of a specific asset portfolio the Company holds
c. Profit and loss from the Company, funds, or other entities

When embedded derivative products' economic characteristics and risks are no longer closely related to the economic characteristics and risks of the primary contracts, it should be listed separately from the primary contracts and use fair value method to determine its fair value. Also the profit or loss determined by the fair value method should be recognized in the current period. However, if the embedded derivative product meets the definition of an insurance contract or the whole contract is measured by the fair value method and the profit or loss is recognized in the current period, the Company will not need to separately list the embedded derivative product and the insurance contract.

5. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Company classifies time deposits as cash equivalents when they have maturities of less than 12 months and can be readily convertible to known amounts of cash and be subject to an insignificant risk of changes in value.

6. Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provision of financial instrument.

(1) Initial recognition and subsequent measurement

The Company accounts for regular way purchase or sales of financial assets measured at fair value on the trade date, and of financial assets measured at amortized cost at the settlement date.

The Company categorized financial assets as financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss based on both of the followings:

A. the Company's business model for managing the financial assets.
B. the contractual cash flow characteristics of the financial asset.

<u>Financial assets measured at amortized cost</u>

A financial asset is measured at amortized cost if both of the following conditions are met and presented as note receivables, receivables, financial assets measured at amortized cost and other receivables etc., on balance sheet as at the reporting date:

A. the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
B. 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.

Such financial assets are subsequently measured at amortized cost (the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount and the maturity amount and adjusted for any loss allowance) and is not part of a hedging relationship. A gain or loss is recognized in profit or loss when the financial asset is derecognized, through the amortization process or in order to recognize the impairment gains or losses.

Interest revenue is recognized in profit or loss by calculating via the effective interest method (by applying the effective interest rate to the gross carrying amount) or the followings:

A. For those financial assets that are purchased or originated credit-impaired, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
B. For those financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, the Company applies the effective interest rate to the amortized cost of the financial asset.

<u>Financial asset measured at fair value through other comprehensive income</u>

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met and presented as financial asset at fair value through other comprehensive income on balance sheet as at the reporting date:

A. the financial assets are held within a business model whose objective is achieved by collecting contractual cash flows and for sale.
B. the contractual terms of the financial assets give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The recognition of gain or loss on a financial asset measured at fair value through other comprehensive income is described as below:

A. A gain or loss on a financial asset measured at fair value through other comprehensive income recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified.
B. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.
C. Interest revenue is recognized in profit or loss by calculating via the effective interest method (by applying the effective interest rate to the gross carrying amount) or the followings:
   (a) For those financial assets that are purchased or originated credit-impaired, the Company applies the credit-adjusted effective interest rate to the amortized cost of the financial asset.
   (b) For those financial assets that are not purchased or originated credit-impaired but subsequently have become credit-impaired, the Company applies the effective interest rate to the amortized cost of the financial asset.

In addition, upon initial recognition, for those equity instruments within the scope of IFRS9 but neither categorized as held-for-trading nor applying to contingent consideration recognized by acquirers in IFRS 3 *"Business Combination"*, the Company elects irrevocably to report the subsequent measurement at fair value in other comprehensive income. Amounts reported in other comprehensive income cannot be subsequently transferred to profit or loss (when disposing of such equity instruments, the Company transfers the accumulated amounts in other equity directly into retained earnings) and are presented as financial assets at fair value through other comprehensive income on the balance sheets. Dividends on investments are recognized in profit or loss, except when the dividends clearly represent certain recovery of investment cost.

Financial assets at fair value through profit or loss

Except for those financial assets qualified for aforementioned conditions and classified as financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, the other financial assets are measured at fair value through profit or loss and presented as financial assets at fair value through profit or loss on the balance sheets as at the reporting date.

Such assets are subsequently measured at fair value with changes in fair value recognized in profit or loss. Dividends or interests on financial assets at fair value through profit or loss are recognized in profit or loss.

(2) Impairment of financial assets

The Company recognizes expected credit losses and measures loss allowance for expected credit losses on debt instrument investments measured at fair value through other comprehensive income and financial asset measured at amortized cost. The loss allowance on debt instrument investments measured at fair value through other comprehensive income is recognized in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

The Company measures expected credit losses of a financial instrument in a way that reflects:

A. an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
B. the time value of money;
C. reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The loss allowance is measured as follows:

A. at an amount equal to 12-month expected credit losses: including the financial asset whose credit risk has not increased significantly since initial recognition or the financial asset determined to have low credit risk at the reporting date; and, additionally, the financial assets which the Company measured the loss allowance at an amount equal to lifetime expected credit losses in the previous reporting period, but determines at the current reporting date that the credit risk on a financial asset has increased significantly since initial recognition is no longer met.
B. at an amount equal to the lifetime expected credit losses: including the financial asset whose credit risk has increased significantly since initial recognition or the financial asset that is purchased or originated credit-impaired.

In addition to evaluation mentioned previously, in accordance with the regulation of "Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises", the Company is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

1. Total amount of 0.5% of the ending balance for the first category of loan assets excluding life insurance loans, automatic premium loans and holding government debts, 2% of the ending balance for the second category of loan assets that should be paid attention, 10% of the ending balance for the third category of loan assets that are expected to recover, 50% of the ending balance for the fourth category of loan assets that are difficult to recover and 100% of the ending balance for the fifth category of loan assets that are not expected to recover are aggregated .
2. 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.
3. Total unsecured portion of loans overdue and receivable on demand.
4. If total amount of minimum allowance of uncollectible accounts measured from the categories above are less than the amount in accordance with GAAP, it should refer to the amount in accordance with GAAP as minimum allowance of uncollectible accounts.

To strengthen the ability to bear the loss of specific loan assets, the authority may, if necessary, require the Company to raise loan loss provision for specific loan assets in specified criteria and deadlines.

As at each reporting date, the Company assesses whether the credit risk on a financial asset has increased significantly since initial recognition by comparing the risk of a default occurring at the reporting date and the risk of default occurring at initial recognition. Please refer to Note IX for further details on credit risk.

(3) Financial liabilities

Financial liabilities within the scope of IFRS 9 *"Financial Instruments"* are classified as financial liabilities at fair value through profit or loss or financial liabilities measured at amortized cost upon initial recognition.

<u>Financial liabilities at fair value through profit or loss</u>

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.

A financial liability is classified as held for trading if:

A. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
B. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; or
C. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

If a contract contains one or more embedded derivatives, the entire hybrid (combined) contract may be designated as a financial liability at fair value through profit or loss; or a financial liability may be designated as at fair value through profit or loss when doing so results in more relevant information, because either:

A. it eliminates or significantly reduces a measurement or recognition inconsistency; or
B. a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the key management personnel.

Gains or losses on the subsequent measurement of liabilities at fair value through profit or loss including interest paid are recognized in profit or loss.

<u>Financial liabilities at amortized cost</u>

Financial liabilities measured at amortized cost include interest bearing loans and borrowings that are subsequently measured using the effective interest rate method after initial recognition. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or transaction costs.

(4) Derecognition of financial assets and liabilities

Financial assets

The Company derecognizes all or part of the financial assets when the contractual rights to the cash flows from the assets expire or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset or when it loses its controls to the assets.

When the Company transfers all or part of the financial assets and abandons its controls to the assets, it is regarded as sale within the scope of charging in exchange.

Financial liabilities

The Company derecognizes all or part of the financial liabilities when the obligation specified in the contract is discharged or cancelled or expires.

An exchange between an existing borrower and lender of debt instrument investments with substantially different terms or a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the liability extinguished and the liability recognized is recognized in profit or loss.

(5) Offsetting financial instruments

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

(6) Derivative instruments and hedging transactions

The Company engages in derivatives financial instrument transactions, such as forward foreign exchange contracts, interest rate swaps, cross currency swaps, options and futures, to hedge its risks associated with foreign currency and interest rate fluctuations. These derivative instruments are initially recognized at fair value on the day a derivatives contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

(7) Adoption of overlay approach on financial assets

The Company chose to express profit or loss of the designated financial assets in overlay approach in accordance with IFRS 4 *"Insurance Contract"* since the application of IFRS 9. To those designated financial assets, the Company classifies the amount from profit or loss to other comprehensive income, thus making the profit or loss of the designated financial assets as at the reporting date equal to as if they would have been accounted for under IAS 39. Accordingly, the reclassification amount is the difference of the following items:

A. The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and
B. The amount of profit or loss of the designated financial assets as if applied to IAS 39.

A financial asset is eligible for designation under overlay approach if qualifying for the following conditions:

A. In accordance with IFRS 9, the financial asset is measured at fair value through profit or loss. However, if the Company applies to IAS 39, the financial asset is not measured at fair value through profit or loss collectively; and
B. The financial asset is not held in respect of activities that is unconnected with contracts within the scope of IFRS 4 *"Insurance Contract"*.

A Financial asset is eligible for the overlay approach if either of the following conditions is met:

A. The asset is accounted for on initial recognition; or
B. The asset now meets the criteria of which is held in respect of activities other than contracts within the scope of IFRS 4 *"Insurance Contract"* but previously did not.

The Company shall continuously adopt overlay approach to those designated financial assets until derecognition. However, the Company shall remove the designated status when the financial assets held in respect of activities other than contracts within the scope of IFRS 4 *"Insurance Contract"*. In addition, at the beginning date of any annual reporting year, the Company is permitted to stop applying overlay approach to all designated financial assets; If it does, the change in the accounting policy is accounted for under IFRS 8 *"Accounting Policies, Changes in Accounting Estimates and Errors"*.

7. Loans

Loans include automatic premium loans, policy loans and secured loans. Among them, automatic premium loans are premiums paid on behalf of the insured in accordance with the insurance contract, policy loans are secured by policies issued by the Company, and secured loans are secured by stocks, chattel, real estate and other loans and overdue receivables approved by the authority.

Loan principal or interest arrears more than three months after the settlement period, or less than three months but has executed recourse to the primary and secondary debtor or disposed the collateral, listing under overdue loans.

Collateral received from the overdue loans by actively dunning is recorded at the fair value listed in the related account depending on the nature of the collateral, and measured in the applicable method of that account.

8. Fair value measurement

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 fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

(1) in the principal market for the asset or liability, or
(2) in the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible for the Company.
The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

9. Property and equipment

Property and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of dismantling and removing the item, restoring the site on which it is located and borrowing costs for construction in progress if the recognition criteria are met. Each part of an item of property and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. When significant parts of property and equipment are required to be replaced in intervals, the Company recognizes such parts as individual assets separately with specific useful lives and depreciation. The carrying amount of those parts that are replaced is derecognized in accordance with the derecognition provisions of IAS 16 *"Property, Plant and Equipment"*. When a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight-line basis over the estimated economic lives of the following assets:

Buildings and construction	20～60 years
Computer equipment	3~15 years
Communication and transportation equipment	5~10 years
Other equipment	3~5 years
Leased assets	Depend on the age or the durable life of lease, whichever is shorter

An item of property and equipment and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognized in profit or loss.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively as a change in accounting estimate, if appropriate.

10. Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

The Company's investment properties are measured at fair value, and gains or losses are recognized in profit or loss in accordance with the requirements of IAS 40 *"Investment Property"*, other than those that meet the criteria to be classified as held for sale (or are included in a disposal group that is classified as held for sale) in accordance with IFRS 5 *"Non-current Assets Held for Sale and Discontinued Operations"* and paragraph 53 of IAS 40 *"Investment Property"*.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss in the period of derecognition.

Assets are transferred to or from investment properties when there is a change in use.

11. Leases

The accounting policy from 1 January 2019 as follow:

For contracts entered on or after 1 January 2019, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Company assesses whether, throughout the period of use, has both of the following:

(1) the right to obtain substantially all of the economic benefits from use of the identified asset; and
(2) the right to direct the use of the identified asset.

The Company elected not to reassess whether a contract is, or contains, a lease on 1 January 2019. The Company is permitted to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 but not to apply IFRS 16 to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.

For a contract that is, or contains, a lease, the Company accounts for each lease component within the contract as a lease separately from non-lease components of the contract. For a contract that contains a lease component and one or more additional lease or non-lease components, the Company allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. The relative stand-alone price of lease and non-lease components shall be determined on the basis of the price the lessor, or a similar supplier, would charge the Company for that component, or a similar component, separately. If an observable stand-alone price is not readily available, the Company estimates the stand-alone price, maximising the use of observable information.

<u>Company as a lessee</u>

Except for leases that meet and elect short-term leases or leases of low-value assets, the Company recognizes right-of-use asset and lease liability for all leases which the Company is the lessee of those lease contracts.

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses its incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

(1) fixed payments (including in-substance fixed payments), less any lease incentives receivable;
(2) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
(3) amounts expected to be payable by the lessee under residual value guarantees;
(4) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
(5) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Company measures the lease liability on an amortised cost basis, which increases the carrying amount to reflect interest on the lease liability by using an effective interest method; and reduces the carrying amount to reflect the lease payments made.

At the commencement date, the Company measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

(1) the amount of the initial measurement of the lease liability;
(2) any lease payments made at or before the commencement date, less any lease incentives received;
(3) any initial direct costs incurred by the lessee; and

(4) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

For subsequent measurement of the right-of-use asset, the Company measures the right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses. That is, the Company measures the right-of-use applying a cost model.

If the lease transfers ownership of the underlying asset to the Company by the end of the lease term or if the cost of the right-of-use asset reflects that the Company will exercise a purchase option, the Company depreciates the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, the Company depreciates the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Company applies IAS 36 *"Impairment of Assets"* to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Except for those leases that the Company accounted for as short-term leases or leases of low-value assets, the Company presents right-of-use assets and lease liabilities in the balance sheet and separately presents lease-related interest expense and depreciation charge in the statements comprehensive income.

For short-term leases or leases of low-value assets, the Company elects to recognize the lease payments associated with those leases as an expense on either a straight-line basis over the lease term or another systematic basis.

Company as a lessor

At inception of a contract, the Company classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. At the commencement date, the Company recognizes assets held under a finance lease in its balance sheet and present them as a receivable at an amount equal to the net investment in the lease.

The Company recognizes lease payments from operating leases as rental income on either a straight-line basis or another systematic basis. Variable lease payments for operating leases that do not depend on an index or a rate are recognized as rental income when incurred.

The accounting policy before 1 January 2019 as follow**:**

Company as a lessee

Finance leases which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized in profit or loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Rental incomes incurred from the operating leases are recognized over the lease term under straight-line method. Contingent rents are recognized as revenue in the period in which they are earned.

12. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired through merger, is its fair value as at the acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in profit or loss for the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each financial year. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss when the asset is derecognized.

Other intangible assets are computer software and are amortized on a straight-line basis over the estimated useful life (1 to 5 years).

13. Impairment of non-financial assets

The Company assesses at the end of each reporting period whether there is any indication that an asset in the scope of IAS 36 *"Impairment of Assets"* may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash-generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been an increase in the estimated service potential of an asset which in turn increases the recoverable amount. However, the reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years.

The cash generating unit or group which belongs to goodwill should periodically make an impairment test whether it has a sign of impairment. If the impairment test result suggests recognizing an impairment loss, then first deducting goodwill and the remaining deficiencies should be amortized to other assets depending on the relative proportions of the carrying amount of the asset. Impairment losses relating to goodwill cannot be reversed in the future periods for any reason.

An impairment loss of continuing operations or a reversal of such impairment loss is recognized in profit or loss.

14. Investment-linked insurance products

The Company sells investment-linked insurance products, of which the applicant pays the premium according to the agreed amount less the expenses incurred by the insurer. In addition, the investment distribution is approved by the applicant and then transferred to specific accounts as requested by the applicant. The value of these specific accounts is determined based on their fair value on the applicable date and the net worth is computed in accordance with the relevant regulations and the IFRSs.

In accordance with Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, assets and liabilities representing the rights and obligations of the applicants, whether arising from an insurance contract or insurance policy with features of financial instruments, are recognized separately as "separate account product assets" and "separate account product liabilities". The revenues and expenses of separate account insurance products in accordance with IFRS 4 "*Insurance Contracts*", separately recognized as "separate account product revenues" and "separate account product expenses."

15. Post-employment benefits

The Company set up a pension plan and an independently administered pension fund committee according to Labor Standards Act. The Company deposits retirement reserve according to a certain percentage of wages to the specific account of Bank of Taiwan every month. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year. As the retirement reserves are deposited under the committee's name in the specific bank account, the reserves are not associated with the Company. Therefore, retirement reserve is not included in the Company's financial statements.

After the Labor Pension Act became effective, employees can choose to be subject to the pension mechanism under Labor Standards Act or Labor Pension Act. The seniority prior to the enforcement of Labor Pension Act shall be maintained and the Company deposits 6% of the monthly allocated wage based on the monthly wage allocation classification schedule to employees' personal pension accounts in Bureau of Labor Insurance if employees choose to be subject to the pension mechanism under Labor Pension Act.

In case that an employee's monthly wage exceeds the upper limit of monthly wage allocation classification schedule, the Company may set aside monthly 6% of the excess portion as retirement reserve. Upon meeting the requirements of the pension plan, the employees are entitled to receive this kind of the retirement reserve.

For the defined contribution plan, the Company recognizes expenses in the period in which the contribution becomes due. The defined benefit plan is recognized based on the actuarial report at the end of the annual reporting period. Remeasurements of the net defined benefit liability (asset) comprise actuarial gains and losses, the return on plan assets and any change in the effect of the asset ceiling, excluding amounts included in net interest on the net defined benefit liability (asset), is recognized as other comprehensive income with a corresponding debit or credit to retained earnings when it occurs. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment, and recognized as an expense at the earlier of the following dates:

(1) the date of the plan amendment or curtailment occurs; and
(2) the date that the Company recognizes related restructuring costs or termination benefits.

Net interest on the net defined benefit liability (asset) is determined by multiplying the net defined benefit liability (asset) by the discount rate, both as determined at the start of the annual reporting period, taking account of any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

16. Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, which probably leads to an outflow of resources embodying economic benefits that is required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

17. Insurance liabilities and reserve for insurance contracts with feature of financial instruments

The Company's reserved funds for insurance contracts and financial instruments whether with or without discretionary participation feature are made in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." Furthermore, they have been validated by the certified actuarial professionals approved by Financial Supervisory Commission. The required amount to be reserved for short-term group insurance is based upon the greater of premium received or calculated premium following the regulations established by the authorities. Reserved amount for the rest of other provisions is addressed below:

Moreover, an insurance contract with discretionary participation feature is classified as liability.

(1) Unearned premium reserve

For the insurance policy whose term is within one year and has not met the due date or for the injury insurance policy whose term is over one year, the amount of reserve required is based upon the unexpired risk calculation.

(2) Reserve for claims

It is a reserve mainly for the reported but not paid claims and unreported claims. The reported but not paid claims reserve is assessed based on relevant information of each case and the amount deposited is further classified by the type of insurance. Unreported claims reserve is calculated and deposited based on the past experiences and expenses occurred and in accordance with the actuarial principles.

(3) Reserve for life insurance liabilities

Based on the life table and projected interest rates in the manual provided by the authority for each type of insurance, the dollar amount of life insurance reserve is calculated and deposited according to the calculation method listing on Article 12 of "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and the manual published by each authority of insurance products.

Starting from policy year of 2003, for valid insurance contract whose dividend calculation is stipulated by the regulations established by the authorities, the downward adjustments of dividend due to the offset between mortality saving (loss) and loss (gain) from difference of interest rates should be recognized and recorded as the increase of reserve for long-term valid contract.

When an insurer that opts to measure investment property at fair value, the value of its insurance liabilities at the same time must also be measured at fair value. If the results of the measurements indicate that the fair value of the insurance liabilities exceeds book value, the life insurer must set aside the difference to reserve for life insurance liabilities. The Company changes its accounting policy for subsequent measurement of investment property from cost to fair value starting from year of 2014. The value of insurance liabilities at the same time is measured at fair value in accordance with rules issued by the FSC on 21 March 2014. The results of the measurements indicate that the fair value of the insurance liabilities doesn’t exceed book value, therefore insurance liabilities does not have to be increased.

(4) Special reserve

① For the retained businesses with policy period within 1 year, the special reserve is classified into 2 categories, “Special Catastrophe Reserve” and “Special Reserve for Fluctuation of Risks.” The dollar amount of reserve required is addressed as follows:

A. Special catastrophe reserve

All types of insurance should follow the special catastrophe reserve rates set by authorities. Upon occurrence of the catastrophic events, actual claims on retained business in excess of $30,000 thousand can be withdrawn from the reserve. If the reserve has been set aside for over 15 years, the Company could have its plan of the recovering process of the reserve assessed by certified actuaries and submit the plan to the authority for reference.

B. Special reserve for fluctuation of risks

When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is less than the anticipated dollar amount need to be paid, the 15% of this difference should be reserved in special reserve for fluctuation of risks. When the actual amount paid for indemnity minus the offsetting amount from special reserve for major incidents is greater than the anticipated dollar amount need to be paid, the exceeded amount can be used to write down the special reserve for fluctuation of risks. If the special reserve for fluctuation of risks for specified type of insurance is not enough to be written down, special reserve for fluctuation of risks for other types of insurance can be used. Also, the type of insurance and total dollar amount written-down should be reported to the authority for inspection purpose. When accumulative dollar amount of special reserve for fluctuation of risks exceeds 30% of self-retention earned premium within one year, the exceeded amount will be recovered.

For special reserves addressed previously, the balance of the annual reserve net of tax needs to be recorded in the special capital reserve under equity.

② The Company sells participating life insurance policy. According to the “Rule Governing application of revenue and expenses related to participating / non-participating policy”, 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 this account. Additionally, the effects of the gain or loss from disposal of participating life insurance policy approved as equity instrument investments at fair value through other comprehensive income shall transfer directly into special reserve based on income before tax and dividend. If the special reserve is a negative amount, the Company shall set aside the same amount of special reserve.

③ The net impact from first adoption of fair value in subsequent measurement has been appropriated into dividend reserve for participating policy which relates to investment property. That reserve shall be used only to cover the insufficiency of life insurance liabilities resulting from valid contract’s fair value approved by the authority and to set aside additional liabilities for the soundness of financial structure when complying with IFRS 17 “*Insurance Contract*” in the future implementation. By the time the related assets dispose, the reserve which comes from the changes of fair value due to the cumulative net value-added benefits can be processed according to the related distribution provision of participating policy.

(5) Premium deficiency reserve

For the contracts over one year of life, health, or annuities insurance commencing on 1 January 2001, the following rules apply: When the gross premium is less than the valuation net premium, a deficiency reserve is required to be set aside with the value of an annuity, the amount of which shall equal the difference between such premiums and the term of which in years shall equal the number of future annual payments due on such insurance at the date of the valuation.

In addition, for the insurance policy which period is within one year and has not met the due date or accidental insurance policy over one year, the following rules apply: If the probable indemnities and expenses are greater than the aggregate of unearned premium reserves and collectable premiums in the future, the premium deficiency reserve is set aside based on the difference thereof.

(6) Other reserve

Pursuant to IFRS 3 *"Business Combination"*, the Company shall set aside other reserve for identifiable assets required and liabilities assumed recorded at fair value in order to reflect the fair value of the insurance contract assumed.

(7) Liability adequacy reserve

This is the reserve that is set aside based on the adequacy test of liability required by IFRS 4 *"Insurance Contracts"*.

Liability adequacy test is based on integrated insurance contract and related regulations. This test compares net of reserve for insurance contract, deferred acquisition cost and related intangible assets with anticipated present value of insurance contract cash flow at each reporting date. If net book value is insufficient, recognize all insufficient amounts as liability adequacy reserve.

(8) Reserves for insurance contracts with feature of financial instruments

Financial products without discretionary participation features follows "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" and Depository Accounting.

18. Foreign exchange valuation reserve

Foreign exchange valuation reserve was appropriated or written-down from the foreign investment assets (do not include foreign currency non-investment-linked life insurance product assets) in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises”. The beginning balance of foreign exchange valuation reserve is $1,745,679 thousand which has to recognize special capital reserve within three years since 2012 according to the provision. The recognized amount should not be less than one third of the beginning balance net of tax for the first year. The cumulative recognized amount of the first two years should not be less than two thirds of the beginning balance net of tax. In addition, the saving of hedging costs is transferred to special capital reserve each year. If the annual earning is not enough for transfer, then replenish in the later year. The related special reserve is only used for capital increase or offset deficit. According to “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises” Article 9, if the Insurance Company has annual net tax earning, then it should appropriate 10% of that earning to special reserve after shareholders' meeting.

19. Insurance premium income and expenses

For the Company’s insurance contract and financial instruments with discretionary participation features, the initial and renewal premium are only recognized as revenue after collection and underwriting procedures, and subsequent session of collection are completed, respectively. In terms of the acquisition cost such as commission expenses and brokerage expenses, the related expenses will be recognized in that period after commencement of the insurance contract.

For non-separate account insurance product that is also classified as financial products without discretionary participation features, the insurance revenue collected is recognized on the balance sheet as “reserves for insurance contracts with feature of financial instruments.” The related acquisition costs will be written-down in that period after commencement of the insurance contract under “reserves for insurance contracts with feature of financial instruments.”

20. Reinsurance

The Company limits exposure to some events that may cause a certain amount of loss by arranging reinsurance in accordance with business needs and the insurance laws and regulations. For reinsurance ceded, the Company may not refuse to fulfill its obligations to the insured even if the reinsurer fails to fulfill their responsibility.

Premiums ceded to reinsurers and reinsurance commission income generated from ceded reinsurance business and due to reinsurers and ceding companies are recognized in the same period with income or expense of the related insurance contract. As the net right of holding reinsurance contract includes reinsurance reserve assets, claims recoverable from reinsurers and due from reinsurers and ceding companies, they are recognized according to the method of signed reinsurance contract and related insurance contract liabilities. The assets, liabilities, income and expense of reinsurance contract cannot offset with the income and expense of related insurance liabilities and insurance contract.

The Company holds the right over re-insurer for reinsurance reserve assets, claims recoverable from reinsurers and due from reinsurers and ceding companies, and regularly assess if impairment has occurred to such rights or the rights can no longer be recovered. When objective evidences demonstrate that such rights after initial recognition may lead to the Company not recovering all contractual terms of the amount due, and the potential impact of the above cases that the Company will receive from reinsurers can be measured reliably, then the Company can retrieve an amount that is less than the carrying value of the aforementioned rights, and recognize impairment losses.

For the classification of reinsurance contracts, the Company assesses whether the transfer of significant insurance risk to the re-insurer has occurred. If the transfer of significant insurance risk is not apparent, then the contract is recognized and evaluated with deposit accounting.

For reinsurance contracts that have their significant insurance risk transferred, if the Company can separate and measure the individual deposit component, then the reinsurance contracts need to be recognized separately as the insurance component and the deposit component. That is, the Company receives (or pays) the contract’s value minus the insurance component, recognizing it as financial liabilities (or assets), and not as incomes (or expenses). The financial liabilities (or assets) are recognized with the fair value approach and uses the present value of future cash flow as the basis for the fair value approach.

21. Share-based payment transactions

For the equity-settled transactions between the Company and its employees is recognized based on the fair value of the equity instruments granted. The Company has determined the date of the subscription price and the number of shares as the grant-date and recognized the fair value of the equity instruments granted as expenses, with a corresponding increase in equity.

22. Income taxes

Income tax expense (benefit) is the aggregate amount in respect of current tax and deferred tax which included in profit or loss for the period.

Current income tax

Current income tax liability (asset) for the current and prior period is measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Current income tax and the tax relating to items recognized in other comprehensive income or directly in equity shall be recognized in other comprehensive income or directly in equity rather than the profit and loss.

The income tax for unappropriated earnings is recognized as income tax expense in the subsequent year when the distribution proposal is approved at the shareholders' meeting.

Deferred tax

Deferred tax is provided on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the balance sheets.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date. The measurement of deferred tax assets and liabilities reflect the tax consequences generated from expected recovery of assets or settlement of liabilities at the end of reporting date. Deferred tax is not recognized in the profit and loss if the related item is not recognized in the profit and loss. Rather, it is recognized in other comprehensive income or directly in equity according to their transaction. Deferred tax assets are reassessed at each reporting date and are recognized accordingly.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

23. Unconsolidated structured entities

Securitization vehicles such as real estate investment trust and beneficiary certificates of financial asset securitization, asset-backed financings and some investment funds such as private funds are unconsolidated structured entities, and the related information should be disclosed in accordance with IFRS 12 *"Disclosure of Interests in Other Entities"*.

24. Business Combination

Business combinations are accounted for using the acquisition method. The consideration transferred, the identifiable assets acquired and liabilities assumed are measured at acquisition date fair value. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are accounted for as expenses in the periods in which the costs are incurred and are classified under administrative expenses.

Goodwill is initially measured as the amount of the excess of the aggregate of the consideration transferred and the non-controlling interest over the net fair value of the identifiable assets acquired and the liabilities assumed. If this aggregate is lower than the fair value of the net assets acquired, the difference is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts and additional assets or liabilities recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date. The measurement period cannot exceed one year from the acquisition date.

V. Significant accounting judgments, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

1. Judgment

In the process of applying the Company's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

(1) Categories of financial assets

The management has to use its judgment to categorize financial assets. Different categories applied will affect measurements of the financial assets, which could have a significant impact on the Company's financial position and performance.

(2) Categories of insurance contracts

The Company identifies the composition of the issued insurance product contracts, decides whether it can be measured individually and determines whether the contract should be separately recognized. In addition, the Company examines whether the insurance contract has a significant insurance risk through review of the effective period of additional payment ratio, to decide the category of insurance products. If the additional payment ratio reach the pre-set significant standard at any policy period, such contract should be considered having a significant insurance risk. If a single contract provides payment of multiple different insurance events, additional payment will be calculated by the greatest difference between the payment of each insurance event if occurs and the payment of each insurance event if not occurs.

(3) Operating lease commitment－the Company as the lessor

The Company has entered into commercial property leases on its investment property portfolio. The Company has determined, based on evaluation of the terms for the arrangements, that it retains all the significant risks and rewards of ownership for these properties and takes the contracts as operating leases.

2. Estimates and assumptions

The assumptions about the future and primary sources of uncertainty estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(1) Fair value of financial instruments

Where the fair value of the financial instruments recognized in the balance sheet cannot be derived from an active market or a quoted price, it is determined using a valuation technique. In applying valuation techniques, the Company adopts pricing models in accordance with its procedure for valuation, and uses observable market data as possible. The changes in assumptions of these models will affect the fair value of reported financial instruments. Please refer to Note VIII.

(2) Fair value of investment property

The fair value of investment property is derived from valuation techniques, including the income approach (such as discounted cash flow model) and market method, etc., and assumptions used in applying valuation techniques will have influence on the fair value of investment property.

(3) Impairment assessment of financial assets

The Company adopts expected credit loss model to assess impairment on debt instrument investments not measured at fair value through profit or loss. The measurement of expected credit losses is to multiply the future 12-month and the lifetime Probability of default (PD), and Loss given default (LGD) and Exposure at default (EAD). The Company also considers the effect of the time value of money to calculate 12-month expected credit losses and the lifetime expected credit losses respectively. The Company has taken historical experiences, market conditions and forward-looking adjustment into account to decide on the assumption and inputs of expected credit loss calculation.

(4) Insurance contract liabilities (including investment contract liabilities with discretionary participation feature of financial instruments)

The liability for insurance contracts and investment contracts with discretionary participation feature of financial instruments is either based on current assumptions or on assumptions established at the inception of the contract, reflecting the best estimate at the time. All contracts are subject to a liability adequacy test, which reflect management’s best current estimate of future cash flows. The main assumptions used relate to mortality, morbidity, investment returns, and expenses and surrender rates. The Company bases its assumptions on the standards published by the Actuarial Institute of the Republic of China, adjusted when appropriate to reflect the Company’s unique risk exposure, product characteristics and experiences from target markets.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The best estimates of future investment income from the assets are based on current market returns, as well as expectation about future economic development. Assumptions on future expense are based on current expense level, adjusted for expected expense inflation, if appropriate. Surrender rates are based on the Company’s historical experience.

(5) Income taxes

Uncertainty of income taxes exists on interpretation of complex tax regulations and the amount and timing of future taxable income. The differences between the actual results and the assumptions, or future changes to such assumptions could necessitate future adjustments to tax income and expense already recorded. The Company establishes provision, based on reasonable estimates, for possible consequence of audits by the tax authorities at the each county where it operates. The amount of provision is based on various factors, such as experience of previous tax audits and different interpretation of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognized for all carry-forward of unused tax losses and unused tax credits and deductible temporary differences to the extent that it is probable that taxable profit will be available or there are sufficient taxable temporary differences against which the unused tax losses, unused tax credits or deductible temporary differences can be utilized. The amount of deferred tax assets determined to be recognized is based upon the likely timing and the level of future taxable profits and taxable temporary differences together with future tax planning strategies.

VI. Description of significant accounting items

1. Cash and cash equivalents

	2019.12.31	2018.12.31
Cash on hand	$557	$1,012
Revolving funds	1,148	1,242
Cash in banks	43,474,945	23,326,967
Time deposits	32,535,965	14,461,185
Cash equivalents－bond with resale agreement	9,915,108	5,157,020
Total	$85,927,723	$42,947,426

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2. Receivables

	2019.12.31	2018.12.31
Notes receivable	$241,765	$285,347
Other receivables		
Interest receivable	13,028,190	12,407,320
Financial instruments settlement receivable	9,608,886	3,265,048
Financial institutions collection receivable	2,188,412	-
Separate account receivable	644,110	910,661
Others	1,116,121	681,695
Overdue receivable	7,826	7,942
Less: Allowance for bad debts－Other receivables	(9,208)	(8,959)
Subtotal	26,584,337	17,263,707
Total	$26,826,102	$17,549,054

The Company adopted IFRS 9 for impairment assessment. Please refer to Note VI.23 for more details on impairment of receivables. Please refer to Note IX for more details on credit risk management.

3. Financial assets at fair value through profit or loss

	2019.12.31	2018.12.31
Mandatorily measured at fair value through profit or loss:		
Derivatives not designated as hedging instruments	$9,761,846	$3,132,902
Domestic convertible corporate bonds	-	191,943
Domestic financial debentures	16,318,584	13,990,343
Domestic listed stocks	95,182,659	79,654,586
Domestic unlisted stocks	183,166	133,172
Domestic beneficiary certificates	101,240,176	33,313,742
Domestic real estate investment trust	2,006,717	1,513,893
Overseas corporate bonds	14,049,557	12,961,579
Overseas listed stocks	20,293,607	18,115,148
Overseas preferred stocks	1,373,507	3,924,291
Overseas financial debentures	21,946,582	38,924,136
Overseas beneficiary certificates	29,000,420	9,456,252
Overseas real estate investment trust	1,628,391	237,267
Total	$312,985,212	$215,549,254

Financial assets at fair value through profit or loss were not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company elected to express profit or loss of the designated financial assets in overlay approach under IFRS 4 "*Insurance Contracts*" since its application of IFRS 9. Financial assets designated to apply overlay approach by the Company for investing activities relating to insurance contracts are as follows:

	2019.12.31	2018.12.31
Financial assets at fair value through profit or loss :		
Domestic financial debentures	$16,318,584	$13,990,343
Domestic listed stocks	95,182,659	79,654,586
Domestic unlisted stocks	183,166	133,172
Domestic beneficiary certificates	101,240,176	33,313,742
Domestic real estate investment trust	2,006,717	1,513,893
Overseas corporate bonds	14,049,557	12,961,579
Overseas listed stocks	20,293,607	18,115,148
Overseas preferred stocks	1,373,507	3,924,291
Overseas financial debentures	21,946,582	38,924,136
Overseas beneficiary certificates	29,000,420	9,456,252
Overseas real estate investment trust	1,628,391	237,267
Total	$303,223,366	$212,224,409

Reclassification of the financial assets designated to apply overlay approach from profit or loss to other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	For the years ended 31 December	
	2019	2018
Gains (losses) due to applying IFRS 9 to profit or loss	$38,470,698	$1,545,759
Less: (Gains) losses if applying IAS 39 to profit or loss	(20,425,266)	(16,196,968)
Gains (losses) from adoption of overlay approach	$18,045,432	$(14,651,209)

Due to the adoption of overlay approach, profits from financial assets at fair value through profits or loss are reduced from $39,646,579 thousand to $21,601,147 thousand and loses are reduced from $32,851,299 thousand to $18,200,090 thousand for the years ended 31 December 2019 and 2018 respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. Financial assets at fair value through other comprehensive income

	2019.12.31	2018.12.31
Debt instrument investments at fair value through other comprehensive income:		
Domestic government bonds	$74,753,447	$95,598,398
Overseas government bonds	55,476,667	28,100,704
Overseas corporate bonds	103,376,914	82,352,450
Overseas financial debentures	109,974,171	85,359,785
Less: Refundable deposits	(9,804)	(9,861)
Subtotal	343,571,395	291,401,476

	2019.12.31	2018.12.31
Equity instrument investments at fair value through other comprehensive income:		
Domestic listed stocks	10,017,990	8,252,306
Domestic unlisted stocks	2,410,397	2,518,947
Domestic preferred stocks	12,001,414	11,534,853
Overseas listed stocks	167,316	1,105,564
Overseas unlisted stocks	14,523,031	8,193,589
Subtotal	39,120,148	31,605,259
Total	$382,691,543	$323,006,735

Please refer to Note XIII for more details on financial assets at fair value through other comprehensive income under pledge.

Please refer to Note VI.23 for more details on gross carrying amount and accumulated impairment of debt instrument investments measured at fair value through other comprehensive income. Please refer to Note IX for more details on credit risk management.

The Company's dividend income related to equity instrument investments measured at fair value through other comprehensive income for the years ended 31 December 2019 and 2018 are as follows:

	For the year ended 31 December	
	2019	2018
Related to investments held at the end of the reporting period	$705,456	$749,040
Dividends recognized during the period	759,101	802,267

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Given the investment strategy, the Company disposed and derecognized partial equity instrument investments measured at fair value through other comprehensive income. Details on derecognition of such investments for the years ended 31 December 2019 and 2018 are as follow:

	For the years ended 31 December	
	2019	2018
The fair value of the investments at the date of derecognition	$3,143,926	$4,036,282
The cumulative unrealized valuation gain (loss) on disposal reclassified from other equity to retained earnings	(516,594)	(734,753)

5. Financial assets measured at amortized cost

	2019.12.31	2018.12.31
Domestic government bonds	$61,670,450	$53,728,956
Domestic corporate bonds	48,361,351	55,313,130
Domestic financial debentures	17,050,000	18,350,000
Overseas real estate mortgage bonds	51,005,313	60,399,545
Overseas government bonds	33,763,624	41,972,073
Overseas corporate bonds	236,234,497	208,677,329
Overseas financial debentures	569,752,358	518,083,750
Less: Refundable deposits	(6,698,391)	(5,955,901)
Less: Loss allowance	(102,968)	(86,642)
Total	$1,011,036,234	$950,482,240

The Company derecognized certain financial assets measured at amortized cost for the years ended 31 December 2019 and 2018 with the following carrying amount at the date of derecognition and the recognized gain (loss) during the period:

	For the years ended 31 December			
	2019		2018	
	The carrying amount at the date of derecognition	Recognized gain (loss) during the period	The carrying amount at the date of derecognition	Recognized gain (loss) during the period
Domestic corporate bonds	$3,500,000	$78,850	$-	$-
Overseas government bonds	10,231,771	431,901	-	-
Overseas corporate bonds	16,477,497	1,283,844	446,800	3,217
Overseas financial debentures	3,705,097	86,835	2,684,227	21,811
Total	$33,914,365	$1,881,430	$3,131,027	$25,028

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The Company sold abovementioned certain financial assets measured at amortized cost on the grounds such as that the sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent), and derecognized the financial assets measured at amortized cost.

Please refer to Note XIII for more details on financial assets measured at amortized cost under pledge.

Please refer to Note VI.23 for more details on gross carrying amount and accumulated impairment on financial assets measured at amortized cost. Please refer to Note IX for more details on credit risk management.

6. Loans

	2019.12.31	2018.12.31
Policy loans	$27,350,483	$26,403,907
Automatic premium loans	5,849,666	5,822,457
Secured loans－net	833,722	1,151,119
Secured loans	846,782	1,169,030
Less: Allowance for bad debts－secured loans	(13,060)	(17,911)
Overdue loans－net	-	2,482
Overdue loans	-	2,574
Less: Allowance for bad debts－overdue loans	-	(92)
Total	$34,033,871	$33,379,965

The Company adopted IFRS 9 for impairment assessment. Please refer to Note VI.23 for more details on loss allowance.

7. Investment property

The reconciliations from the beginning book value balances to the ending book value balances for investment property measured at fair value model in subsequent period are as follows:

	For the year ended 31 December 2019			
	Land	Buildings	Prepayment for buildings	Total
Beginning balance	$15,601,189	$5,022,055	$-	$20,623,244
Gains (losses) generated from adjustment fair value	271,490	(271,527)	-	(37)
Disposals	(4,001)	(3,364)	-	(7,365)
Ending balance	$15,868,678	$4,747,164	$-	$20,615,842

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended 31 December 2018			
	Land	Buildings	Prepayment for buildings	Total
Beginning balance	$15,478,427	$5,150,851	$-	$20,629,278
Gains (losses) generated from adjustment fair value	78,773	(136,720)	-	(57,947)
Disposals	(23,949)	(10,999)	-	(34,948)
Transfers from (to) property and equipment	67,938	18,923	-	86,861
Ending balance	$15,601,189	$5,022,055	$-	$20,623,244

Development of the vacant land and prepayment for buildings without construction license is measured at cost because its fair value cannot be reliably determined. The reconciliations from the beginning book value balances to the ending book value balances are as follows:

	For the year ended 31 December 2019			
	Land	Buildings	Prepayment for buildings	Total
Costs:				
Beginning balance	$3,654,175	$-	$-	$3,654,175
Ending balance	$3,654,175	$-	$-	$3,654,175
Accumulated impairment :				
Beginning balance	$1,133,565	$-	$-	$1,133,565
Charge (reversal) for the current period	(453)	-	-	(453)
Ending balance	$1,133,112	$-	$-	$1,133,112

	For the year ended 31 December 2018			
	Land	Buildings	Prepayment for buildings	Total
Costs:				
Beginning balance	$3,654,175	$-	$-	$3,654,175
Ending balance	$3,654,175	$-	$-	$3,654,175
Accumulated impairment :				
Beginning balance	$1,133,601	$-	$-	$1,133,601
Charge (reversal) for the current period	(36)	-	-	(36)
Ending balance	$1,133,565	$-	$-	$1,133,565
Net carrying amount :				
2019.12.31	$18,389,741	$4,747,164	$-	$23,136,905
2018.12.31	$18,121,799	$5,022,055	$-	$23,143,854

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A major part of the Company's buildings includes main plants, air conditioning, electrical and elevator equipment.

Valuation has been performed by appraisers from professional valuation agencies based on Regulations of Real Estate Appraisal on 31 December 2019 and 31 December 2018.

31 December 2019:

(1) Hwan Yu Real Estate Appraisers Joint Firm: Lin Hsueh Chin, Chao Huei Mei
(2) Home Ban Appraisers Joint Firm: Li Ching Tang

31 December 2018:

(1) Hwan Yu Real Estate Appraisers Joint Firm: Lin Hsueh Chin
(2) Home Ban Appraisers Joint Firm: Lin Jui Ming, Huang Yu Sheng

The decision of fair value is supported by observable evidence in the market. The appraisal approaches mainly used are the comparison approach, income approach, cost approach and land development analysis of cost approach. Commercial office buildings and residences are valued mainly by comparison approach and income approach because of the market liquidity and comparable sales and rental cases in neighboring areas. Income approach does not use discounted cash flow analysis, so no inputs of the discount rate.

The inputs mainly used are as follows:

	2019.12.31	2018.12.31
	Mainly	Mainly
Income capitalization rate	0.73%~4.98%	0.73%~3.78%

The Company recognized its investment property at fair value subsequent to initial recognition and fair value is categorized in Level 3 of fair value hierarchy. The fair value of investment property will decrease as the main input, income capitalization rate of direct capitalization method, increases. On the contrary, the fair value of investment property will increase if the main input decreases.

The investment properties are held mainly for lease business. All the lease agreements are operating leases. The primary terms of lease agreements are the same as general lease agreements. Rents from property investment are received annually, semi-annually, quarterly, monthly or in lump sum.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Rents from investment properties were $479,526 thousand and $473,951 thousand for the years ended 31 December 2019 and 2018. Related direct operating expenses were $62,789 thousand and $57,766 thousand. The direct operating expenses of investment properties generating no rents were $4,911 thousand and $7,509 thousand.

For the years ended 31 December 2019 and 2018, the Company recovered certain property, plant and equipment and investment property measured at cost to the recoverable amount, resulting in gain on reversal of impairment loss NT$656 thousand and $234 thousand, respectively. These have been recognized in the statement of comprehensive income. The recoverable amount is assessed as the fair value deducting disposition cost. Valuation has been performed by appraisers from professional valuation agencies based on Regulations on Real Estate Appraisal, and categorized in Level 3 of fair value hierarchy. The valuation technique and the key assumption adopted in this case of reversal gain of impairment loss on property, plant and equipment and investment property measured at cost are comparison approach and income approach, or comparison approach and land development analysis approach, based on Regulations on Real Estate Appraisal. The case has also considered cases in the market as well as future trends to measure appropriate market value and to discount to present value based on urban land readjustment time schedule.

As at 31 December 2019 and 31 December 2018, no investment properties were pledged as collateral.

8. Reinsurance assets

	2019.12.31	2018.12.31
Claims recoverable from reinsurers	$415,320	$456,849
Due from reinsurers and ceding companies	48,572	175
Reinsurance reserve assets		
Ceded unearned premium reserve	55,487	50,125
Ceded reserve for claims	13,755	27,204
Subtotal	69,242	77,329
Total	$533,134	$534,353

The above reinsurance assets are not impaired.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

9. Property and equipment

For the year ended 31 December 2019

	Land	Buildings	Computer equipment (Note)	Transportation equipment	Other equipment	Leased assets	Prepayment for buildings and construction in progress	Total
Cost:								
1 January 2019	$6,617,371	$1,848,625	$343,092	$9,751	$427,595	$21,794	$3,176,367	$12,444,595
Additions	-	-	107,118	205	75,452	1,432	3,148,777	3,332,984
Disposals	-	-	(27,939)	(131)	(1,599)	-	-	(29,669)
Transfers	-	-	38,677	-	41,508	-	198,121	278,306
31 December 2019	$6,617,371	$1,848,625	$460,948	$9,825	$542,956	$23,226	$6,523,265	$16,026,216
Accumulated Depreciation:								
1 January 2019	$-	$518,458	$181,803	$6,168	$323,723	$21,348	$-	$1,051,500
Depreciation	-	44,722	55,597	1,585	43,904	1,069	-	146,877
Disposals	-	-	(27,931)	(130)	(1,596)	-	-	(29,657)
31 December 2019	$-	$563,180	$209,469	$7,623	$366,031	$22,417	$-	$1,168,720
Accumulated impairment:								
1 January 2019	$740,630	$3,528	$-	$-	$-	$-	$-	$744,158
Reversal of impairment loss	(156)	(47)	-	-	-	-	-	(203)
31 December 2019	$740,474	$3,481	$-	$-	$-	$-	$-	$743,955

Note: The Company adopted IFRS16 since 1 January 2019. The company elected not to restate prior periods in accordance with the transition provision in IFRS16. The beginning balance of computer equipment is transferred to right-of-use assets for the leased assets.

For the year ended 31 December 2018

	Land	Buildings	Computer equipment	Transportation equipment	Other equipment	Leased assets	Prepayment for buildings and construction in progress	Total
Cost:								
1 January 2018	$6,643,656	$1,864,393	$573,182	$17,664	$406,094	$21,174	$1,702,442	$11,228,605
Additions	-	-	24,716	464	23,400	620	1,325,291	1,374,491
Disposals	-	-	(117,722)	(8,377)	(1,976)	-	-	(128,075)
Transfers from (to) investment property	(26,285)	(15,768)	-	-	-	-	-	(42,053)
Transfers	-	-	2,893	-	77	-	148,634	151,604
31 December 2018	$6,617,371	$1,848,625	$483,069	$9,751	$427,595	$21,794	$3,176,367	$12,584,572
Accumulated Depreciation:								
1 January 2018	$-	$479,196	$294,119	$12,901	$289,767	$21,121	$-	$1,097,104
Depreciation	-	44,868	71,303	1,644	35,926	227	-	153,968
Disposals	-	-	(117,043)	(8,377)	(1,970)	-	-	(127,390)
Transfers form (to) investment property	-	(5,606)	-	-	-	-	-	(5,606)
31 December 2018	$-	$518,458	$248,379	$6,168	$323,723	$21,348	$-	$1,118,076
Accumulated impairment:								
1 January 2018	$740,783	$3,573	$-	$-	$-	$-	$-	$744,356
Reversal of impairment loss	(153)	(45)	-	-	-	-	-	(198)
31 December 2018	$740,630	$3,528	$-	$-	$-	$-	$-	$744,158
Net carrying amount								
2019.12.31	$5,876,897	$1,281,964	$251,479	$2,202	$176,925	$809	$6,523,265	$14,113,541
2018.12.31	$5,876,741	$1,326,639	$234,690	$3,583	$103,872	$446	$3,176,367	$10,722,338

Property and equipment held by the Company are not pledged.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

10. Leases

(1) Company as a lessee (applicable to the disclosure requirement under IFRS 16)

The commercial lease contracts for offices, vehicles and equipment signed by the Company are within one to three years on average without renewal option. There is no restriction on the Company in these contracts. Furthermore, the Company leases the land for 70 years by creating surface right and the agreement is a non-cancellable operating lease.

The Company's leases effect on the financial position, financial performance and cash flows are as follow:

A. Amounts of right-of-use assets recognized in the balance sheet and the statements of comprehensive income

	For the year ended 31 December 2019						
	Land	Royalty-surface rights	Buildings	Computer equipment	Transportation equipment	Other office equipment	Total
Cost:							
1 January 2019	$2,098,517	$13,179,623	$45,577	$94,957	$11,841	$13,783	$15,444,298
Additions	-	-	49,053	-	1,894	12,377	63,324
Write off	-	-	(301)	-	-	-	(301)
31 December 2019	$2,098,517	$13,179,623	$94,329	$94,957	$13,735	$26,160	$15,507,321
Accumulated Depreciation:							
1 January 2019	$-	$-	$-	$-	$-	$-	$-
Depreciation	32,243	202,605	31,408	51,795	3,636	11,662	333,349
Write off	-	-	(301)	-	-	-	(301)
31 December 2019	$32,243	$202,605	$31,107	$51,795	$3,636	$11,662	$333,048
Net carrying amount:							
2019.12.31	$2,066,274	$12,977,018	$63,222	$43,162	$10,099	$14,498	$15,174,273
2018.12.31 (Note)							

Depreciation expense of $98,501 thousand on the right-of-use assets is recognized in profit or loss for the year ended 31 December 2019.

Depreciation on the right-of-use assets is calculated through a straight-line basis over 1 to 70 years.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Amounts of lease liabilities recognized in the balance sheet and the statements of comprehensive income

	2019.12.31	2018.12.31(Note)
Land	$2,089,952	
Buildings	63,287	
Computer equipment	26,710	
Transportation equipment	10,139	
Other office equipment	16,758	
Total	$2,206,846	

The interest of $716 thousand on lease liabilities is recognized during the year ended 31 December 2019. Please refer to Note IX.2 Liquidity Risk Management for the maturity analysis for lease liabilities as at 31 December 2019.

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Income and costs relating to leasing activities

	For the years ended 31 December	
	2019	2018(Note)
The expenses relating to short-term leases	$13,472	
The expenses relating to leases of low-value assets (Not including the expenses relating to short-term leases of low-value assets)	152	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected notto restate prior periods in accordance with the transition provision in IFRS 16.

D. Cash outflow relating to leasing activities

During the year ended 31 December 2019, the Company’s total cash outflows for leases amounting to $167,813 thousand.

E. Other information relating to leasing activities

(a) Variable lease payments

Some of the Company's machine equipment lease agreements contain variable lease payment terms that exceed the standard quota. As such variable lease payments do not meet the definition of lease payments, those payments are not included in the measurement of the assets and liabilities.

(b) Extension and termination options

Some of the Company's rental agreement contain extension and termination options. In determining the lease terms, the non-cancellable period for which the Company has the right to use an underlying asset, together with both periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option and periods covered by an option to terminate the lease if the Company is reasonably certain not to exercise that option. These options are used to maximize operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Company. After the commencement date, the Company reassesses the lease term upon the occurrence of a significant event or a significant change in circumstances that is within the control of the lessee and affects whether the Company is reasonably certain to exercise an option not previously included in its determination of the lease term, or not to exercise an option previously included in its determination of the lease term.

(2) Operating lease commitments – Company as a lessee (applicable to the disclosure requirement in IAS17)

The Company has entered into commercial leases on offices, certain motor vehicles and items of machinery. These leases have an average life of one to four years with no renewal option included in the contracts. There are no restrictions placed upon the Company by entering into these leases. In addition, the lease term of the land leased by the Company for the purpose of setting up the land is 70 years and is also an unremovable operating lease agreement.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at 31 December 2019 and 2018:

	2019.12.31(Note)	2018.12.31
Less than one year		$111,219
More than one year and but less than five years		438,883
More than five years		4,834,881
Total		$5,384,983

Operating lease expenses recognized are as follows:

	2019.12.31(Note)	2018.12.31
Minimum lease payments		$63,301

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(3) Company as a lessor (applicable to the disclosure requirement in IFRS16)

Please refer to Note VI.7 for details on the Company's owned investment properties. Leases of owned investment properties are classified as operating leases as they do not transfer substantially all the risks and rewards incidental to ownership of underlying assets.

	For the years ended 31 December	
	2019	2018 (Note)
Lease income for operating leases		
Income relating to fixed lease payments and variable lease payments that depend on an index or a rate	$471,366	
Income relating to variable lease payments that do not depend on an index or a rate	8,160	
Total	$479,526	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The remaining period of commercial property lease contracts the Company signed are within one year to fifteen years, and most of these lease contracts contain terms about adjusting rents according to market environment annually. The undiscounted lease payments to be received and a total of the amounts for the remaining years as at 31 December 2019 are as follow:

	As at	
	2019	2018 (Note)
Less than one year	$409,981	
More than one year but less than two years	362,726	
More than two years but less than three years	200,904	
More than three years but less than four years	136,872	
More than four years but less than five years	128,881	
More than five years	167,588	
Total	$1,406,952	

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(4) Operating lease commitments – Company as a lessor (applicable to the disclosure requirement in IAS17)

The remaining period of commercial property lease contracts the Company signed are within one year to fifteen years, and most of these lease contracts contain terms about adjusting rents according to market environment annually.

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at 31 December 2018 and 2019:

	2019 (Note)	2018
Less than one year		$407,686
More than one year and less than five years		873,984
More than five years		223,248
		$1,504,918

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

11. Other assets

	2019.12.31	2018.12.31
Prepayments		
Prepayment－surface rights (Note)	$-	$13,179,623
Other prepayments	42,380	29,557
Subtotal	42,380	13,209,180
Refundable deposits	6,828,951	6,643,887
Other assets－others	5,223	6,211
Total	$6,876,554	$19,859,278

Note:The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

Prepayment－surface rights are land use rights for 13 government properties, including Taipei Academy and ZHONG-LUN Housing that were acquired on 28 November 2013. The execution date of the contract was 20 January 2014 for a term of 70 years. The expiration date is 19 January 2084.

12. Payables

	2019.12.31	2018.12.31
Notes payable	$900	$11,817
Life insurance proceeds payable	80,129	71,587
Commissions payable	1,628,716	1,630,439
Due to reinsurers and ceding companies	482,994	525,306
Other payables		
Salary payable	1,097,723	758,677
Tax payable	88,552	86,202
Collection payable	47,942	40,882
Payable on investments	8,510,101	783,105
Accrued expense and payable on insurance policies	7,176,146	6,452,555
Others	304,093	366,516
Subtotal	17,224,557	8,487,937
Total	$19,417,296	$10,727,086

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

13. Financial liabilities at fair value through profit or loss

	2019.12.31	2018.12.31
Held for trading:		
Derivatives not designated as hedging instruments		
Swaps and forward foreign exchange contracts	$1,426,070	$2,469,127
Total	$1,426,070	$2,469,127

14. Insurance contracts and provision for financial instruments with discretionary participation feature

As at 31 December 2019 and 31 December 2018, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows.

(1) Reserve for life insurance liabilities:

	2019.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$1,340,799,216	$57,182,189	$1,397,981,405
Health insurance	133,612,862	-	133,612,862
Annuity insurance	676,207	164,534,387	165,210,594
Investment-linked insurance	1,792,716	-	1,792,716
Total (Note)	$1,476,881,001	$221,716,576	$1,698,597,577

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,698,741,135 thousand as of 31 December 2019.

	2018.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Life insurance	$1,173,394,667	$56,735,343	$1,230,130,010
Health insurance	122,642,721	-	122,642,721
Annuity insurance	647,909	157,700,581	158,348,490
Investment-linked insurance	1,834,656	-	1,834,656
Total (Note)	$1,298,519,953	$214,435,924	$1,512,955,877

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,513,115,547 thousand as of 31 December 2018.

Note: There is no ceded liability reserve for the above insurance contracts.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in reserve for life insurance liabilities is summarized below:

	For the year ended 31 December 2019		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,298,519,952	$214,435,925	$1,512,955,877
Reserve	254,349,016	26,204,109	280,553,125
Recover	(69,927,882)	(18,388,212)	(88,316,094)
Losses (gains) on foreign exchange	(6,061,329)	(535,246)	(6,596,575)
Other (Note 1)	1,244	-	1,244
Ending balance (Note)	$1,476,881,001	$221,716,576	$1,698,597,577

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,698,741,135 thousand as of 31 December 2019.

Note1: The amount is the insufficient consideration covered during the replenishment period based on the contract of the acquisition of the traditional insurance policies from Allianz Taiwan Life.

	For the year ended 31 December 2018		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,048,113,729	$215,730,420	$1,263,844,149
Reserve	276,895,391	19,649,096	296,544,487
Recover	(59,348,314)	(21,707,044)	(81,055,358)
Losses (gains) on foreign exchange	4,341,192	763,453	5,104,645
Other (Note 1)	28,517,954	-	28,517,954
Ending balance (Note)	$1,298,519,952	$214,435,925	$1,512,955,877

Note: Total of reserve for life insurance liabilities after including "Reserve for life insurance liabilities – payables for the insured" amounted to $1,513,115,547 thousand as of 31 December 2018.

Note 1: The amount is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Unearned premium reserve:

	2019.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,072	$-	$1,072
Individual injury insurance	1,414,617	-	1,414,617
Individual health insurance	2,249,115	-	2,249,115
Group insurance	568,302	-	568,302
Investment-linked insurance	58,248	-	58,248
Annuity insurance	-	75	75
Total	4,291,354	75	4,291,429
Less ceded unearned premium reserve:			
Individual life insurance	15,728	-	15,728
Individual injury insurance	1,324	-	1,324
Individual health insurance	30,079	-	30,079
Group insurance	3,145	-	3,145
Investment-linked insurance	5,211	-	5,211
Total	55,487	-	55,487
Net amount	$4,235,867	$75	$4,235,942

	2018.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,160	$-	$1,160
Individual injury insurance	1,237,170	-	1,237,170
Individual health insurance	2,011,560	-	2,011,560
Group insurance	555,939	-	555,939
Investment-linked insurance	48,909	-	48,909
Annuity insurance	-	53	53
Total	3,854,738	53	3,854,791
Less ceded unearned premium reserve:			
Individual life insurance	10,712	-	10,712
Individual injury insurance	1,513	-	1,513
Individual health insurance	27,559	-	27,559
Group insurance	5,267	-	5,267
Investment-linked insurance	5,074	-	5,074
Total	50,125	-	50,125
Net amount	$3,804,613	$53	$3,804,666

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in unearned premium reserve is summarized below:

	For the year ended 31 December 2019		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,854,738	$53	$3,854,791
Reserve	4,291,355	75	4,291,430
Recover	(3,854,738)	(53)	(3,854,791)
Losses (gains) on foreign exchange	(1)	-	(1)
Ending balance	4,291,354	75	4,291,429
Less ceded unearned premium reserve:			
Beginning balance	50,125	-	50,125
Increase	56,521	-	56,521
Decrease	(51,159)	-	(51,159)
Ending balance	55,487	-	55,487
Net amount	$4,235,867	$75	$4,235,942

	For the year ended 31 December 2018		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$3,384,833	$57	$3,384,890
Reserve	3,854,737	53	3,854,790
Recover	(3,421,034)	(57)	(3,421,091)
Losses (gains) on foreign exchange	1	-	1
Other (Note 1)	36,201	-	36,201
Ending balance	3,854,738	53	3,854,791
Less ceded unearned premium reserve:			
Beginning balance	49,879	-	49,879
Increase	50,125	-	50,125
Decrease	(49,879)	-	(49,879)
Ending balance	50,125	-	50,125
Net amount	$3,804,613	$53	$3,804,666

Note1: The amount is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(3) Reserve for claims:

	2019.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$210,684	$93,692	$304,376
－Unreported claim	2,073	-	2,073
Individual injury insurance			
－Reported but not paid claim	28,821	-	28,821
－Unreported claim	433,328	-	433,328
Individual health insurance			
－Reported but not paid claim	98,979	-	98,979
－Unreported claim	750,813	-	750,813
Group insurance			
－Reported but not paid claim	121,051	-	121,051
－Unreported claim	405,053	-	405,053
Investment-linked insurance			
－Reported but not paid claim	11,029	-	11,029
－Unreported claim	-	-	-
Annuity insurance			
－Reported but not paid claim	-	69,705	69,705
－Unreported claim	-	119	119
Total	2,061,831	163,516	2,225,347
Less ceded reserve for claims:			
Individual life insurance	3,925	-	3,925
Individual injury insurance	-	-	-
Individual health insurance	5,030	-	5,030
Group insurance	4,800	-	4,800
Total	13,755	-	13,755
Net amount	$2,048,076	$163,516	$2,211,592

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2018.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance			
－Reported but not paid claim	$260,846	$81,393	$342,239
－Unreported claim	1,497	-	1,497
Individual injury insurance			
－Reported but not paid claim	52,370	-	52,370
－Unreported claim	207,078	-	207,078
Individual health insurance			
－Reported but not paid claim	93,733	-	93,733
－Unreported claim	508,774	-	508,774
Group insurance			
－Reported but not paid claim	56,073	-	56,073
－Unreported claim	397,937	-	397,937
Investment-linked insurance			
－Reported but not paid claim	11,657	-	11,657
－Unreported claim	-	-	-
Annuity insurance			
－Reported but not paid claim	-	15,299	15,299
－Unreported claim	-	85	85
Total	1,589,965	96,777	1,686,742
Less ceded reserve for claims:			
Individual life insurance	5,654	-	5,654
Individual injury insurance	4,687	-	4,687
Individual health insurance	13,863	-	13,863
Group insurance	3,000	-	3,000
Total	27,204	-	27,204
Net amount	$1,562,761	$96,777	$1,659,538

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in reserve for claims is summarized below:

	For the year ended 31 December 2019		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,589,965	$96,777	$1,686,742
Reserve	2,061,797	164,457	2,226,254
Recover	(1,589,965)	(96,777)	(1,686,742)
Losses (gains) on foreign exchange	34	(941)	(907)
Ending balance	2,061,831	163,516	2,225,347
Less ceded unearned premium reserve:			
Beginning balance	27,204	-	27,204
Increase	13,755	-	13,755
Decrease	(27,204)	-	(27,204)
Ending balance	13,755	-	13,755
Net amount	$2,048,076	$163,516	$2,211,592

	For the year ended 31 December 2018		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$1,437,951	$106,826	$1,544,777
Reserve	1,590,478	96,834	1,687,312
Recover	(1,446,997)	(106,826)	(1,553,823)
Losses (gains) on foreign exchange	(513)	(57)	(570)
Other (Note1)	9,046	-	9,046
Ending balance	1,589,965	96,777	1,686,742
Less ceded unearned premium reserve:			
Beginning balance	12,484	-	12,484
Increase	27,204	-	27,204
Decrease	(12,484)	-	(12,484)
Ending balance	27,204	-	27,204
Net amount	$1,562,761	$96,777	$1,659,538

Note1:The amount is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Reported but not paid claims are reserved according to insurance type and claims department's estimates based on each individual case's related information without exceeding promised insurance amount for covered accidents. Those reported but not paid reserve is reasonably assessed, sufficient to reflect actual claims paid. In addition, some types of claims are not expected to close shortly because these claims usually depend on court judgments before the closure. The legal department tracks the development of these claims and reasonably estimates claims reserve. The actuarial department assesses final unreported claims based on past claims experience with consideration of claims development trends for past closed cases, and then develop the final claims based on homogeneous features of each insurance through Bornhuetter-Ferguson Method. Reserve for unreported and unclosed claims changes according to external environment. For example, actual loss rate will lead to fluctuations of claims. The actuarial department will evaluate periodically to make reasonable estimate of claims reserve.

(4) Special reserve:

	2019.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$6,907,466	$-	$6,907,466
Dividend risk reserve	-	-	-
Total	$6,907,466	$-	$6,907,466

	2018.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Participating policies dividend reserve	$6,364,597	$-	$6,364,597
Dividend risk reserve	-	-	-
Total	$6,364,597	$-	$6,364,597

Movement in special reserve is summarized below:

	For the years ended 31 December	
	2019	2018
	Insurance contract	Insurance contract
Beginning balance	$6,364,597	$6,259,742
Transition adjustment for IFRS9	-	(6,676)
Adjusted beginning balance	6,364,597	6,253,066
Reserve for participating policies dividend reserve	2,264,499	1,963,273
Recover for participating policies dividend reserve	(1,733,385)	(1,720,408)
Disposal gains (losses) of participating policies on equity instruments at fair value through other comprehensive income	11,755	(131,334)
Ending balance	$6,907,466	$6,364,597

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Special reserve for catastrophe and fluctuation of risks:

	2019.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,743	$-	$1,743
Individual injury insurance	875,865	-	875,865
Individual health insurance	2,536,247	-	2,536,247
Group insurance	3,212,019	-	3,212,019
Annuity insurance	-	759	759
Total	$6,625,874	759	$6,626,633

	2018.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$1,578	$-	$1,578
Individual injury insurance	871,147	-	871,147
Individual health insurance	2,435,161	-	2,435,161
Group insurance	3,090,678	-	3,090,678
Annuity insurance	-	539	539
Total	$6,398,564	$539	$6,399,103

(6) Premium deficiency reserve:

	2019.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$6,503,281	$-	$6,503,281
Individual health insurance	124,265	-	124,265
Total	$6,627,546	$-	$6,627,546

	2018.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Individual life insurance	$7,376,763	$-	$7,376,763
Individual health insurance	127,382	-	127,382
Total	$7,504,145	$-	$7,504,145

Note: Premium deficiency reserve was not ceded in the above insurance contracts.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in premium deficiency reserve is summarized below:

	For the year ended 31 December 2019		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$7,504,145	$-	$7,504,145
Reserve	2,403,191	-	2,403,191
Recover	(3,247,243)	-	(3,247,243)
Losses (gains) on foreign exchange	(32,547)	-	(32,547)
Ending balance	$6,627,546	$-	$6,627,546

	For the year ended 31 December 2018		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$9,164,460	$-	$9,164,460
Reserve	1,385,231	-	1,385,231
Recover	(3,073,841)	-	(3,073,841)
Losses (gains) on foreign exchange	28,294	-	28,294
Other (Note1)	1	-	1
Ending balance	$7,504,145	$-	$7,504,145

Note1:The amount is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

(7) Other reserve:

	2019.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Other	$19,467,292	$-	$19,467,292

	2018.12.31		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Other	$20,002,374	$-	$20,002,374

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement in other reserve is summarized below:

	For the year ended 31 December 2019		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$20,002,374	$-	$20,002,374
Recover	(535,082)	-	(535,082)
Ending balance	$19,467,292	$-	$19,467,292

	For the year ended 31 December 2018		
	Insurance contract	Financial instruments with discretionary participation feature	Total
Beginning balance	$-	$-	$-
Recover	(466,188)	-	(466,188)
Other (Note 1)	20,468,562	-	20,468,562
Ending balance	$20,002,374	$-	$20,002,374

Note1: The amount is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

(8) Liability adequacy reserve:

	Insurance contract and financial instruments with discretionary participation feature	
	2019.12.31	2018.12.31
Reserve for life insurance liabilities	$1,698,597,577	$1,512,955,877
Unearned premium reserve	4,291,429	3,854,791
Premium deficiency reserve	6,627,546	7,504,145
Special reserve	6,907,466	6,364,597
Other reserve	19,467,292	20,002,374
Book value of insurance liabilities	$1,735,891,310	$1,550,681,784
Estimated present value of cash flows	$1,299,369,920	$1,256,360,366
Balance of liability adequacy reserve	$-	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Liability adequacy testing methodology is as follows:

	2019.12.31	2018.12.31
Test method	Gross premium valuation method (GPV)	Gross premium valuation method (GPV)
Groups	Integrated testing	Integrated testing
Assumptions	Adopt the best estimated scenario investment return on the most recent actuary report (the actuary report of 2018), and discount rate was evaluated with consideration of current information.	Adopt the best estimated scenario investment return on the most recent actuary report (the actuary report of 2017), and discount rate was evaluated with consideration of current information.

15. Foreign exchange valuation reserve

(1) The hedge strategy and risk exposure

The Company consistently adjusts the hedge ratios to establish an adequate risk exposure planning based on the new foreign exchange valuation exposure principle by integrating the exchange rate and interest rate trends of domestic and foreign financial markets. However, changes in the hedge and risk exposure ratios should follow the internal risk control to alert and adjust hedge strategy in advance to meet the optimal hedge considerations.

(2) Adjustment in foreign exchange valuation reserve:

	For the years ended 31 December	
	2019	2018
Beginning balance	$3,169,331	$2,703,763
Reserve		
Compulsory reserve	1,850,078	1,065,269
Extra reserve	3,568,203	2,533,566
Subtotal	5,418,281	3,598,835
Recover	(6,220,573)	(3,133,267)
Ending balance	$2,367,039	$3,169,331

(3) Effects due to foreign exchange valuation reserve:

	For the year ended 31 December 2019		
Item	Inapplicable amount	Applicable amount	Effects
Net income	$12,956,044	$13,597,878	$641,834
Earnings per share (dollar)	3.05	3.20	0.15
Foreign exchange valuation reserve	-	2,367,039	2,367,039
Equity	143,220,130	142,669,561	(550,569)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	For the year ended 31 December 2018		
Item	Inapplicable amount	Applicable amount	Effects
Net income	$10,550,442	$10,177,987	$(372,455)
Earnings per share (dollar)	2.63	2.54	(0.09)
Foreign exchange valuation reserve	-	3,169,331	3,169,331
Equity	74,286,787	73,094,384	(1,192,403)

16. Provisions

	2019.12.31	2018.12.31
Provisions for employee benefits	$206,940	$133,200
Litigation liabilities	2,388	1,740
Total	$209,328	$134,940

The Company has an official policy to control and manage litigations. When a professional advice has been made and the loss can be reasonably estimated, the Company will make adjustments to recognize losses and any negative effects arising out of any financial claims. As at 31 December 2019, the Company has 36 unresolved legal suits.

17. Post-employment benefits

The Company's post-employment benefits are classified into defined contribution plan and defined benefit plan based on start date of employment and personal choice. Employees who start employment after 1 July 2005 apply to defined contribution plan; employees who start employment before 1 July 2005 can choose to apply to defined benefit plan or defined contribution plan. Employees who originally apply to defined benefit plan can change to defined contribution plan before 30 June 2010. Those who have chosen or mandatorily applied to defined contribution plan shall not change to defined benefit plan.

Defined contribution plan

The part in our pension plan that is made based on the "Labor Pension Act" is attributed to the Defined Contribution Plan. For employees who are applicable to the Labor Pension Act, the Company shall, on a monthly basis, contribute six percent of their monthly wage, prescribed in the Table of Monthly Contribution Wage Classification, to individual accounts of labor pension at the Bureau of Labor Insurance. Should the employees' monthly salary be higher than the ceiling amount provided in the Table of Monthly Contributions for Labor Pension, 6% may be withheld by the Company from the excess part as pension reserve on a monthly basis. An employee may receive the pension under this item only when he is eligible according to the pension plan.

Expenses under the defined contribution plans for the years ended 31 December 2019 and 2018 were $240,580 thousand and $234,362 thousand, respectively.

Defined benefit plans

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed upper limit. Under the Labor Standards Act, the Company contributes an amount equivalent to certain percentage of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the same year, the Company will make up the difference in one appropriation before the end of March of the following year.

The Ministry of Labor is in charge of establishing and implementing the fund utilization plan in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund. The pension fund is invested in-house or under mandation, based on a passive-aggressive investment strategy for long-term profitability. The Ministry of Labor establishes checks and risk management mechanism based on the assessment of risk factors including market risk, credit risk and liquidity risk, in order to maintain adequate manager flexibility to achieve targeted return without over-exposure of risk. With regard to utilization of the pension fund, the minimum earnings in the annual distributions on the final financial statement shall not be less than the earnings attainable from the amounts accrued from two-year time deposits with the interest rates offered by local banks. Treasury Funds can be used to cover the deficits after the approval of the competent authority. As the Company does not participate in the operation and management of the pension fund, no disclosure on the fair value of the plan assets categorized in different classes could be made in accordance with paragraph 142 of IAS 19. The Company expects to contribute $40,104 thousand to its defined benefit plan during the 12 months beginning after 31 December 2019.

The weighted average duration of the defined benefit obligation as at 31 December 2019 and 2018, are 13 years and 14 years.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Pension costs recognized in profit or loss for the years ended 31 December 2019 and 2018:

	For the years ended 31 December	
	2019	2018
Current service cost	$699	$681
Net interest on the net defined benefit liability (asset)	1,195	1,323
Total	$1,894	$2,004

Changes in the present value of the defined benefit obligation and the fair value of plan assets are as follows:

	2019.12.31	2018.12.31	2018.1.1
The present value of the defined benefit obligation	$413,387	$316,402	$323,044
The fair value of plan assets	(223,557)	(199,044)	(219,461)
Net defined benefit liability (asset)	$189,830	$117,358	$103,583

Reconciliation of liability (asset) of the defined benefit plan is as follows:

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2019.1.1	$316,402	$(199,044)	$117,358
Current service cost	699	-	699
Net interest on the net defined benefit liability (asset)	3,575	(2,380)	1,195
Subtotal	4,274	(2,380)	1,894
Remeasurements of the net defined benefit liability (asset) :			
Actuarial gains and losses arising from changes in demographic assumptions	63,500	-	63,500
Actuarial gains and losses arising from changes in financial assumptions	23,695	-	23,695
Experience adjustments	13,928	(7,084)	6,844
Subtotal	101,123	(7,084)	94,039
Payments from the plan	(8,412)	8,412	-
Contributions by employer	-	(23,461)	(23,461)
2019.12.31	$413,387	$(223,557)	$189,830

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Present value of defined benefit obligation	Fair value of plan assets	Net defined benefit liability (asset)
2018.1.1	$323,044	$(219,461)	$103,583
Current service cost	681	-	681
Net interest on the net defined benefit liability (asset)	4,232	(2,909)	1,323
Subtotal	4,913	(2,909)	2,004
Remeasurements of the net defined benefit liability (asset) :			
Actuarial gains and losses arising from changes in demographic assumptions	13,519	-	13,519
Actuarial gains and losses arising from changes in financial assumptions	(6,091)	-	(6,091)
Experience adjustments	19,085	(5,430)	13,655
Subtotal	26,513	(5,430)	21,083
Payments from the plan	(38,068)	38,068	-
Contributions by employer	-	(9,312)	(9,312)
2018.12.31	$316,402	$(199,044)	$117,358

The following significant actuarial assumptions are used to determine the present value of the defined benefit obligation:

	2019.12.31	2018.12.31
Discount rate	0.80%	1.13%
Expected growth rate of salary	0.00%~1.58%	0.00%~1.41%

A sensitivity analysis for significant assumptions as at 31 December 2019 and 2018 is, as shown below:

	Effect on the present value of the defined benefit obligation			
	2019		2018	
	Increase present value of the defined benefit obligation	Decrease present value of the defined benefit obligation	Increase present value of the defined benefit obligation	Decrease present value of the defined benefit obligation
Discount rate increase by 0.5%	$-	$26,028	$-	$20,563
Discount rate decrease by 0.5%	28,157	-	22,279	-
Expected growth rate of salary increase by 1%	45,003	-	42,310	-
Expected growth rate of salary decrease by 1%	-	39,524	-	37,097

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The sensitivity analyses above are based on a change in a significant assumption, keeping all other assumptions constant. The sensitivity analyses may not be representative of an actual change in the present value of the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another.

There was no change in the methods and assumptions used in preparing the sensitivity analyses compared to the previous period.

19. Common stock

(1) As of 31 December 2019 and 31 December 2018, the Company's authorized and issued capital were $44,635,823 thousand and $40,135,823 thousand, divided into 4,463,582,304 and 4,013,582,304 common shares at $10 par value.

(2) On 29 May 2018, the Company decided to appropriate $2,271,839 thousand from 2017 distributable earnings to increase capital in shareholders' meeting, issuing 227,183,904 common shares at $10 par value. The capital increase was documented by the authorities on 19 June 2018 and approved to set 11 October 2018 as subscription base date by board of directors.

(3) On 21 March 2019, the Company's board of directors approved the capital raising plan to issue 450,000,000 shares of $10 par value at $20.6 per share, totaling $9,270,000 thousand. The capital raising plan has been approved by the Financial Supervisory Commission, with 25 June 2019 being the record date of the cash capital increase. The registration of change has also been completed.

19. Capital surplus

	2019.12.31	2018.12.31
Additional paid-in capital	$7,179,692	$2,254,442
Treasury stock transactions	34,831	34,831
Total	$7,214,523	$2,289,273

Pursuant to the Company Act, the capital surplus shall not be used except for covering the deficit of the company. When a company incurs no loss, it may distribute the capital surplus related to the income derived from the issuance of new shares at a premium or income from endowments received by the company. The distribution could be made in cash or in the form of dividend shares to its shareholders in proportion to the number of shares being held by each of them.

20. Retained earnings

(1) Legal capital reserve

Pursuant to the Insurance Act, 20% of the Company's after-tax net income in the current year must be appropriated as legal capital reserve until the total amount of the legal capital reserve equals the issued share capital. Legal capital reserve shall not be used except for making good the deficit of the company. When the Company incurs no loss, the Company's board of directors may distribute the portion of its legal capital reserve which exceeds 25% of the issued share capital by issuing new shares or by cash to its original shareholders.

(2) Special capital reserve

Pursuant to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises" established by the R.O.C. Financial Supervisory Commission, the after-tax amount of released provision from the special reserves for fluctuation of risks are appropriated as special capital reserve in accordance with Order No. Financial-Supervisory-Insurance-Corporate-0910074195, after obtaining approval at the stockholders' meeting in the following year. The after-tax amount of released provision from the special reserves for contingency appropriated as special capital reserve for the years ended in 2018 and 2017 was $449,838 thousand and $229,707 thousand, resolved in the stockholders' meeting in 2019 and 2018.

The Company set aside special reserves for catastrophe and fluctuation of risks for the retained businesses with policy period within 1 year in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises". Please refer to Note IV.17 for the set-aside and release calculation. The after-tax amount of reserve and release for the special reserve is converted to special capital reserve at the end of current year. Special capital reserves for the years of 2019 and 2018 were set aside $893,072 thousand and $992,806 thousand, respectively, and released $665,542 thousand and $586,681 thousand, respectively.

The Company adopts foreign exchange reserve mechanism and hence be required by law to provide special capital reserve. Please refer to Note IV.18. The Company set aside $754,844 thousand and $908,397 thousand of special capital reserve based on hedging costs saved and 10% of after-tax earnings for 2017. The Company set aside $1,177,376 thousand and $1,017,799 thousand of special capital reserve based on hedging costs saved and 10% of after-tax earnings for 2018. The abovementioned amounts were resolved in the shareholders' meeting in 2018 and 2019.

The Company changed its accounting policy for subsequent measurement of investment property from cost to fair value starting from 2014. In order to ensure the soundness and stability of the financial structure, the Order No. Financial-Supervisory-Securities -Corporate-10402501001 issued by the FSC on 23 January 2015 requires insurance companies to set aside special capital reserve equal to the amount of the increase in retained earnings net of the increase in reserve for life insurance liabilities resulting from valid contracts' fair value approved by the authority. Hence, the amount set aside by the Company as special capital reserve was $8,394,443 thousand. The special capital reserve shall be used only to cover the insufficiency of life insurance liabilities resulting from valid contracts' fair value approved by the authority and to set aside additional liabilities for the soundness of financial structure when complying with IFRS 17 *"Insurance Contracts"* in the future implementation. The net loss from changes in fair value for 2017 was $32,196 thousand and the reversal from sale was $1,499 thousand. The net loss from changes in fair value for 2018 was $59,242 thousand and the reversal from sale was $875 thousand. The abovementioned amounts were resolved in the shareholders' meeting in 2018 and 2019.

Pursuant to the Company Act, when distributing distributable profits, the Company shall set aside special reserve equal to the net deductions of other shareholders' equity at the reporting date for the current year. For any subsequent reversal of net deductions of other shareholders' equity, the amount reversed may be distributed. The Company sets aside $4,904,181 thousand of special capital reserve based on the net deductions of other shareholders' equity for 2018. The abovementioned amounts were resolved in the shareholders' meeting in 2019.

In order to cope with the rapid development in finance technology, to assist the transformation of employees in insurance industry and to protect the employees' rights, the Company has acted in accordance with the Order No. Financial- Supervisory-Securites-Corporate-10502066461 issued by the FSC on 13 July 2016 that companies shall set aside special capital reserve between the ranges from 0.5% to 1% of after-tax earnings while distributing earnings from 2016 to 2018. The Company set aside special capital reserve $45,420 thousand based on 0.5% of 2017 after-tax earnings and reversed special capital reserve $30,622 thousand based on actual payment of related expense.The abovementioned amounts were resolved in the shareholders' meeting in 2018. The Company incurred $32,685 thousand of actual related expense payment for 2018.The abovementioned amounts were resolved in the shareholders' meeting in 2019.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

In accordance with the Order No. Financial Supervisory-Securites-Corporate-10302153881 issued by the FSC on 10 February 2015, the insurance industry shall set aside special reserve an equal amount as the increase of retained earnings resulted from recognizing gain from bargain purchase through acquisition, and the amount cannot be reversed within one year. After one year expires, other than making good the deficit of the Company, the special reserve may be capitalized if the value of acquired assets through evaluation is equivalent to the value when the acquisition occurred and is not yet subject to unexpected significant impairment. The Company recognized gain on bargain purchase of $1,731,438 thousand generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life in 2018. The Company set aside special capital reserve of $1,385,151 thousand upon the resolution of the shareholders’ meeting in 2019.

In accordance with the Order No. Financial-Supervisory-Securities-Corporate-10804501381 issued by the FSC on 25 June 2019, the Company set aside or withdraw special capital reserve based on profit or loss on unexpired debt instruments since 1 January 2019. Except the one that the remaining maturity period cannot be determined, can be amortized in 10 years, the remaining should be amortized through maturity period and released as a distributable surplus on an annual basis.

Changes of profit or loss on unexpired debt instruments through 2019 are shown below:

Amount in NT$ thousand

Profit or loss on unexpired debt instruments	Amount
Beginning balance	$-
Current period set aside amount based on realized capital gains $4,655,172 and deduction of tax $931,034	3,724,138
Amount that can be amortized in current period	225,756
Ending Balance	$3,498,382

As of 31 December 2019, the special capital reserve based on the mechanism is $0 thousand. The Company will set aside special capital reserve of $3,498,382 thousand following resolution of the shareholders’ meeting. The balance will be $3,498,382 thousand after setting aside the special reserve.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The balance of amortizable amount in the end of previous year and set aside or withdraw in current year are shown below：

Year	Amortizable amount in the end of previous year (1)	Current year set aside or withdraw amount (2)	Amortizable amount in the end of current period (1)+(2)
2019	$-	$225,756	$225,756
2020	-	225,756	225,756
2021	-	225,756	225,756
2022	-	217,467	217,467
2023	-	216,510	216,510
2024	-	210,328	210,328
2025	-	194,558	194,558
2026	-	181,843	181,843
2027	-	170,853	170,853
2028	-	163,276	163,276
2029~2038	-	999,615	999,615
2039~2048	-	548,910	548,910
2049~2110	-	143,510	143,510
Total	$-	$3,724,138	$3,498,382

Note：Evaluation is based on 2019, total of (1) + (2)column does not include the amount of 2019.

(3) According to the Articles of Incorporation of the Company, the information about earnings distribution is as follows:
The Company adopts residual dividend policy in order to keep expanding the business scale, meet the demands for capital and long-term financial plan of the Company, and pursue sustainable and stable development.

Where the Company has surplus earnings after the settlement of account at the end of fiscal year, it shall first cover the losses in the previous fiscal years and pay the taxes by laws. After setting aside legal reserve and special reserve as provided in laws or reversing special reserve and may distribute preferred stock dividends thereafter, the balance, if applicable, shall be added to beginning retained earnings as the unappropriated retained earnings, thirty to one hundred percent of which shall be distributed as dividends for common shares. The proposal of surplus earnings distribution shall be submitted by the Board of Directors to the shareholders’ meeting for approval. In case the unappropriated retained earnings is less than NT $0.5 each share, it may be reserved and not distributed on the basis of canon of economy.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

According to the Company's business plans, the surplus earnings distribution shall be based on the capital required and retained for distributing stock dividends, but it may reserve a proportion for distribution in the form of cash dividends. Where cash dividends are distributed in that year, the total amount of cash dividends shall not be less than ten percent of the total amount of dividends. The proportion of the preceding stock dividends and cash dividends may be adjusted appropriately, depending on that year's actual profits and capital condition. The Board of Directors shall draw up the proposal and submit to the shareholders' meeting for deciding the most appropriate dividend policy.

(4) Pursuant to the Order No. Financial-Supervisory-Securities-Corporate-10202501992 issued by the FSC on 8 February 2013, if the life insurance industry appropriates earnings by distributing cash dividends (not including preferred stocks in liability type), it should report to the FSC and the FSC will review the plan based on the soundness of individual company's finance and business.

For related information about earnings appropriation approved and resolved by the Board of Directors' meeting and shareholders' meeting, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

(5) Earnings appropriation for the years of 2018 and 2017 is as follows:

	Appropriation of earnings		Dividends per share(NT$)	
	2018	2017	2018	2017
Set aside Legal capital reserve	$2,035,597	$1,816,794	$-	$-
Set aside(reverse) Special capital reserve	9,247,668	2,451,967	-	-
Common stock-cash dividend	-	3,029,119	-	0.80
Common stock-stock dividend	-	2,271,839	-	0.60

Earnings appropriation for the years of 2018 and 2017 was resolved by shareholder's meeting on 31 May 2019 and 29 May 2018.

Please refer to Note VI.26 for more details on employees' compensation and remuneration to directors.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

21. Components of other comprehensive income

	For the year ended 31 December 2019			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Remeasurements on defined benefit plans	$(94,039)	$-	$18,808	$(75,231)
Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	1,401,560	-	(122,014)	1,279,546
To be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) on debt instrument investments at fair value through other comprehensive income	42,055,838	(6,838,166)	(6,918,720)	28,298,952
Other comprehensive income from adoption of overlay approach	26,493,725	(8,448,293)	(987,246)	17,058,186
Total	$69,857,084	$(15,286,459)	$(8,009,172)	$46,561,453

	For the year ended 31 December 2018			
	Arising during the period	Reclassification adjustments during the period	Income tax benefit (expense)	Other comprehensive income, net of tax
Not to be reclassified to profit or loss in subsequent periods:				
Remeasurements on defined benefit plans	$(21,083)	$-	$4,089	$(16,994)
Property revaluation surplus	50,414	-	(7,999)	42,415
Unrealized valuation gains (losses) on equity instrument investments at fair value through other comprehensive income	(5,144,343)	-	1,025,878	(4,118,465)
To be reclassified to profit or loss in subsequent periods:				
Unrealized valuation gains (losses) on debt instrument investments at fair value through other comprehensive income	(16,863,576)	(4,887,090)	3,619,438	(18,131,228)
Other comprehensive income from adoption of overlay approach	(7,374,160)	(7,277,049)	1,447,267	(13,203,942)
Total	$(29,352,748)	$(12,164,139)	$6,088,673	$(35,428,214)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

22. Interest income

	For the years ended 31 December	
	2019	2018
Interest income		
Financial assets at fair value through other comprehensive income	$11,778,029	$9,657,774
Financial assets measured at amortized cost	41,323,357	36,007,287
Loans	1,769,113	1,763,842
Other	421,414	378,012
Total	$55,291,913	$47,806,915

23. Expected credit impairment losses and gains on reversal of investments and non-investments

	For the years ended 31 December	
	2019	2018
Operating revenue－expected credit losses and gains on reversal of investment		
Financial assets at fair value through other comprehensive income	$12,390	$8,920
Financial assets measured at amortized cost	16,326	16,858
Other receivables	318	287
Loans	(4,943)	(23,947)
Subtotal	24,091	2,118
Operating expenses－expected credit impairment losses and gains on reversal of non-investment		
Other receivable	(70)	7,191
Total	$24,021	$9,309

Please refer to Note IX for more detail on credit risk management.

The Company’s financial assets measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable are assessed to have low credit risk at 31 December 2019 and 2018. Therefore, the loss allowance is measured at an amount equal to 12-month expected credit losses (loss ratio of 0.00 % to 0.18 %).

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

The gross carrying amounts of the Company's debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable as of 31 December 2019 and 2018 are as follows:

	Measured at fair value through other comprehensive income	Measured at amortized cost	Other receivable
31 December 2019			
Gross carrying amount	$311,747,682	$1,017,837,593	$10,760,410
31 December 2018			
Gross carrying amount	$294,783,102	$956,524,783	$11,073,170

Note: The balance includes refundable deposits.

Movement of the loss allowances of debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost along with related other receivable for the years ended 31 December 2019 and 2018 are as follow:

	Measured at fair value through other comprehensive income	Measured at amortized cost	Other receivable
1 January 2019	$27,070	$86,642	$1,044
Financial instruments derecognized during the period	(9,134)	(9,419)	(212)
Financial instruments originated or acquired during the period	20,255	21,242	483
Changes in models/risk parameters	1,649	6,056	64
Foreign exchange and other movements	(380)	(1,553)	(17)
31 December 2019	$39,460	$102,968	$1,362

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	Measured at fair value through other comprehensive income	Measured at amortized cost	Other receivable
1 January 2018	$18,150	$69,784	$757
Financial instruments derecognized during the period	(3,857)	(2,333)	(68)
Financial instruments originated or acquired during the period	12,662	16,849	314
Changes in models/risk parameters	(198)	848	29
Foreign exchange and other movements	313	1,494	12
31 December 2018	$27,070	$86,642	1,044

For the years ended 31 December 2019 and 2018, the Company has increased the debt instrument investments measured at fair value through other comprehensive income and measured at amortized cost, thus raising the relating loss allowance measured at 12-month expected credit losses.

The gross carrying amounts of the Company's secured loans and related other receivable under credit risk rating as of 31 December 2019 and 2018 are as follows:

As at 31 December 2019:

Credit risk rating	Measurement method for expected credit losses	Secured loans	Other receivable
Low credit risk	12-month expected credit losses	$835,898	$847
Credit risk significantly increased	Lifetime expected credit losses	1,685	9
Credit-impaired	Lifetime expected credit losses	9,199	14
Gross carrying amount		$846,782	$870

As at 31 December 2018:

Credit risk rating	Measurement method for expected credit losses	Secured loans	Other receivable
Low credit risk	12-month expected credit losses	$1,150,280	$1,146
Credit risk significantly increased	Lifetime expected credit losses	5,074	26
Credit-impaired	Lifetime expected credit losses	16,250	66
Gross carrying amount		$1,171,604	$1,238

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Movement of the loss allowance of secured loans for the years ended 31 December 2019 and 2018 is summarized below:

	12-month expected credit losses	Lifetime expected credit losses-Collectively assessed	Lifetime expected credit losses-Individually assessed	Subtotal of impairment charged in accordance with IFRS 9	Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	Total
1 January 2019	$73	$342	$1,256	$1,671	$16,332	$18,003
Changes due to financial instruments recognized as at 1 January:						
Transfer to Lifetime expected credit losses	-	-	-	-	-	-
Transfer to 12-month expected credit losses	99	-	(99)	-	-	-
Financial assets derecognized during the period	(10)	-	(345)	(355)	-	(355)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	-	-	-	-	(4,381)	(4,381)
Foreign exchange and other movements	(109)	5	(103)	(207)	-	(207)
31 December 2019	$53	$347	$709	$1,109	$11,951	$13,060

China Life Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	12-month expected credit losses	Lifetime expected credit losses-Collectively assessed	Lifetime expected credit losses-Individually assessed	Subtotal of impairment charged in accordance with IFRS 9	Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	Total
1 January 2018	$1,012	$16,815	$351	$18,178	$23,772	$41,950
Changes due to financial instruments recognized as at 1 January:						
Transfer to Lifetime expected credit losses	(2)	-	2	-	-	-
Transfer to 12-month expected credit losses	33	-	(33)	-	-	-
Financial assets derecognized during the period	(185)	-	(37)	(222)	-	(222)
Difference from impairment charged in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises.	-	-	-	-	(7,440)	(7,440)
Foreign exchange and other movements	(785)	(16,473)	973	(16,285)	-	(16,285)
31 December 2018	$73	$342	$1,256	$1,671	$16,332	$18,003

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For account receivables arising from other transactions, the Company measures the loss allowance at an amount equal to lifetime expected credit losses. The movement of loss allowance of receivables for the years ended 31 December 2019 and 2018 is as follows:

	For the years ended 31 December	
	2019	2018
Beginning balance	$7,915	$724
Charge (reversal) for the current period	(70)	7,191
Write off	-	-
Ending balance	$7,845	$7,915

24. Retained earned premium

	For the year ended 31 December 2019		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$240,506,270	$21,345,021	$261,851,291
Reinsurance premium income	-	-	-
Premium income	240,506,270	21,345,021	261,851,291
Less:			
Premiums ceded to reinsurers	1,335,913	-	1,335,913
Changes in unearned premium reserve	431,255	22	431,277
Subtotal	1,767,168	22	1,767,190
Retained earned premium	$238,739,102	$21,344,999	$260,084,101

	For the year ended 31 December 2018		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct premium income	$267,575,613	$14,908,486	$282,483,099
Reinsurance premium income	-	-	-
Premium income	267,575,613	14,908,486	282,483,099
Less:			
Premiums ceded to reinsurers	1,230,840	-	1,230,840
Changes in unearned premium reserve	433,459	(6)	433,453
Subtotal	1,664,299	(6)	1,664,293
Retained earned premium	$265,910,314	$14,908,492	$280,818,806

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

25. Retained claim payments

	For the year ended 31 December 2019		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$85,994,958	$18,334,360	$104,329,318
Reinsurance claim payments	25	-	25
Insurance claim payments	85,994,983	18,334,360	104,329,343
Less:			
Claims recovered from reinsures	740,223	-	740,223
Retained claim payments	$85,254,760	$18,334,360	$103,589,120

	For the year ended 31 December 2018		
	Insurance contract	Investment contracts with discretionary participation feature	Total
Direct insurance claim payments	$74,139,017	$21,702,698	$95,841,715
Reinsurance claim payments	27	-	27
Insurance claim payments	74,139,044	21,702,698	95,841,742
Less:			
Claims recovered from reinsures	731,146	-	731,146
Retained claim payments	$73,407,898	$21,702,698	$95,110,596

26. Employee benefits, depreciation and amortization

(1) Summary statement of employee benefits, depreciation and amortization expenses breakdown:

	For the years ended 31 December					
	2019			2018		
	Operating costs	Operating expenses	Total amount	Operating costs	Operating expenses	Total amount
Employee benefits expense	$4,054,602	$3,505,366	$7,559,968	$3,775,024	$2,827,230	$6,602,254
Payroll expense	4,054,602	2,495,987	6,550,589	3,775,024	1,888,536	5,663,560
Labor and health insurance	-	440,285	440,285	-	414,152	414,152
Pension	-	242,474	242,474	-	236,366	236,366
Remuneration to directors	-	107,420	107,420	-	93,696	93,696
Other employee benefits expense	-	219,200	219,200	-	194,480	194,480
Depreciation	-	241,743	241,743	-	153,968	153,968
Amortization	-	117,736	117,736	-	99,108	99,108

Note1: Other employee benefits expenses consist of meals, group insurance, training and employee benefits, etc.

Note2: The number of employees for the year ended 31 December 2019 and 2018 were 5,748 and 5,558, respectively. The number of directors who do not serve concurrently as employees was 4 for both years.

Note3: The average employee benefits of 2019 and 2018 are $1,297 thousand and $1,172 thousand, respectively. The average employee salaries of 2019 and 2018 are $1,140 thousand and $1,020 thousand, increasing 12% in average.

(2) The information regarding employees' compensation and remuneration to directors within the Articles of Incorporation of the Company is as follows:

Where the Company makes profits, it shall allocate no less than 0.5 percent of the profits to be the remuneration of employees, and no more than 3 percent to be the remuneration of directors. But the Company shall reserve the amount of money to be used to cover its losses if it still has accumulated losses, and later it shall allocate the remuneration in proportion for employees and directors. The preceding remuneration of employees may be given in the form of share certificates or cash. The remuneration of directors shall only be given to non-independent directors.

For related information on employees' compensation and remuneration to directors approved by the Board of Directors meeting, please refer to the "Market Observation Post System" website of the Taiwan Stock Exchange Corporation.

Based on profit for the year ended 31 December 2019, the Company estimated the amounts of the employees' compensation to be $150,000 thousand, and remuneration to directors to be $98,000 thousand, recognized as operating expense ; based on profit for the year ended 31 December 2018, the Company estimated the amounts of the employees' compensation and remuneration to directors both to be $84,000 thousand, recognized as operating expense.

On 21 February 2019, the Board of Directors meeting resolved to distribute $84,000 thousand of both employees' compensation and remuneration to directors for the year ended 31 December 2018. No differences exist between the estimated amount and the actual amount for the year ended 31 December 2018.

27. Income taxes

Amendment of Income Tax Act has been promulgated by the President on 7 February 2018. In accordance with the newly amended Income Tax Act, business income tax rate shall be raised from 17% to 20% and additional surtax on undistributed retained earnings shall be declined from 10% to 5% beginning in 2018.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(1) The major components of income tax expense (benefit) are as follows:

Income tax expense recognized in profit or loss

	For the years ended 31 December	
	2019	2018
Current income tax expense (benefit):		
Current income tax payable	$1,403,249	$208,673
Adjustment from prior year income tax expense to current year	(27,947)	(108,606)
Deferred income tax expense (benefit):		
Deferred tax expense (benefit) relating to origination and reversal of temporary differences	(2,323,734)	3,685,911
Deferred tax expense (benefit) relating to origination and reversal of tax loss and tax credit	1,949,701	(3,470,101)
Deferred tax relating to the change of tax rate	-	(837,344)
Others	2,579	(53,281)
Total income tax expense (benefit)	$1,003,848	$(574,748)

Income tax expense recognized in other comprehensive income

	For the years ended 31 December	
	2019	2018
Deferred tax expense (benefit):		
Unrealized gains (losses) of equity instrument investments at fair value through other comprehensive income	$122,014	$(1,076,129)
Unrealized gains (losses) of debt instrument investments at fair value through other comprehensive income	6,918,720	(3,888,335)
Other comprehensive income from adoption of overlay approach	987,246	(1,415,601)
Deferred tax relating to the change of tax rate	-	412,302
Remeasurements on defined benefit plans	(18,808)	(4,217)
Unrealized property revaluation surplus	-	4,784
Deferred tax expense (benefit) relating to origination and reversal of tax loss	-	(121,477)
Income tax expense (benefit) relating to components of other comprehensive income	$8,009,172	$(6,088,673)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Income tax charged directly to equity

	For the years ended 31 December	
	2019	2018
Current income tax expense (benefit):		
Derecognition of equity instrument investments at fair value through other comprehensive income	$(131,545)	$-
Income tax of participating policy recognized directly in equity	-	(1,135)
Deferred tax expense (benefit):		
Unrealized gains (losses) of equity instrument investments at fair value through other comprehensive income	131,545	-
Deferred tax expense (benefit) relating to origination and reversal of tax loss	(136,619)	27,602
Income tax charged directly to equity	$(136,619)	$26,467

Reconciliation between tax expense and the product of accounting profit multiplied by applicable tax rates is as follows:

	For the years ended 31 December	
	2019	2018
Income from continuing operations before income tax	$14,601,726	$9,603,239
Tax at the domestic rates applicable to profits in the country concerned	2,920,345	1,920,648
Tax effect of revenues exempt from taxation	(3,218,649)	(2,908,655)
Tax effect of expenses not deductible for tax purposes	760	823
Deferred tax relating to the change of tax rate	-	(837,344)
Income tax impact of deferred income tax assets or liabilities	(34,421)	-
Amount due for minimum tax	1,197,666	-
Adjustments in respect of current income tax of prior periods	(27,947)	(108,606)
Tax effect of income exempt from taxation according to Income Tax Act	-	1,202,994
Unused foreign investment tax credit	205,583	208,673
Others	(39,489)	(53,281)
Total income tax expense (benefit) recognized in profit or loss	$1,003,848	$(574,748)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Deferred tax assets (liabilities) relate to the following:

For the year ended 31 December 2019

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Ending balance
Temporary differences					
Depreciation difference for tax purpose	$102,332	$3,384	$-	$-	$105,716
Revaluations of financial assets and liabilities at fair value through profit or loss	(132,756)	(1,534,400)	-	-	(1,667,156)
Profit or loss from adoption of overlay approach and revaluation of financial assets at fair value through other comprehensive income	3,658,605	2,469	(8,027,980)	(131,545)	(4,498,451)
Expected credit impairment losses of financial assets at amortized cost	15,505	3,344	-	-	18,849
Provisions	348	129	-	-	477
Net defined benefit liability	33,762	(4,060)	18,808	-	48,510
Compensated absences payable	14,327	2,745	-	-	17,072
Unrealized (gains) losses on foreign exchange	2,555,594	3,760,688	-	-	6,316,282
Land value increment tax	(7,194)	-	-	-	(7,194)
Fair value adjustment for investment property	(902,231)	18,997	-	-	(883,234)
Fair value adjustment for Property and equipment	5,190	1,180	-	-	6,370
Gain on bargain purchase	(300,116)	69,257	-	-	(230,859)
Unused tax losses	3,563,976	(1,949,701)	-	136,619	1,750,894
Deferred tax benefit (expense)		$374,032	$(8,009,172)	$5,074	
Net deferred tax assets (liabilities)	$8,607,342				$977,276
Reflected in balance sheet as follows:					
Deferred tax assets	$9,949,639				$8,264,170
Deferred tax liabilities	$(1,342,297)				$(7,286,894)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended 31 December 2018

	Beginning balance	Recognized in profit or loss	Recognized in other comprehensive income	Recognized directly in equity	Ending balance
Temporary differences					
Depreciation difference for tax purpose	$84,114	$18,218	$-	$-	$102,332
Revaluations of financial assets and liabilities at fair value through profit or loss	(637,754)	504,998	-	-	(132,756)
Profit or loss from adoption of overlay approach and revaluation of financial assets at fair value through other comprehensive income	(2,315,022)	2,521	5,971,106	-	3,658,605
Expected credit impairment losses of financial assets at amortized cost	10,400	5,105	-	-	15,505
Provisions	333	15	-	-	348
Net defined benefit liability	26,016	3,657	4,089	-	33,762
Compensated absences payable	10,435	3,892	-	-	14,327
Unrealized (gains) losses on foreign exchange	5,564,736	(3,009,142)	-	-	2,555,594
Land value increment tax	(8,005)	811	-	-	(7,194)
Fair value adjustment for investment property	(870,197)	(24,035)	(7,999)	-	(902,231)
Fair value adjustment for Property and equipment	3,409	1,781	-	-	5,190
Gain on bargain purchase	-	(300,116)	-	-	(300,116)
Unused tax losses	-	3,470,101	121,477	(27,602)	3,563,976
Deferred tax benefit (expense)		$677,806	$6,088,673	$(27,602)	
Net deferred tax assets (liabilities)	$1,868,465				$8,607,342
Reflected in balance sheet as follows:					
Deferred tax assets	$5,699,444				$9,949,639
Deferred tax liabilities	$(3,830,979)				$(1,342,297)

(3) The following table contains information of the unused tax losses of the Company:

		Unused tax losses		
Year	Tax losses for the period	2019.12.31	2018.12.31	Expiration year
2018	$17,991,986	$8,754,467	$17,819,880	2028

(4) Unrecognized deferred tax assets

As of 31 December 2019 and 2018, deferred tax assets that have not been recognized amount to both NT$0 thousand.

(5) The assessment of income tax returns

As of 31 December 2019, the income tax returns of the Company have been assessed and approved up to the year of 2017.

28. Earnings per share

Basic earnings per share amounts are calculated by dividing net income for the year by the weighted average number of shares outstanding during the year.

As the Company has not issued any potential common shares with dilutive effect, the Company would no need to adjust to basic earnings per share.

	For the years ended 31 December	
	2019	2018
Basic earnings per share		
Profit attributable to ordinary equity holders of the Company	$13,597,878	$10,177,987
Weighted average number of ordinary shares outstanding for basic earnings per share (in thousands)	4,247,829	4,013,582
Basic earnings per share (in dollars)	$3.20	$2.54

There have no other transactions involving ordinary shares or potential ordinary shares between that reporting date and the date of completion of the financial statements.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

29. Separate account insurance products

(1) Separate account products－assets and liabilities

Items	Assets	
	2019.12.31	2018.12.31
Cash in bank	$512,650	$387,402
Financial assets at fair value through profit or loss	77,315,680	63,050,586
Other receivables	93,788	63,677
Total	$77,922,118	$63,501,665

Items	Liabilities	
	2019.12.31	2018.12.31
Reserve for separate account	$77,833,832	$63,353,697
Other payables	88,286	147,968
Total	$77,922,118	$63,501,665

(2) Separate account products－revenues and expenses:

Items	Revenues	
	For the years ended 31 December	
	2019	2018
Premium income	$5,580,500	$6,268,728
Gains (losses) from financial assets and liabilities at fair value through profit or loss	5,084,666	(2,890,490)
Interest income	611	776
Other revenues	178,534	184,274
Foreign exchange gains (losses)	(271,188)	376,083
Total	$10,573,123	$3,939,371

Items	Expenses	
	For the years ended 31 December	
	2019	2018
Insurance claim payments	$4,926,607	$5,814,370
Net change in separate account reserve	3,711,539	(3,898,334)
Custodian fee	1,934,977	2,023,335
Total	$10,573,123	$3,939,371

(3) The rebate earned for engaging in investment-linked insurance business from counterparties for the years ended 31 December 2019 and 2018 were $462,966 thousand and $403,688 thousand respectively.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

30. Business Combination

The Company has set 18 May 2018 as the acquisition date to pay $1 as acquisition consideration and acquired assets and liabilities related to partial traditional policies from Allianz Taiwan Life.

The fair value of the identifiable assets and liabilities as at the date of acquisition were:

Assets	
Cash and cash equivalents	$49,856,478
Receivables	161,318
Loans	748,331
Subtotal	50,766,127
Liabilities	
Insurance liabilities	49,031,763
Payables	2,569
Other Liabilities	357
Subtotal	49,034,689
Identifiable net assets	$1,731,438

Gain on bargain purchase is as follows:	
Purchase consideration	$0.001
Less: identifiable net assets at fair value	(1,731,438)
Gain on bargain purchase (recognized in non-operating income and expenses)	$(1,731,438)

The fair value of loans and receivables amounts to $909,649 thousand. The Company expected that the cash flow to be collected is equivalent to the abovementioned amount.

If the combination had taken place at the beginning of the year, the operating revenue for the Company would have been $339,286,408 thousand and the income before income tax would have been $9,937,462 thousand.

VII. Information of insurance contracts

1. Objectives, policies, procedures and methods of insurance contracts risk management

(1) Framework of risk management, organization structure and responsibilities:

The board of directors should ensure the effectiveness of risk management and bear the ultimate responsibility for risk management, responsible for formulating the company's overall risk appetite and risk tolerance, review and approve the Company’s risk management objectives and strategies. “Risk Management Committee” is set under the board of directors. Various risk management report and related issues are first report to risk management committee and made the final approval by the board of directors. Besides the risk management committee, the Company set up an assets and liability management unit to strengthen the risk management organization and structure.

In addition, the Company establishes the risk management department independent to the business units, which is responsible for the implementation of various risk management measures and the fulfillment of each risk management system, including monitoring the daily risks, measuring and evaluating related issues, assisting the board to develop Company's risk appetite, executing the risk management policies approved by the board of directors. Moreover, the business units should be responsible for the risks identification, report the risk exposure, measure the impact of risks, review the various risks and limits regularly, and make sure that the internal control procedures of each unit are implemented effectively in accordance with related regulations and the Company's risk management policy.

(2) Risk management policies, procedures and methods:

According to risk management policies, the Company sets an effective mechanism to proceed identification, measurement, monitoring, reporting and response to risk, establishes clear objectives for risk management, controls approaches and attribution of responsibility to make sure that each operational risk is controlled under the tolerable range, making the largest surplus and profits for shareholders.

Pursuant to “China Life Insurance Company Limited Risk Management Policy”, approved by the board of directors, the Company follows the principle of centralized management and specialization, and assigns responsible department to manage various risks, including market, credit, operation, liquidity, underwriting, claim reserve, insurance product development and pricing, asset-liability management, reinsurance and catastrophe risk based on the sources of risk. In addition, the Company develops management guidelines for various types of risk, standardizes measurement and evaluation methods, and regularly issues risk reports to monitor the various risks.

(3) Risk management policies, procedures and methods related to reserves:

Reserve-related risks refer to risks that various reserves are unable to deal with future obligations due to understatement of liability for premium business. The Company sets and implements the appropriate risk management system for the insurance business reserves and related risks.

(4) Risk management policies, procedures and methods related to matching assets and liabilities:

Risks related to matching assets and liabilities indicate risks arising from inconsistent movement of assets and liabilities. The Company sets appropriate asset-liability management system based on the attributes and complexity of insurance liability risks. The system allows the Company to form, implement, monitor and correct related strategies within the tolerable range. The contents include the following items:

① Risk identification related to matching of assets and liabilities
② Risk measurement related to matching of assets and liabilities
③ Risk responses related to matching of assets and liabilities

2. Information of insurance risks

(1) Sensitivity of insurance risks－Insurance contracts and financial instruments with discretionary participation features:

Insurance companies set aside various reserves according to the legal requirements and regularly conduct adequacy test of liability to assess the adequacy of insurance liabilities of the company as a whole.

For the insurance contracts and financial instruments with discretionary participation features underwritten by the Company, the main risks include mortality, morbidity, surrender, expense and investment returns rate. When doing the liability adequacy test, various actuarial assumptions are made based on available information at assessment point for all insurance contracts and financial instruments with discretionary participation feature, to assess whether the insurance liability of the Company is adequate. If the test result indicates the insurance liability is not adequate, then set aside the insufficient amount as liability adequacy reserve according to the provision. The reserve will affect current profit and loss.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

As at 31 December 2019, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause the Company’s insurance liability inadequate.

(2) Interpretation for concentration of insurance risks

① The Company’s insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. The Company had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note VI.16 for concentration of risk before and after the reinsurance for the Company.

② Furthermore, according to “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises”, the annual increased special capital reserve, excluding taxes, for catastrophe and fluctuation of risks for abnormal changes in loss ratio and claims of each type of insurance needs to be recognized in special capital reserve under equity in accordance with IAS 12.

(3) Claim development trend

① Direct business loss development trend

Accident year	Development year												Reserve claims
	1	2	3	4	5	6	7	8	9	10	11	12	
2008	$2,170,100	$2,736,556	$2,776,542	$2,781,989	$2,786,399	$2,792,187	$2,798,032	$2,798,807	$2,799,546	$2,800,435	$2,802,449	$2,803,020	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,322	2,941,824		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,167	3,145,541			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,354,243	3,354,835				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748	3,056,337					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040	3,054,855						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753	4,317,090							
2015	3,530,488	4,420,482	4,498,438	4,510,113	4,516,573								
2016	3,721,820	4,648,280	4,743,133	4,757,525									
2017	4,320,234	5,400,952	5,537,543										
2018	4,775,948	5,950,536											
2019	5,257,484												$1,658,279

Note: This table does not include long term life insurance

Add：Long term insurance claims	440,383
Claim reserve for discount on no claim	126,685
Reserve for claims balance	$2,225,347

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

②Retained business loss development trend

Accident year	Development year												Reserve for claims
	1	2	3	4	5	6	7	8	9	10	11	12	
2008	$2,128,556	$2,682,784	$2,721,905	$2,719,002	$2,723,312	$2,728,970	$2,734,682	$2,735,440	$2,736,162	$2,737,031	$2,739,000	$2,739,557	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,640	2,874,167	2,874,728	2,875,219		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699	3,073,958	3,074,324			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,278,301	3,278,879				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586	2,987,140					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916	2,985,691						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313	4,219,348							
2015	3,468,881	4,336,525	4,407,051	4,408,435	4,414,314								
2016	3,657,093	4,560,257	4,647,033	4,649,868									
2017	4,244,930	5,298,470	5,424,716										
2018	4,692,869	5,837,265											
2019	5,165,606												$1,653,474

Note: This table does not include long term life insurance

Add：Long term insurance claims	431,433
Claim reserve for discount on no claim	126,685
Reserve for claims balance	$2,211,592

The Company recognizes claim reserve for reported claims (reported but not paid) and unreported claims (incurred but not reported). Due to uncertainty, estimation, and judgment involved in recognition, there is a high degree of complexity in claim reserves. Any changes of the estimation or judgment are treated as the changes of the accounting estimates and can be recognized as profit and loss in current year. The Company was not notified of some claims in time. Also, the expected payment for unreported claims involves major subjective judgment and estimation on the past experience. Thus, it is uncertain that the estimated claim reserve on the balance sheet date will be equal to the final settled amount of claim payments. The claim reserve recorded on the book is estimated based on the current available information. However, the final amount probably will differ from the original estimates because of the follow-up development of the claim events.

The charts above show the development trend of claim payments (not including cases whose payment and time will be confirmed within a year). The accident year is the actual year for the occurrence of the insurance claim events; the x-axis is the year of the development for the settlement cases. Each slash represents the cumulative amount of compensation for each accident event at the end of the year. The occurred claims include decided and undecided claims which represent the accumulated estimated dollar amounts need to be paid for each accident year as time passes. It is possible that the circumstances and trends affecting dollar amount of recognition for claim reserve in the current year will be different from those in the future. Thus, the expected future payment amount for the settlement cases cannot be determined by the charts above.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(4) Credit risk:

For insurance contracts undertaken by the Company, the credit risk comes from reinsurers who fail to fulfill their obligation of reinsurance contracts, causing the Company to be exposed to the risk of financial loss. If the Company disputes with the reinsurers, then it may lead to impairment of reinsurance assets. In addition, the account receivables of insurance brokers and agents also have credit risk.

The Company's highest risk exposure for the reinsurance contracts are the carrying amount of reinsurance assets. In order to manage that risk and avoid credit losses, the Company decides to deal with reinsurance companies that have good credits. The Company sets related selection standard, makes regular assessment and monitors the reinsurers' financial business condition, credit status and rating. Also, it will adjust the business scope and scale based on the circumstances to prevent from over concentration of credit risk.

(5) Liquidity risk:

As at 31 December 2019 and 2018, the maturity analysis of liquidity risk for insurance contract liabilities are as follows:

31 December 2019	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$(34,198,799)	$55,226,404	$143,257,385	$623,765,357	$3,612,295,531
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

31 December 2018	Within 1 year	1 to 3 years	3 to 5 years	5 to 15 years	Over 15 years
Insurance liabilities of investment contracts with discretionary participation features	$(33,630,030)	$39,944,163	$129,971,782	$558,939,147	$3,349,786,380
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

Note:

1. This table estimates net cash flow of all related insurance liabilities at it starting point.
2. The actual maturity date will change according to the exercise of termination right by the policyholders.
3. The table cannot match with the liabilities of balance sheet because the above contracts use the undiscounted contractual cash flow analysis. In addition, it includes the cash inflows of future renewal premiums.
4. In addition to the analysis of the above table, the Company uses both the estimated of the expected less and more than 12 months to analyze assets and liabilities. Please refer to Note X.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(6) Market risk:

Pursuant to the "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", when the Company measures insurance liabilities, it sets aside the reserve by using the discount rate required by the authorities. Since the discount rate assumption does not move in the same direction with the interest rate, changes in market risks have no significant influence on the Company's profit or loss and equity for insurance contracts. However, changes in market risks may have influence on liability adequacy test evaluated based on available information. But, it has little influence on the adequacy of current recognized insurance liabilities.

VIII. Financial instruments

1. Categories of financial instruments

Financial assets

	2019.12.31	2018.12.31
Financial assets at fair value through profit or loss:		
Mandatorily measured at fair value through profit and loss	$312,985,212	215,549,254
Financial assets at fair value through other comprehensive income	382,691,543	323,006,735
Financial assets measured at amortized cost:		
Cash and cash equivalents (exclude cash on hand and revolving funds)	85,926,018	42,945,172
Financial assets measured at amortized cost	1,011,036,234	950,482,240
Receivables	26,826,102	17,549,054
Loans	34,033,871	33,379,965
Refundable deposits	6,828,951	6,643,887
Subtotal	1,164,651,176	1,051,000,318
Total	$1,860,327,931	$1,589,556,307

Financial liabilities

	2019.12.31	2018.12.31
Financial liabilities at fair value through profit or loss:		
Held for trading	$1,426,070	$2,469,127
Financial liabilities measured at amortized cost:		
Payables	19,417,296	10,727,086
Lease liabilities	2,206,846	(Note)
Guarantee deposits received	5,628,413	299,294
Subtotal	27,252,555	11,026,380
Total	$28,678,625	$13,495,507

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

2. Fair value of financial instruments

(1) 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 methods and assumptions used by the Company to measure and disclose fair value of the financial assets and liabilities are as follows:

① Fair value of cash and cash equivalents, receivables and payables are approximately equal to the carrying amount due to their short maturity.

② For financial assets and liabilities traded in an active market with standard terms and conditions, their fair value are determined based on market quotation price. (Including listed stocks and beneficiary certificates, etc.)

③ Fair value of financial instruments with no active market is estimated based on the valuation methods. The estimates and assumptions used are consistent with those made by market participants during the pricing of financial instruments.

④ The assessment bases for forward exchange are exchange rates on the Reuters, the NT and the CNH as the closing price, and the purchase price of the other currency. Fair value of each forward exchange contract is calculated based on the exchange rate on each maturity date. Fair value of interest rate swap is the quoted price provided by traded parties.

⑤ Fair value of other financial assets and liabilities are determined based on discounted cash flow analysis. The interest rates and discount rates assumptions mainly refer to related information of similar instruments and yield curve for the duration, etc.

⑥ The adjustments of credit risk valuation for the derivative instrument contracts traded over-the-counter are classified as Credit value adjustments (CVA) and Debit value adjustments (DVA), to reflect the probability of default of the counterparty (CVA) and the Company (DVA).

Under the assumption that the Company will not default, the Company determines its credit value adjustment (CVA) by multiplying three factors, probability of default (PD), loss given default (LGD), and exposure at default (EAD) of the counterparty. On the other hand, under the assumption that the counterparty will not default, the Company calculates its debit value adjustment by multiplying three factors, probability of default, loss given default, and exposure at default of the Company. The Company estimates probability of default through internal rating, estimates loss given default at 60% by considering suggestions by scholars and foreign financial institutions, and estimates exposure at default through market approach for derivative instruments, to reflect credit risk of the counterparty and the credit quality of the Company.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Fair value of financial instruments measured at amortized cost

Other than cash and cash equivalents, receivables, loans, payables and guarantee deposits received whose carrying amount approximates their fair value, the fair value of financial assets and financial liabilities measured at amortized cost is as follows:

	Carrying amount	
	2019.12.31	2018.12.31
Financial assets		
Financial assets measured at amortized cost	$1,011,036,234	$950,482,240
Refundable deposits - Bonds	6,698,391	5,955,901

	Fair value	
	2019.12.31	2018.12.31
Financial assets		
Financial assets measured at amortized cost	$1,065,016,646	$933,628,822
Refundable deposits - Bonds	8,005,556	6,790,767

3. Fair value measurement hierarchy

(1) Fair value measurement hierarchy

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole. Level 1, 2 and 3 inputs are described as follows:

Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly or indirectly.

Level 3 – Unobservable inputs for assets or liabilities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization at the end of each reporting period.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Fair value measurement hierarchy of the Company's assets and liabilities

The Company does not have assets that are measured at fair value on a non-recurring basis. Fair value hierarchy of the Company's assets and liabilities measured at fair value on a recurring basis is as follows:

	2019.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	$117,032,939	$116,849,773	$-	$183,166
Bonds	52,314,723	20,535,466	31,779,257	-
Swaps and forward foreign exchange contracts	9,761,846	-	9,761,846	-
Others	133,875,704	129,374,893	-	4,500,811
Financial assets at fair value through other comprehensive income				
Stocks	39,120,148	22,186,720	9,592	16,923,836
Bonds	343,571,395	239,861,772	103,709,623	-
Refundable deposits				
Bonds	9,804	-	9,804	-
Investment property	20,615,842	-	-	20,615,842
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	1,426,070	-	1,426,070	-

	2018.12.31			
	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value:				
Financial assets at fair value through profit or loss				
Stocks	$101,827,197	$101,694,025	$-	$133,172
Bonds	66,068,001	20,526,035	45,350,023	191,943
Swaps and forward foreign exchange contracts	3,132,902	-	3,132,902	-
Others	44,521,154	42,845,185	-	1,675,969
Financial assets at fair value through other comprehensive income				
Stocks	31,605,259	20,892,723	12,316	10,700,220
Bonds	291,401,476	184,144,717	107,256,759	-
Refundable deposits				
Bonds	9,861	-	9,861	-
Investment property	20,623,244	-	-	20,623,244
Liabilities measured at fair value:				
Financial liabilities at fair value through profit and loss				
Swaps and forward foreign exchange contracts	2,469,127	-	2,469,127	-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

A. Transfers between Level 1 and Level 2 during the period

During the year ended 31 December 2019, the Company's debt instruments measured at fair value through other comprehensive income, amounted to $2,375,436 thousand, transferred from Level 2 to Level 1 because the Company can access quoted market prices. Debt instruments measured at fair value through other comprehensive income amounted to $8,223,225 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

During the year ended 31 December 2018, the Company's bonds of available-for-sale financial assets measured on a recurring basis, amounted to $10,483,913 thousand, transferred from Level 2 to Level 1 because the Company can access quoted market prices. Debt instruments measured at fair value through other comprehensive income amounted to $3,004,723 thousand, transferred from Level 1 to Level 2 because the Company can't access quoted market prices.

B. Reconciliation for Level 3 of the fair value hierarchy

Reconciliation for recurring fair value measurements categorized within Level 3 of the fair value hierarchy for movements during the period is as follows:

For the year ended 31 December 2019:

		Total gains and losses recognized					
	Beginning balance	Recognized in profit or loss (Note 1)	Recognized in OCI (Note 2)	Acquisition or issue	Disposal , settlement or forced conversion	Transfer in (out) of Level 3 (Note 3)	Ending balance
Assets							
Financial assets at fair value through profit or loss							
Stock	$133,172	$-	$(12,395)	$62,471	$(82)	$-	$183,166
Others	1,675,969	(405)	(89,458)	3,082,095	(167,390)	-	4,500,811
Convertible bonds	191,943	(35,753)	-	-	(156,190)	-	-
Financial assets at fair value through other comprehensive income							
Stock	10,700,220	-	962,973	5,333,500	(72,857)	-	16,923,836
Investment property	20,623,244	1,252	-	-	(8,654)	-	20,615,842

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

For the year ended 31 December 2018:

	Beginning balance	Total gains and losses recognized: Recognized in profit or loss (Note 1)	Total gains and losses recognized: Recognized in OCI (Note 2)	Acquisition or issue	Disposal or settlement	Transfer in (out) of Level 3 (Note 3)	Ending balance
Assets							
Financial assets at fair value through profit or loss							
Stock	$95,561	$-	$7,047	$48,028	$(17,464)	$-	$133,172
Others	1,199,719	(595)	44,654	482,861	(50,670)	-	1,675,969
Convertible bonds	244,566	(52,623)	-	-	-	-	191,943
Financial assets at fair value through other comprehensive income							
Stock	16,399,191	-	(5,716,414)	68,400	(50,957)	-	10,700,220
Investment property	20,629,278	(55,555)	50,414	-	(37,340)	36,447	20,623,244

Note1: presented in “Gains (losses) on financial assets and liabilities at fair value through profit or loss/ Gains (losses) from adoption of overlay approach/ Gains (losses) on investment property” in the comprehensive income statement.

Note2: presented in “Gains (losses) from adoption of overlay approach/ Gains (losses) on equity instruments at fair value through other comprehensive income/ property revaluation surplus” in the comprehensive income statement.

Note3: The amount of investment property is related to transfer between property and equipment, no transfer in (out) for fair value level.

Total gains (losses) recognized in profit or loss above contains gains (losses) related to assets on hand as of 31 December 2019 and 2018 is as follows:

	For the years ended 31 December: 2019	For the years ended 31 December: 2018
Total gains and losses		
Recognized in profit or loss	$(37)	$(110,570)
Recognized in other comprehensive income	861,120	(5,594,578)

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

C. Information on significant unobservable inputs to valuation

Description of significant unobservable inputs to valuation of recurring fair value measurements categorized within Level 3 of the fair value hierarchy is as follows:

2019.12.31

Item	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets at fair value through profit or loss	Asset approach	Discount for liquidity and minor interests	0~10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10~30%	The higher the discount for liquidity, the lower the estimated fair value
		Control premium	0~10%	The higher the control premium, the higher the estimated fair value
	Income approach	Cost of capital	6.10%	The higher the cost of capital, the lower the estimated fair value
		Discount for liquidity	0~10%	The higher the discount for liquidity, the lower the estimated fair value
	Asset approach	Discount for liquidity and minor interests	0~30%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Investment property			Please refer to Note VI. 7	

2018.12.31

Item	Valuation techniques	Significant unobservable inputs	Quantification Information	Relationship between inputs and fair value
Financial assets at fair value through profit or loss	Option	Volatility in stock price for the three-month period	35.139%	The higher the volatility in stock price for the three-month period, the higher the estimated fair value
	Asset approach	Discount for liquidity and minor interests	0~10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10~30%	The higher the discount for liquidity, the lower the estimated fair value
		Control premium	0~10%	The higher the control premium, the higher the estimated fair value
	Income approach	Cost of capital	6.18%	The higher the cost of capital, the lower the estimated fair value
		Discount for liquidity	0~10%	The higher the discount for liquidity, the lower the estimated fair value
	Asset approach	Discount for liquidity and minor interests	0~10%	The higher the discount for liquidity and minor interests, the lower the estimated fair value
Investment property			Please refer to Note VI. 7	

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

D. Valuation process used for fair value measurements categorized within Level 3 of the fair value hierarchy

The Company is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions and the sources are independent, reliable, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. The Company analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to the Company's accounting policies at each reporting date. Also, assessment of fair value for investment property are outsourced to appraisers from professional agencies every half year and they evaluates the effectiveness of fair value on the balance sheet date quarterly and decides whether to re-issue reports or issue review report. The Company's real estate department will review the legality, the rationality and correctness of valuation parameters important to results from external reports case-by-case.

(3) Fair value hierarchy of assets and liabilities not measured at fair value but for which the fair value is disclosed.

	2019.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	$220,497,245	$844,519,401	$-	$1,065,016,646
Refundable deposits				
Bonds	-	8,005,556	-	8,005,556

	2018.12.31			
	Level 1	Level 2	Level 3	Total
Financial assets not measured at fair value but for which the fair value is disclosed:				
Financial assets at measured amortized cost				
Bonds	$155,654,720	$777,974,102	$-	$933,628,822
Refundable deposits				
Bonds	-	6,790,767	-	6,790,767

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. Offsetting financial assets and financial liabilities

The Company holds financial instruments in accordance with paragraph 42 of IAS 32 recognized by the FSC and the related assets and liabilities are offset on the balance sheet.

The Company may perform transactions not meeting the requirements of offsetting, but has enforceable master netting arrangement or other similar agreements with the counterparties. When both parties agree to settle in net amount, financial assets and financial liabilities could be offset and settled in net amount, and if not, in total amount. However, if any party in the transaction defaults, the other party can choose net settlement.

Related information about above offsetting financial assets and financial liabilities are as follows:

	2019.12.31					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
				Relevant amount that has not been offset on balance sheet (d)		
	Gross amount 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)	Financial instruments	Cash collateral received	Net amount (e)= (c)- (d)
Derivative financial instrument	$9,761,846	$-	$9,761,846	$1,363,504	$5,495,549	$2,902,793

	2019.12.31					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
				Relevant amount that has not been offset on balance sheet (d)		
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities recognized on balance sheet (c)= (a)- (b)	Financial instruments	Cash collateral pledged	Net amount (e)= (c)- (d)
Derivative financial instrument	$1,426,070	$-	$1,426,070	$1,363,504	$-	$62,566

	2018.12.31					
	Financial assets ruled by offsetting, enforceable master netting arrangement or similar agreement					
				Relevant amount that has not been offset on balance sheet (d)		Net amount (e)= (c)- (d)
	Gross amount 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)	Financial instruments	Cash collateral received	
Derivative financial instrument	$3,132,902	$-	$3,132,902	$1,543,353	$83,901	$1,505,648

	2018.12.31					
	Financial liabilities ruled by offsetting, enforceable master netting arrangement or similar agreement					
	Gross amount of recognized financial liabilities (a)	Gross amount of offset financial assets recognized on balance sheet (b)	Net financial liabilities 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 pledged	
Derivative financial instrument	$2,469,127	$-	$2,469,127	$1,543,353	$503,714	$422,060

IX. Financial risk management

The Company's financial risk management objectives are primarily managing risks arising from holding financial assets. According to the Company's risk management policies, the main financial risks is market risk, credit risk and liquidity risk. The Company has established guidelines related to the management of the financial risk. The following is the definition, source, management procedures of the risk and methods used to measure the risk:

1. Credit risk analysis

(1) Credit risk is the risk that an issuer or a counterparty will not meet its obligations under a contract, leading to a financial loss. The Company is exposed to credit risk from operating activities and financing activities (primarily loans, financial instrument investments and receivables.

Credit risk is managed by each business unit subject to the Company’s established policy, procedures and control relating to credit risk management. Credit limits are established for all issuers or counter parties based on their financial position, rating from credit rating agencies, historical experience, prevailing economic condition and the Company’s internal rating criteria, etc. To lower certain issuers’ or counter parties’ credit risk, credit enhancing instruments will be taken at the appropriate time.

For financial instrument investments, low credit risk is the premise of initial purchase, and at each reporting date, the Company shall assess if the financial instrument investments still qualify for conditions of low credit risk in order to determine the measurement method for allowance for losses. The Company disposes investments at the appropriate time (e.g., when credit risk significantly increases) to lower credit loss. In addition, the Company has built a credit risk model to assess the maximum possible loss on credit positions resulting from changes of credit rating or default. Moreover, based on issuer’s region, industry and credit ratings within portfolios, the Company evaluates credit risk and concentration risk, respectively.

The Company determines risk-influencing factors based on 5P Principles for loans, and according to the extent of influence, each P is given different weight to calculate each borrower‘s credit rating. Credit rating evaluates the reasonableness of loan purpose, the region of collateral, loan-to-value, the customer’s credit report, the interest-paying history records, financial conditions and debt-paying ability, etc. and the Company approves the credit rating through multiple layers to control loan risk. Once delay of payment occurs, the Company will actively collect as stated in procedure manual to avoid financial loss.

The Company evaluates expected credit loss in accordance with IFRS 9. Except for those receivables whose allowance for loss is measured at lifetime expected credit loss, the Company shall assess whether the credit risk has increased significantly since initial recognition at each reporting date for other debt instrument investments not measured at fair value through profit or loss whose premise of initial purchase is low credit risk and grouped under different classes of credit risk in order to determine the measurement method of allowance for loss and its loss rate. The primary consideration to determine whether the credit risk increases significantly includes objective evidence such as external credit rating and its change of class interval, overdue situations, occurrence of major financial difficulties or company liquidation or reorganization, etc. Besides, the measurement of expected credit losses is to multiply the future 12-month and the lifetime Probability of default (PD), and Loss given default (LGD) and Exposure at default (EAD). The Company also considers the effect of the time value of money to calculate 12-month expected credit losses and the lifetime expected credit losses respectively.

Default rate is the rate that a default occurs on issuers or counter parties. Loss given default is the loss rate resulted from the default of issuers or counter parties. The Company used the default rate and loss given default published by external credit assessment institutions, and calculated based on adjustments of forward-looking macroeconomics factors.

Exposure at default is measured at the amortized cost of financial assets with accrued interests and receivables. For loans, exposure at default is the total of debtor’s outstanding balance at the time of calculation, interest and accrued expense.

Allowance for losses for certain receivables is recognized at lifetime expected credit losses. Past default records and prevailing information are taken into consideration for lifetime expected credit losses. The expected credit loss rate is calculated based on the overdue days of receivables.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(2) Financial assets credit risk concentration analysis

A. The largest credit risk exposure of the financial debt instrument investments held by the Company or deposit in the bank is listed in accordance with the regional distribution as follows:

Date: 31 December 2019

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$59,222,242	$18,687,554	$8,016,222	$-	$-	$85,926,018
Financial assets at fair value through profit or loss	25,533,331	8,950,753	16,606,529	1,224,110	-	52,314,723
Financial assets at fair value through other comprehensive income	74,743,643	110,640,035	77,612,643	80,575,074	-	343,571,395
Financial assets measured at amortized cost	133,360,531	238,509,983	248,102,345	372,806,878	18,256,497	1,011,036,234
Refundable deposits－Bonds	6,708,195	-	-	-	-	6,708,195
Total	$299,567,942	$376,788,325	$350,337,739	$454,606,062	$18,256,497	$1,499,556,565
Proportion	19.98%	25.13%	23.36%	30.31%	1.22%	100.00%

Date: 31 December 2018

Financial assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	$38,287,834	$1,919,154	$2,738,184	$-	$-	$42,945,172
Financial assets at fair value through profit or loss	22,768,189	8,226,879	31,346,707	3,726,226	-	66,068,001
Financial assets at fair value through other comprehensive income	95,588,537	76,002,454	57,546,223	62,264,262	-	291,401,476
Financial assets measured at amortized cost	134,174,771	218,562,631	212,259,896	367,500,420	17,984,522	950,482,240
Refundable deposits－Bonds	5,965,762	-	-	-	-	5,965,762
Total	$296,785,093	$304,711,118	$303,891,010	$433,490,908	$17,984,522	$1,356,862,651
Proportion	21.87%	22.46%	22.40%	31.95%	1.32%	100.00%

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Regional distribution of credit risk exposure for secured loans and overdue receivables is as follows:

Date: 31 December 2019

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$414,446	$211,086	$208,190	$833,722
Overdue receivables	-	-	-	-
Total	$414,446	$211,086	$208,190	$833,722
Proportion	49.71%	25.32%	24.97%	100.00%

Date: 31 December 2018

Location	Northern areas: Taipei and eastern counties	Central area: Taichung to Changhua and Nantou	Southern area: Counties below Tainan	Total
Secured loans	$553,282	$289,001	$308,836	$1,151,119
Overdue receivables	-	2,032	450	2,482
Total	$553,282	$291,033	$309,286	1,153,601
Proportion	47.96%	25.23%	26.81%	100.00%

(3) Financial asset credit quality and overdue impairment analysis

The Company's internal credit risk is classified into investment grade and non-investment grade mainly based on rating of the credit rating agencies:

a. Investment grade means credit rating reaches at least BBB-granted by a credit rating agency.
b. Non-investment grade means no credit rating or credit rating lower than BBB- granted by a credit rating agency.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Credit quality by classification is listed as follows:

Date: 31 December 2019

Financial assets	Investment grade	Non-investment grade
Cash and cash equivalents	$85,926,018	$-
Financial assets at fair value through profit or loss	52,314,723	-
Financial assets at fair value through other comprehensive income	336,578,279	6,993,116
Financial assets measured at amortized cost	1,011,036,234	-
Refundable deposits	6,708,195	-
Total	$1,492,563,449	$6,993,116
Proportion	99.53%	0.47%

Date: 31 December 2018

Financial assets	Investment grade	Non-investment grade
Cash and cash equivalents	$42,945,172	$-
Financial assets at fair value through profit or loss	66,068,001	-
Financial assets at fair value through other comprehensive income	291,401,476	-
Financial assets measured at amortized cost	950,482,240	-
Refundable deposits	5,965,762	-
Total	$1,356,862,651	$-
Proportion	100.00%	-

2. Liquidity risk analysis

(1) Liquidity risks are classified to “funding liquidity risk” and “market liquidity risk.” “Funding liquidity risk” represents that the Company is not able to obtain sufficient funds at a reasonable funding cost to meet the demands within reasonable time. “Market liquidity risk” represents the risk that the Company sells at loss to meet the demand for cash.

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 with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how the Company in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

The Company regularly monitors market liquidity and formulates plans to use the funds depending on market conditions and funding demand arrangements for liquidity assets portfolio. To deal with possible liquidity risk early, the company reports duration of assets and liabilities quarterly, creates cash flow model and reviews cash flow status regularly.

(2) Financial assets held for managing liquidity risk and maturity analysis of non-derivative financial liabilities

A. Financial assets held for managing liquidity risk

The Company holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial assets at amortized cost.

B. Maturity analysis of non-derivative financial liabilities

The analysis of cash outflows to the Company is listed below and based on the residual term from the date of balance sheet to the maturity. The disclosed amount is in accordance with cash flows on contracts, so the partial disclosed items are not the same as related items in the balance sheet.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

Non-derivative financial instruments

	In 1 year	1 to 5 years	Over 5 years	Total
2019.12.31				
Payables	$19,381,881	$35,415	$-	$19,417,296
Lease liabilities(Note)	165,162	370,132	4,835,373	5,370,667
2018.12.31				
Payables	$10,698,549	$28,537	$-	$10,727,086

Note: The Company adopted IFRS 16 since 1 January 2019. The Company elected not to restate prior periods in accordance with the transition provision in IFRS 16.

C. Maturity analysis of derivative financial liabilities

The Company operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward).

The Company has enough operating capital, including cash and cash equivalents, and highly liquid securities, such as government bonds to pay the investment and liabilities at maturity. Therefore, the risk of liquidity is extremely low. The Company enters into forward contracts and swap contracts derivative financial instruments, whose currencies are highly liquid, so the possibility of selling out and the risk of market liquidity are low. The forward contracts and swap contracts will be operated continually and the capital is enough to pay for settlement, so the risk of capital liquidity is low.

Maturity structure of derivative financial liabilities is as follows:

	2019.12.31				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$1,357,762	$43,560	$24,748	$-	$1,426,070

	2018.12.31				
	In 90 days	91-180 days	181 days -1 year	Over 1 year	Total
Financial liabilities at fair value through profit or loss	$1,782,682	$-	$686,445	$-	$2,469,127

3. Market risk analysis

(1) Market risk refers to financial assets and liabilities due to market risk factors volatility, making the change of the value to cause the risk of loss.

The Company has built Value at Risk (VaR) model. All financial assets involve market risks regularly monitor by risk management system and calculate the VaR. Risk control indices are notional amount and VaR. It will issue risk management reports and execute routine control and process when over limit. We also report VaR, the use of risk limits and the results of backtesting regularly to the board of directors or risk management committee.

(2) Exchange rate risk

The Company continues to exercise swaps and forward exchange derivative transactions to hedge the value change risk of holding foreign currencies because of changes in exchange rates in accordance with relevant laws and internal control requirements to use the internal mechanism to effectively control this risk.

The Company's exchange rate risk is primarily related to operating activities (the currencies the income or expense used are not the same as the functional currency of the Company).

Some of the Company's accounts receivable and accounts payable are denoted in the same foreign currency. Under such circumstances, the similar positions will naturally generate the hedging effect. Some foreign currency positions use forward exchange contracts to manage foreign exchange risk. As the foregoing natural hedge and foreign exchange forward do not meet the requirements of hedge accounting in terms of managing exchange rate risk, hedge accounting is not adopted.

(3) Interest rate risk

Interest rate risk refers to the risk resulting from changes in market interest rates which causes fluctuations in the fair value of financial instruments. The Company manages interest rate risk by combinations of fixed and floating interest rate products. Because they do not meet the requirements for hedge accounting, hedge accounting is not adopted.

(4) Equity price risk

The Company holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC-traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. The Company diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of the Company. The board of directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

(5) Value at Risk

Value at Risk is the maximum loss on the portfolio with a given probability defined as the confidence level, over a given period of time. The Company uses 99% VaR to measure the market risk over the next ten days.

VaR model must be able to reasonably and appropriately measure the maximum potential risk of financial instruments and investment portfolio. VaR model used to manage risk must perform model validation and backtesting to show that the model can reasonably and effectively measure the maximum potential risks of the financial instruments or investment portfolio.

(6) Stress testing

The Company measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to VaR model. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

The Company performs stress testing regularly by using “Simple Sensitivity” and “Scenario Analysis” methods. The test is capable of representing the position loss resulted from the movement of a specific risk factor under different kinds of historical scenarios:

A. Simple Sensitivity

Simple Sensitivity measures the dollar amount change for the portfolio value from the movement of specific risk factors.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

B. Scenario Analysis

Scenario Analysis measures the dollar amount changes for the total value of investment positions if stress scenarios occur. The types of scenario include:

a. Historical scenario:

Adding fluctuating risk factors to a specific historical event, the Company simulates what the dollar amount of losses for the current investment portfolio would be in the same period of time.

b. Hypothetical scenario:

The Company makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors.

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

Summarization of Simple Sensitivity

Date: 31 December 2019

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	$-	$1,669,270
Interest rate risk (Yield curve)	+1BP	-	(583,242)
Exchange risk (Foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(2,118,730)	(632,610)

Date: 31 December 2018

Risk Factors	Changes (+/-)	Changes in income	Changes in equity
Equity risk (Stock index)	+1%	$1,594	$1,249,417
Interest rate risk (Yield curve)	+1BP	-	(431,567)
Exchange risk (Foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,596,326)	(389,592)

China Life Insurance Co., Ltd.
Notes to financial statements (Continued)
(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

X. Assets and liabilities are classified based on expected recovery or settlement within 12 months after the reporting date and more than 12 months after the reporting date:

	2019.12.31		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$85,927,723	$-	$85,927,723
Receivables	26,826,102	-	26,826,102
Current tax assets	526,131	-	526,131
Financial assets at fair value through profit or loss	255,986,513	56,998,699	312,985,212
Financial assets at fair value through other comprehensive income	49,328	382,642,215	382,691,543
Financial assets measured at amortized cost	6,711,102	1,004,325,132	1,011,036,234
Investment property	-	23,136,905	23,136,905
Loans	9,438	34,024,433	34,033,871
Reinsurance assets	533,134	-	533,134
Property and equipment	-	14,113,541	14,113,541
Right of use assets	-	15,174,273	15,174,273
Intangible assets	-	190,409	190,409
Deferred tax assets	6,333,602	1,930,568	8,264,170
Other assets	42,379	6,834,175	6,876,554
Separate account product assets			77,922,118
Total assets	$382,945,452	$1,539,370,350	$2,000,237,920
Liabilities			
Payables	$19,381,881	$35,415	$19,417,296
Current tax liabilities	714,434	-	714,434
Financial liabilities at fair value through profit or loss	1,426,070	-	1,426,070
Lease liabilities	85,932	2,120,914	2,206,846
Insurance liabilities	37,603,715	1,700,656,500	1,738,260,215
Foreign exchange valuation reserve	-	2,367,039	2,367,039
Provision	-	209,328	209,328
Deferred tax liabilities	963,858	6,323,036	7,286,894
Other liabilities	6,359,657	1,398,462	7,758,119
Separate account product liabilities			77,922,118
Total liabilities	$66,535,547	$1,713,110,694	$1,857,568,359

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

	2018.12.31		
Item	Recovery or settlement within 12 months	Recovery or settlement more than 12 months	Total
Assets			
Cash and cash equivalents	$42,947,426	$-	$42,947,426
Receivables	17,549,054	-	17,549,054
Current tax assets	499,407	-	499,407
Financial assets at fair value through profit or loss	143,939,765	71,609,489	215,549,254
Financial assets at fair value through other comprehensive income	1,303,126	321,703,609	323,006,735
Financial assets measured at amortized cost	9,510,539	940,971,701	950,482,240
Investment property	-	23,143,854	23,143,854
Loans	6,889	33,373,076	33,379,965
Reinsurance assets	534,353	-	534,353
Property and equipment	-	10,722,338	10,722,338
Intangible assets	-	230,128	230,128
Deferred tax assets	2,590,358	7,359,281	9,949,639
Other assets	13,804,171	6,055,107	19,859,278
Separate account product assets			63,501,665
Total assets	$232,685,098	$1,415,168,573	$1,711,355,336
Liabilities			
Payables	$10,698,549	$28,537	$10,727,086
Financial liabilities at fair value through profit or loss	2,469,127	-	2,469,127
Insurance liabilities	34,999,974	1,517,528,222	1,552,528,196
Foreign exchange valuation reserve	-	3,169,331	3,169,331
Provision	-	134,940	134,940
Deferred tax liabilities	192,778	1,149,519	1,342,397
Other liabilities	1,822,299	2,566,011	4,388,310
Separate account product liabilities			63,501,665
Total liabilities	$50,182,727	$1,524,576,560	$1,638,260,952

XI. Capital management

The Company's main objective of capital management is to make sure the risk-based capital (RBC) ratio calculated in accordance with "Regulations Governing Capital Adequacy of Insurance Companies" meets the ratio provided by the Insurance Act, to maintain a sound capital structure to protect rights and interests of customers and shareholders.

The Company implements capital management mainly by monitoring the results of RBC report to ensure its solvency.

XII. Related party transaction

Information of the related parties that had transactions with the company during the financial reporting period is as follows:

1. Name and nature of relationship of the related parties

Name of the related parties	Nature of relationship of the related parties
China Development Financial Holding Corp. (CDF)	Parent company/Juristic-person director of the Company (Parent company)
Tai li Investment Co., Ltd.	Juristic-person director of the Company (Other related party)
Hong Fu Ltd.	Juristic-person director of the Company (Other related party)
CDIB Capital Group	Brother company (Other related party)
KGI Securities Co., Ltd.	Brother company (Other related party)
China Development Asset Management Corp.	Brother company (Other related party)
KGI Bank	Brother company (Other related party)
CDIB Capital Management Inc.	Equity method investee of subsidiary of parent company (Other related party)
CDIB & Partners Investment Holding Corporation	Equity method investee of subsidiary of parent company (Other related party)
CDIB Innovation Advisors Corporation Limited	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital Growth Partners L.P.	Equity method investee of subsidiary of parent company (Other related party)
CDIB Management Consulting Corporation	Equity method investee of subsidiary of parent company (Other related party)
CDIB CME Fund Ltd.	Equity method investee of subsidiary of parent company (Other related party)
KGI Venture Capital Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
CDIB Biomedical Venture Capital Corporation	Equity method investee of subsidiary of parent company (Other related party)
KGI Securities Investment Trust Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
Funds managed by KGI Securities Investment Trust Co.,Ltd	Funds and designated accounts managed by Equity method investee of subsidiary of parent company (Other related party)
KGI Insurance Brokers Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
KGI Futures Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
CDC Finance & Leasing Corp.	Equity method investee of subsidiary of parent company (Other related party)
KGI Securities Investment Advisory Co., Ltd.	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital Asia Partners Partners Limited	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital International Corporation	Equity method investee of subsidiary of parent company (Other related party)
CDIB Capital Global Opportunities Fund L.P.	Equity method investee of subsidiary of parent company (Other related party)
China Development Foundation	Substantial related party
Business Next Media Corp.	Substantial related party(Note 2)
Bank of Taiwan Co., Ltd.	Juristic-person director of parent company (Other related party)(Note 1)
GPPC Chemical Corporation	Juristic-person director of parent company (Other related party)
Others	Directors, the key management personnel with their spouse, the relationship within second degree by consanguinity and CDF’s affiliates or substantial related parties (Other related party)(Note 3)

Note 1: Bank of Taiwan Co., Ltd. is no longer related parties of the company from 14 June 2019.

Note 2: Businese Next Media Corp. is no longer related parties of the company from 5 November 2019.

Note 3: Related parties such as parent company, brother company, equity method investee of subsidiary of parent company, juristic-person directors of parent company become related parties of the Company as the result of the tender offer by CDF.

2. Significant transactions with the related parties are as follows:

(1) Cash in banks

Name	2019.12.31	2018.12.31
KGI Bank	$3,996,654	$6,719,483
Other related parties	-	223,286
Total	$3,996,654	$6,942,769

(2) Receivables

Name	2019.12.31	2018.12.31
Other receivables:		
Other related parties	$2,853,439	$18,979

(3) Derivative financial instruments

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2019.12.31) Items	Balance
Other related parties	Swap contracts	2019/10/3-2020/8/26	USD 445,000	financial assets at fair value through profit or loss	$169,924

Name	Contract type	Period	Notional Amount (In thousands of USD dollars)	Balance Sheets (2018.12.31) Items	Balance
Other related parties	Swap contracts	2018/10/25-2019/2/27	USD 250,000	financial assets at fair value through profit or loss	$12,884
Other related parties	Swap contracts	2018/7/5-2019/2/15	USD 255,000	financial liabilities at fair value through profit or loss	49,387
Other related parties	Swap contracts	2018/11/16-2019/2/27	USD 299,000	financial assets at fair value through profit or loss	14,352
Other related parties	Swap contracts	2018/10/8-2019/2/14	USD 295,000	financial liabilities at fair value through profit or loss	17,414

(4) Financial assets at fair value through profit and loss

Name	2019.12.31	2018.12.31
Stocks:		
Other related parties	$183,166	$133,172
Beneficiary certificates:		
Other related parties	922,053	888,618
Total	$1,105,219	$1,021,790

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(5) Financial assets at fair value through other comprehensive income

Name	2019.12.31	2018.12.31
Stocks:		
Parent company	$5,472,816	$5,467,191
Other related parties	235,663	249,605
Total	$5,708,479	$5,716,796

(6) Financial assets measured at amortized cost

Name	108.12.31	107.12.31
Other related parties	$-	$1,649,930

(7) Bond transaction

	For the year ended 31 December 2019		For the year ended 31 December 2018	
Name	Purchase	Sell	Purchase	Sell
Other related parties	$12,850,481	$2,452,192	$10,529,442	$2,544,662

Note: Including purchase and sell of bonds through related parties.

(8) Investment balance appointed to parties' discretionary investment

Name	2019.12.31	2018.12.31
KGI Securities Investment Trust Co., Ltd.	$1,867,336	$-

(9) Details of the fund balance issued by relationships are as follows

Name	2019.12.31	2018.12.31
Other related parties	$10,113,305	$5,159,700

(10) The amount invested by related parties through cash capital increase.

Name	2019.12.31	2018.12.31
Parent company	$3,112,710	$-
Other related parties	139,531	-
Total	$3,252,241	$-

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(11) Policy loans

Name	2019.12.31	2018.12.31
Other related parties	$15,714	$4,134

(12) Payables

Name	2019.12.31	2018.12.31
Commissions payable:		
Other related parties	$24,435	$31,322
Other payables:		
Other related parties	5,399	10,750
Total	$29,834	$42,072

(13) Guarantee deposits received

Name	2019.12.31	2018.12.31
Other related parties	$2,441	$2,421

(14) Premium income

	For the years ended 31 December	
Name	2019	2018
Parent company	$1,923	$1,468
Other related parties	276,720	302,351
Total	$278,643	$303,819

(15) Handling fees earned

	For the years ended 31 December	
Name	2019	2018
KGI Securities Investment Trust Co., Ltd	$213,145	$131,397

(16) Interest income

	For the years ended 31 December	
Name	2019	2018
Other related parties	$75,451	$66,755

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(17) Financial assets and liabilities measured at fair value through profit or loss - dividend income

Name	For the years ended 31 December 2019	2018
Other related parties	$200,712	$22,841

(18) Realized gain or loss on financial assets at fair value through other comprehensive income – dividend income

Name	For the years ended 31 December 2019	2018
Parent company	$168,740	$337,481

(19) Gains on Investment property - rental income

Name	For the years ended 31 December 2019	2018
Other related parties	$10,014	$9,874

According to contracts, leasing periods are generally 3 to 5 years, and rentals are usually paid on a monthly basis.

(20) Insurance claim payments

Name	For the years ended 31 December 2019	2018
Other related parties	$2,080	$998

(21) Commission expenses

Name	For the years ended 31 December 2019	2018
Other related parties	$707,954	$639,783

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(22) Professional service fees (recognized in operating expenses)

Name	For the years ended 31 December 2019	2018
Other related parties	$31,671	$35,019

(23) Employee training fees

Name	For the years ended 31 December 2019	2018
Other related parties	$-	$15

(24) Handling fees earned (recognized in net investment profits and losses or in adjustment for investment cost)

Name	For the years ended 31 December 2019	2018
Other related parties	$70,590	$75,957

Other handling fees earned (recognized in operating expenses)

Name	For the years ended 31 December 2019	2018
Other related parties	$35,433	$28,295

(25) Donation fees (recognized in operating expenses)

Name	For the years ended 31 December 2019	2018
Other related parties	$10,000	$-

(26) In 2019, the Company held group activities with the parent company and other related parties. The Company was allocated $19,869 thousand recognized as operating expenses.

(27) Finance costs

Name	For the years ended 31 December 2019	2018
Other related parties	$25	$25

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

(28) Non-operating income and expenses

Name	For the years ended 31 December 2019	2018
Other related parties	$3,106	$820

3. Key management personnel remuneration

Item	For the years ended 31 December 2019	2018
Short-term employee benefits	$327,002	$260,303
Post-employment benefits	4,367	3,644
Share-based payment	18,109	-
Total	$349,478	$263,947

XIII. Pledged assets

Details of pledged and guaranteed assets are as follows:

Item	2019.12.31	2018.12.31
Government bonds (recognized as refundable deposits)	$6,708,195	$5,965,762
Cash in bank (recognized as refundable deposits)	-	594,991
Total	$6,708,195	$6,560,753

XIV. Commitment and Contingencies

1. Investment commitment not yet contributed

   As of 31 December 2019, among the investment contracts signed, the upper limit of the amount not yet contributed were NTD 1,658,972 thousand, USD 354,991 thousand and EUR 88,093 thousand.

2. On 16 December 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy. On 1 March 2017, the Company signed the first contract amendment protocol, amending the total amount of contract to be $5,623,913 thousand. As of 31 December 2019, the actual accumulated payment of construction is $4,199,706 thousand after deducting 5% of construction reserve, leaving $1,424,207 thousand unpaid.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

XV. Significant disaster damages

None.

XVI. Significant subsequent events

None.

XVII. Other matters

1. Foreign currency financial assets and liabilities with significant influence as of 31 December 2019 and 2018 are as follows:

	2019.12.31		
	Foreign currency	Exchange rate (in dollar)	NTD
Financial assets			
Monetary items			
USD	$37,169,001	30.1060	$1,119,007,204
AUD	3,964,377	21.0983	83,641,608
Non-monetary items			
USD	987,605	30.1060	29,732,838
Financial Liabilities			
Monetary items			
USD	290,758	30.1060	8,753,554

	2018.12.31		
	Foreign currency	Exchange rate (in dollar)	NTD
Financial assets			
Monetary items			
USD	$32,439,523	$30.7330	$996,964,533
AUD	1,994,104	21.6760	43,224,203
Non-monetary items			
USD	442,376	30.7330	13,595,540
Financial Liabilities			
Monetary items			
USD	15,470	30.7330	475,440

The above information is disclosed based on the carrying amount of the foreign currencies, which has been translated to the functional currency.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

2. Participation of unconsolidated structured entities

As of 31 December 2019 and 31 December 2018, interests in unconsolidated entities the Company holds are as follows. The Company does not provide any financial or other support for these structured entities. The estimated maximum exposure amount is the interests the Company holds.

Date: 31 December 2019

	Private Equity Fund	Asset Securitization Product	Total
Assets held by the Company			
Financial assets at fair value through profit and loss	$4,500,811	$3,635,108	$8,135,919
Financial assets measured at amortized cost	-	51,003,028	51,003,028
The maximum exposure amount	4,500,811	54,638,136	59,138,947
Financial or other support provided	None	None	

Date: 31 December 2018

	Private Equity Fund	Asset Securitization Product	Total
Assets held by the Company			
Financial assets at fair value through profit and loss	$1,675,969	$1,751,160	$3,427,129
Financial assets measured at amortized cost	-	60,397,100	60,397,100
The maximum exposure amount	1,675,969	62,148,260	63,824,229
Financial or other support provided	None	None	

3. The individual health insurance, individual injury insurance and catastrophe reinsurance contracts between the Company and the reinsurance transaction partner Trust International Insurance and Reinsurance CO. B.S.C. (C) have so far expired. However, the reinsurer still has the responsibility of claims. The credit rating agency canceled the credit rating of the reinsurer in December 2018; therefore, the reinsurer became unqualified.

   The Company's reinsurance premium of the unqualified in 2019 were $4,498 thousand. As of 31 December 2019, the unqualified reinsurance reserve was $0 thousand, including ceded reserve for claims reported but not paid of $0 thousand, and claims recoverable from reinsurers of paid claims non-overdue in nine months of $0 thousand.

(Expressed in Thousands of New Taiwan Dollars unless Otherwise Specified)

4. Discretionary account management

(1) As of 31 December 2019, the Company contracts with securities investment trust business for discretionary investments management. The investment details are disclosed as follows:

Items	2019.12.31 Carrying Amount	2019.12.31 Fair Value
Domestic listed stocks	$1,867,336	$1,867,336
Total	$1,867,336	$1,867,336

(2) As of 31 December 2019, the discretionary investments limits were NTD 2,000,000 thousand.

5. As of 31 December 2019, the Company's equity divided by total assets excluding the separate accounts product assets was 7.42%. ◦

XVIII. Additional disclosure

1. Information on significant transactions:

(1) Acquisition of real estate reaching NT$100 million or 20% of paid-in capital or more: None.
(2) Disposal of real estate reaching NT$100 million or 20% of paid-in capital or more: None.

(3) Transactions with related parties involving main business items reaching NT$100 million or 20% of paid-in capital or more: please refer to Note XII.

(4) Accounts receivable from related parties reaching NT$100 million or 20% of paid-in please refer to Table I.

(5) Trading in derivative instruments:

As of 31 December 2019 and 31 December 2018, the amount (notional amount) that the Company engaged in the contract of derivative instruments transactions is as follows: (Unit: US dollar in thousand)

A. Type of derivative instrument held:

	2019.12.31	2018.12.31
Swap and forward exchange contracts	$27,481,497	$26,171,808

2. Information on investees:

(1) Information on investee company that the Company exercises significant influence over: None.

(2) If the Company directly or indirectly exercises control over the investee, it shall disclose information on significant transaction with the investee:

1) Loans made to others: None.
2) Endorsements/ guarantees for others: None.
3) Securities held at the end of the period: None.
4) Transactions where the aggregate purchases or sales of the same security reaching NT$100 million or 20% of paid-in capital or more: None.
5) Acquisition of real estate reaching NT$100 million or 20% of paid-in capital or more: None.
6) Disposal of real estate reaching NT$100 million or 20% of paid-in capital or more: None.
7) Transactions with related parties involving main business items reaching NT$100 million or 20% of paid-in capital or more: None.

8) Accounts receivable from related parties reaching NT$100 million or 20% of paid-in capital or more: None.
9) Trading in derivative instruments: None.

3. Information regarding investment in Mainland China

(1) The Company set up China Life Insurance Co., Ltd. (Taiwan) Beijing Representative Office in Mainland China, which was approved by FSC on November 2004 and was approved by the China Insurance Regulatory Commission in July 2005. The Beijing representative office was officially established in August 2005.

(2) The Company participated in the equity investment of Pacific-Antna Life Insurance Company Ltd. in Mainland China authorized by FSC on 30 December 2010, and by the Investment Commission of the Ministry of Economic Affairs (MOEAIC) on 28 January 2011, and by the China Insurance Regulatory Commission on 6 April 2011.The Company remitted US$58,775 thousand on 24 June 2011, completed settlement on 29 June 2011 and obtained 19.9% ownership. The Company shared 100% equity of Pacific-Antna Life Insurance Company Ltd. with China Construction Bank and other financial investors and used the channel and customer resources of China Construction Bank to develop bank insurance business which is to ensure the Company successfully enters the mainland market and increases the Company's long-term value and shareholders' interests. Pacific-Antna Life Insurance Company Ltd. was renamed to CCB Life Insurance Company Ltd. authorized by the China Insurance Regulatory Commission on 7 June 2011. And CCB Life Insurance Company Ltd. made an announcement to change into a company limited by shares from a limited company on 20 December 2016.

The Investment Commission of the Ministry of Economic Affairs (MOEAIC) authorized the Company to increase capital of US$216,000 CCB Life Insurance Company Ltd. on 29 August 2011 and to remit US$11,844 thousand on 30 August 2011. The increased share capital case was approved by China Insurance Regulatory Commission on 28 September 2011 and by Shanghai Administration for Industry and Commerce on 13 December 2011. Moreover, the Company remitted US$179,070 thousand to increase share capital in June 2012, and this increased share capital case was approved by China Insurance Regulatory Commission on 27 July 2012 and by Shanghai Administration for Industry and Commerce on 5 November 2012. MOEAIC authorized the Company to revoke the approved case on 29 August 2011 of US$25,086 thousand not implemented on 2 October 2017.

On 29 December 2016, the Board has resolved to participate CCB Life Insurance Co., Ltd.'s capital raising plan in exact proportion to its current shareholding. The MOEAIC approved the Company's plan to increase capital investment in CCB Life Insurance Company Ltd. on 29 March 2017 and the Company remitted RMB$1,194,000 in April 2019. As of 20 February 2020, the capital raising plan has yet to be approved by the China Insurance Regulatory Commission and the Shanghai Administration for Industry and Commerce.

(3) Information on the investee company, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, shareholding ratio, profit or loss for the period and recognized investment gain or loss, carrying amount of the investment at the end of the period, repatriated investment gains, and limit on the amount of investment in the Mainland Area: Please refer to Table 2.

XIX. <u>Operating segment information</u>

1. Information on products and services

The Company engaged in life insurance business in accordance with Insurance Act. According to IFRS 8 "*Operating Segments*", the Company offers only insurance contract products. The operating executives assign resources on a basis of entire company, therefore the entire company is a single operating segment.

2. Information on the geographical areas in which the business operate

The Company does not have foreign operating segment, therefore no information shall be disclosed.

3. Information on major customer

The Company does not have any one customer whose revenue constitute 10% or more on the income statement, therefore no information shall be disclose.

China Life Insurance Co., Ltd.
Notes to financial statements (continued)
(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 1:Accounts receivable from related parties reaching NT$100 million or 20 percent of paid-in capital or more

Company Name	Related Party	Nature of Relationships	Ending Balance	Turnover rate	Overdue		Amounts Received in Subsequent Period	Allowance for impairment loss
					Amount	Action Taken		
The Company	KGI Securities Co., Ltd.	Brother company	Other receivables $644,117	Note 1	$ -	-	$ 644,117	$ -
The Company	KGI Bank	Brother company	Other receivables $2,188,412	Note 2	-	-	2,188,412	-

Note 1: No turnover rate is available as the receivables were caused by sale of securities.
Note 2: No turnover rate is available as the receivables were caused by Automated Clearing House (ACH).

China Life Insurance Co., Ltd.

Notes to financial statements (continued)

(Expressed in Thousands of New Taiwan Dollars unless otherwise stated)

Table 2: Information on Investment in Mainland China

Investee Company	Principal Business Activities	Paid-in Capital	Method of investment	Accmulated outward remittance from Taiwan for investment purpose at the beginning of the priod	Inward or outward remmitance for investment purpose for the priod		Accmulated outward remittance from Taiwan for investment purpose at the end of the priod	Investee Company's profit or loss for the period	Shareholding ratio of direct or inderct investment by the Company	Recognized investment gain or loss for the period	carrying amount of the investment at the end of the period	Accumulated repatriated investment gains up to the period
					Outward	Inward						
CCB Life Insurance Ltd (Note1)	Life Insuracne	$32,212,967 (CNY 7,120,461 thousand)	Direct investment in Mainland China	$7,401,464	$5,479,505	$-	$12,880,969	$3,063,935 (Note 3)	19.90%	$-	$14,523,031 (Note 2)	$71,756 (Note 4)

Accmulated outward remittance from Taiwan for investment in Mainland China at the end of the priod	Approved amount of investment in the Mainland China promulgated by the Investment Commission, Ministry of Economic Affairs	Limit on the amount of investment in the Mainland China promulgated by the Investment Commission, Ministry of Economic Affairs
$12,880,969	$13,125,687	$85,601,737

Note 1: The investee company was originally named as Pacific-Antna Life Insurance Company Ltd. On 7 June 2011, the investee company was approved to change the name to CCB Life Insurance Ltd. by China Insurance Regulatory Commission.
On 20 December 2016, the investee company announced to restructure as incorporation.

Note 2: The Company classified the investment in the financial assets at fair value through other comprehensive income. The ending carring amount includes unrealized gains.

Note 3: Investee Company's profit or loss for the period is the book balance of the investee company, unaudited by the CPA.

Note 4: Cash dividends received for the year.

Note 5:The Investee Company raised RMB $6 billion in cash capital in 2019. The payments of the capital raising plan have been fully collected and the capital verification was completed in April 2019. As of 20 February 2020, the paid-in capital following the capital increase has yet to be approved by the China Insurance Regulatory Commission.

China Life Insurance Co., Ltd.
The Statements of Major Accounting Items

China Life Insurance Co., Ltd.

1. Statement of cash and cash equivalents

31-December-19

Unit: NT$ thousands

Item	Summary	Amounts
Cash on hand		$557
Revolving funds		1,148
Cash in banks		43,474,945
Time deposits	Maturity date on the time deposits falls within 12 months. The interest intervals are between 0.53% to 4.00%	32,535,965
Bond with resale agreement	Maturity date on bond with resale agreement falls within 3 months. The interest intervals are between 0.51% to 0.60%.	9,915,108
Total		$85,927,723

China Life Insurance Co., Ltd.

2.Statement of financial assets at fair value through profit or loss

31-December-19

Unit: NT$ thousands

Name of financial instrument	Summary	Number of shares or bonds	Face value(NT$)	Total value	Interest rate	Acquisition cost	Fair value		Changes in fair value attributable to changes in credit risk	Note
							Unit price(NT$)	Total		
Financial assets at fair value through profit or loss										
1.Domestic listed stocks(1)		2,242,870,759				$94,398,537		$95,182,659	None	Note2
2.Domestic unlisted stocks(2)						192,746		183,166	None	Note2
3.Domestic beneficiary certificates(3)		2,415,607,000				99,373,122		101,240,176	None	Note2
4.Domestic real estate investment trust(4)		125,019,000				1,741,531		2,006,717	None	Note2
5.Domestic financial debentures(5)						15,540,000		16,318,584	None	Note2
6.Derivative not designed as hedging instruments(6)						9,761,846		9,761,846	None	Note2
7.Overseas listed stocks(7)						22,882,398		20,293,607	None	Note2
8.Overseas beneficiary certificates(8)						28,743,608		29,000,420	None	Note2
9.Overseas real estate investment trust(9)						1,594,430		1,628,391	None	Note2
10.Overseas preferred stocks(10)						1,287,323		1,373,507	None	Note2
11.Overseas corporate bonds(11)						13,769,773		14,049,557	None	Note2
12.Overseas financial debentures(12)						20,926,369		21,946,582	None	Due on 2029, Note2
Total(1+2+3+4+5+6+7+8+9+10+11+12+13)						310,211,683		$312,985,212		
Valuation adjustment						2,773,529				
Net						$312,985,212				

Note1: The above financial assets are not pledged.

Note2: The balance of each securities that does not constitute over 5% of the balance of the major accounting item does not present seperately

China Life Insurance Co., Ltd.

3.Statement of financial assets at fair value through other comprehensive income

31-December-19

Unit: NT$ thousands

Name of financial instrument	Summary	Number of shares or bonds	Face value	Total value	Allowance for losses	Valuation adjustment for allowance	Acquisition cost	Fair value		Note
								Unit price(NT$)	Total	
1.Domestic listed stocks(1)		700,698,765			$-	$(1,757,475)	$11,775,465		$10,017,990	Note2
2.Domestic government bonds(2)					2,437	7,235,615	67,517,832		74,753,447	Due 2049、Note2
3.Domestic unlisted stocks(3)		173,242,506			-	78,962	2,331,435		2,410,397	Note2
4.Domestic preferred stocks(4)		198,516,640			-	832,612	11,168,802		12,001,414	Note2
5.Overseas listed stocks(5)					-	(31,155)	198,471		167,316	Note2
6.Overseas government bonds(6)					9,080	5,702,163	49,774,504		55,476,667	Due 2110、Note2
7.Overseas corporate bonds(7)					17,148	8,974,545	94,402,369		103,376,914	Due 2059、Note2
8.Overseas financial debentures(8)					10,795	9,921,193	100,052,978		109,974,171	Due 2048、Note2
9.Overseas unlisted stocks(9)					-	2,520,229	12,002,802		14,523,031	Note2
Less: Refundable deposits					-	14	(9,818)		(9,804)	Note1
Total(1+2+3+4+5+6+7+8+9)					$39,460	$33,476,703	$349,214,840		$382,691,543	

Note1: Litigation deposits paid to and deposited in court。

Note2: The balance of each securities that does not constitute over 5% of the balance of the major accounting item does not present seperately

Note3: Except for the abovementioned in Note1, the financial assets listed above are not pledged.

China Life Insurance Co., Ltd.

4.Statement of financial assets measured at amortized cost

31-December-19

Unit: NT$ thousands

Name of Bonds	Summary	Number of bonds	Face value	Total value	Interest rate	Allowance for losses	Unamortized Premiums(discounts)	Book value	Note
1.Domestic government bonds				$60,947,700	1.125%~2.25%	$(2,222)	$722,750	$61,670,450	Due on 2048, Note2
2.Domestic corporate bonds				48,370,000	1.39%~3.7%	(5,637)	(8,649)	48,361,351	Due on 2034, Note2
3.Domestic financial debentures				17,050,000	0.8617%~2.45%	(2,108)	-	17,050,000	Due on 2030, Note2
4.Overseas government bonds				30,665,251	2.48%~7.75%	(2,866)	3,098,373	33,763,624	Due on 2110, Note2
5.Overseas corporate bonds				235,064,183	0~8.2%	(33,967)	1,170,314	236,234,497	Due on 2069, Note2
6.Overseas financial debentures				1,655,119,888	0~7.75%	(53,883)	(1,085,367,530)	569,752,358	Due on 2110, Note2
7.Overseas real estate mortgage bonds				52,110,010	2.5%~5%	(2,285)	(1,104,697)	51,005,313	Due on 2054, Note2
Less: refundable deposits								(6,698,391)	Note1
Less: loss allowance								(102,968)	
Total						$(102,968)	$(1,081,489,439)	$1,011,036,234	

Note1:$6,697,701 thousand is deposited to the Department of the Treasury of CBC as insurance deposits ; $690 thousand is litigation deposits paid to and deposited in court。

Note2: The balance of each securities that does not constitute over 5% of the balance of the major accounting item does not present seperately

Note3: Except for the abovementioned in Note1, the financial assets listed above are not pledged.

China Life Insurance Co., Ltd.

5.Statement of changes in right-of-use assets

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance	Note
Land	$2,098,517	$-	$-	$2,098,517	
Royalty-surface rights	13,179,623	-	-	13,179,623	
Buildings	45,577	49,053	(301)	94,329	
Computer equipment	94,957	-	-	94,957	
Transpotation equipment	11,841	1,894	-	13,735	
Other equipment	13,783	12,377	-	26,160	
Total	$15,444,298	$63,324	$(301)	$15,507,321	

China Life Insurance Co., Ltd.

5-1.Statement of changes in accumulated depreciation of right-of-use assets

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance	Note
Land	$-	$32,243	$-	$32,243	
Royalty-surface rights	-	202,605	-	202,605	
Buildings	-	31,408	(301)	31,107	
Computer equipment	-	51,795	-	51,795	
Transpotation equipment	-	3,636	-	3,636	
Other equipment	-	11,662	-	11,662	
Total	$-	$333,349	$(301)	$333,048	

China Life Insurance Co., Ltd.

6.Statement of changes in investment property

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance			A Increase for the current period B Transfers (from)			A Decrease for the current period B Transfers (to)			Ending balance			Pledge	Note
	The amount at initial recognition	Accumulated change in fair value	Total	The amount at initial recognition	Accumulated change in fair value	Total	The amount at initial recognition	Accumulated change in fair value	Total	The amount at initial recognition	Accumulated change in fair value	Total		
Measured at fair value：														
Land	$7,170,614	$8,430,575	$15,601,189	A $-	$271,490	$271,490	A $(2,474)	$(1,527)	$(4,001)	$7,168,140	$8,700,538	$15,868,678	None	Note1
Buildings	3,727,261	1,294,794	5,022,055	A -	(271,527)	(271,527)	A (2,943)	(421)	(3,364)	3,724,318	1,022,846	4,747,164	None	Note1
Total	$10,897,875	$9,725,369	$20,623,244	$-	$(37)	$(37)	$(5,417)	$(1,948)	$(7,365)	$10,892,458	$9,723,384	$20,615,842		
Measured at cost：														
Land	$3,654,175	$-	$3,654,175	$-	$-	$-	A $-	$-	$-	$3,654,175	$-	$3,654,175	None	Note2
Total	$3,654,175	$-	$3,654,175	$-	$-	$-	$-	$-	$-	$3,654,175	$-	$3,654,175		

Note 1: For investment property measured at fair value, the amounts listed above are evaluated through independent valuation appraisers. Please refer to Note VI.7 in financial reports for the approaches and assumptions adopted.

Note 2: For investment property measured at cost, the amounts listed above is at initial recognition.

China Life Insurance Co., Ltd.

6-1.Statement of changes in accumulated impairment of investment property

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance	Note
Measured at cost：					
Land	$1,133,565	$-	$(453)	$1,133,112	

China Life Insurance Co., Ltd.

7.Statement of loans made to others

31-December-19

Unit: NT$ thousands

Item	Amount	Allowance for losses	Adjustments of premiums and discounts	Net amount	Note
Policy loans	$27,350,483	$-	$-	$27,350,483	
Automatic premium loans	5,849,666	-	-	5,849,666	
Secured loans	846,782	(13,060)	-	833,722	
Secured loans－overdue loans	-	-	-	-	
Total	$34,046,931	$(13,060)	$-	$34,033,871	

China Life Insurance Co., Ltd.

8.Statement of claims recoverable from reinsurers

31-December-19

Unit: NT$ thousands

Item	Summary	Amount	Note
Individual health insurance		$283,323	
Group insurance		47,588	
Individual life insurance		47,396	
Individual injury insurance		22,295	
Investment-linked insurance		14,718	
Total		$415,320	

China Life Insurance Co., Ltd.

9.Statement of due from and due to reinsurers and ceding companies

31-December-19

Unit: NT$ thousands

Summary	Debit balance	Summary	Credit balance	Note
Due from reinsurers and ceding companies		Due to reinsurers and ceding companies		
Munich Reinsurance Company	$32,192	RGA Global Reinsurance Company	$303,677	
Central Reinsurance Corporation.	7,311	Central Reinsurance Corporation.	58,163	
Swiss Reinsurance Company	5,254	Munich Reinsurance Company	35,689	
General Reinsurance AG	2,888	Hannover Reinsurance Company	23,729	
Others(note)	927	Others(note)	61,736	
Total	$48,572	Total	$482,994	

Note: The balance of each item that does not constitute about 5% of the balance of the major accounting item does not present separately

China Life Insurance Co., Ltd.
10. Statement of change in property and equipment
For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	A B	Increase for the current period Transfer from	A B	Decrease for the current period Transfer to	Ending balance	Pledge	Note
Land	$6,617,371	A B	$- -	 B	$- -	$6,617,371	None	
Buildings	1,848,625	A B	- -	 B	- -	1,848,625	None	
Computer equipment	343,092	A B	107,118 38,677	A	(27,939) -	460,948	None	
Transportation equipment	9,751	A	205 -	A	(131) -	9,825	None	
Other equipment	427,595	A B	75,452 41,508	A	(1,599) -	542,956	None	
Leased assets	21,794	A	1,432 -		- -	23,226	None	
Prepayment for buildings and construction in progress	3,176,367	A B	3,148,777 198,121		- -	6,523,265	None	
Total	$12,444,595		$3,611,290		$(29,669)	$16,026,216		

China Life Insurance Co., Ltd.

10-1.Statement of changes in accumulated depreciation of property and equipment

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	A Increase for the current period B Transfer from		A Decrease for the current period B Transfer to		Ending balance	Note
Buildings	$518,458	A	$44,722		$-	563,180	Note 1
Computer equipment	181,803	A	55,597	A	(27,931)	209,469	Note 2
Transportation equipment	6,168	A	1,585	A	(130)	7,623	Note 3
Other equipment	323,723	A	43,904	A	(1,596)	366,031	Note 4
Leased assets	21,348	A	1,069		-	22,417	Note 5
Total	$1,051,500		$146,877		$(29,657)	$1,168,720	

Note 1: Accrued on a straight-line basis over the estimated economic lives 20-60 years.

Note 2: Accrued on a straight-line basis over the estimated economic lives 3-15 years.

Note 3: Accrued on a straight-line basis over the estimated economic lives 5-10 years.

Note 4: Accrued on a straight-line basis over the estimated economic lives 3-5 years.

Note 5: Accrued on a straight-line basis over the lease terms or the estimated economic lives, whichever is shorter.

China Life Insurance Co., Ltd.

10-2.Statement of changes in accumulated impairment of property and equipment

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Increase for the current period	Decrease for the current period	Ending balance	Note
Land	$740,630	$-	$(156)	$740,474	
Buildings	3,528	-	(47)	3,481	
Total	$744,158	$-	$(203)	$743,955	

China Life Insurance Co., Ltd.

11.Statement of changes in intangible assets

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance (Note 1)	A Increase for the current period B Transfer from		A Decrease for the current period B Transfer to		Ending balance	Note
Computer software	$218,023	A	$68,414	A	$(117,736)	$190,409	Note 3
		B	21,708				
Total	$218,023		$90,122		$(117,736)	$190,409	

Note1 : The beginning balance was the result of prior period ending balance in the amount of $230,128 thousand less than the amount reclassified to the right-of-use asset of $12,105 thousand due to IFRS16 application.

Note2 : The amount decrease in the current period is amortization.

Note3 : Accrued on a straight-line basis over the estimated economic lives 1-5 years.

China Life Insurance Co., Ltd.

12.Statement of other assets

31-December-19

Unit: NT$ thousands

Item	Summary	Amount	Note
Prepayments	Prepaid expenses	$25,300	
	Other prepayments	17,080	
	Subtotal	42,380	
Refundable deposits	Insurance enterprise deposits	6,697,701	
	Litigation deposits	10,494	
	Other deposits	120,756	(deposits including collateral for derivative financial instrument, leases, etc.)
	Subtotal	6,828,951	
Other assets－others	Temporary payments and suspense accounts	5,223	
Total		$6,876,554	

China Life Insurance Co., Ltd.

13.Statement of financial liabilities at fair value through profit or loss

31-December-19

Unit: NT$ thousands

Name of financial instrument	Summary	Number of shares or bonds	Face value	Total value	Interest rate	Fair value		Changes in fair value attributable to changes in credit risk	Note
						Unit price(NT$)	Total		
Derivative financial instruments	Swaps and forward foreign exchange contracts						$1,426,070	None	
Total							$1,426,070		

China Life Insurance Co., Ltd.

14.Statement of changes in policy reserve

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Net change in the current period	Amount for other changes (Note2)	Ending balance	Note
Total amount：					
Life insurance	$1,230,130,010	$174,033,372	$(6,181,977)	$1,397,981,405	
Health insurance	122,642,721	10,970,141	-	133,612,862	
Annuity insurance	158,348,490	7,275,391	(413,287)	165,210,594	
Investment-linked insurance	1,834,656	(41,873)	(67)	1,792,716	
Total	$1,512,955,877	$192,237,031	$(6,595,331)	$1,698,597,577	

Note 1: There is no ceded liability reserve for the above insurance contracts.

Note 2: Amount for other changes include $1,244 thousand make up amount durning the make up period from the acquisition of the partial traditional insurance policies from Alli
and $6,596,575 thousand from net losses on foreign exchange.

Note 3: Total of reserve for life insurance liabilities after including“Reserve for life insurance liabilities – payables for the insured”amounted to $1,698,741,135.

China Life Insurance Co., Ltd.

15.Statement of changes in unearned premium reserve

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Net change in the current period	Amount for other changes (Note1)	Ending balance	Note
Total amount：					
Individual life insurance	$1,160	$(88)	$-	$1,072	
Individual injury insurance	1,237,170	177,447	-	1,414,617	
Individual health insurance	2,011,560	237,555	-	2,249,115	
Group insurance	555,939	12,363	-	568,302	
Investment-linked insurance	48,909	9,340	(1)	58,248	
Annuity insurance	53	22	-	75	
Total	$3,854,791	$436,639	$(1)	$4,291,429	
Ceded：					
Individual life insurance	$10,712	$5,016	$-	$15,728	
Individual injury insurance	1,513	(189)	-	1,324	
Individual health insurance	27,559	2,520	-	30,079	
Group insurance	5,267	(2,122)	-	3,145	
Investment-linked insurance	5,074	137	-	5,211	
Total	$50,125	$5,362	$-	$55,487	

Note 1: Amount for other changes $1 thousand are from net gains on foreign exchange.

China Life Insurance Co., Ltd.

16.Statement of changes in reserve for claims

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Net change in the current period	Amount for other changes (Note1)	Ending balance	Note
Total amount：					
Individual life insurance	$343,736	$(37,366)	$79	$306,449	
Individual injury insurance	259,448	202,701	-	462,149	
Individual health insurance	602,507	247,285	-	849,792	
Group insurance	454,010	72,094	-	526,104	
Investment-linked insurance	11,657	(563)	(65)	11,029	
Annuity insurance	15,384	55,361	(921)	69,824	
Total	$1,686,742	$539,512	$(907)	$2,225,347	
Ceded：					
Individual life insurance	$5,654	$(1,729)	$-	$3,925	
Individual injury insurance	4,687	(4,687)	-	-	
Individual health insurance	13,863	(8,833)	-	5,030	
Group insurance	3,000	1,800	-	4,800	
Investment-linked insurance	-	-	-	-	
Total	$27,204	(13,449)	$-	$13,755	

Note 1: Amount for other changes $907 thousand are from net gains on foreign exchange.

China Life Insurance Co., Ltd.

17.Statement of changes in special reserves

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance (Note1)	Net change in the current period	Amount for other changes (Note1)	Ending balance	Note
Participating policies dividend reserve	$6,364,597	$531,114	$11,755	$6,907,466	
Participating policies dividend risk reserve	-	-	-	-	
Total	$6,364,597	$531,114	$11,755	$6,907,466	

Note 1: Amount for other changes is the balance of gain (loss) from the disposal of participating policies linked with equity instruments measured at fair value through other comprehensive income transferred to retained earning with the deduction of special reserve.

China Life Insurance Co., Ltd.

18.Statement of changes in special reserves (special reserves for catastrophe and fluctuation of risk)

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Beginning balance	Reserve for the current period	Recover for the current period	Ending balance	Note
Individual life insurance	$1,578	$165	$-	$1,743	
Individual injury insurance	871,147	160,668	(155,950)	875,865	
Individual health insurance	2,435,161	151,765	(50,679)	2,536,247	
Group insurance	3,090,678	580,226	(458,885)	3,212,019	
Annuity insurance	539	248	(28)	759	
Total	$6,399,103	$893,072	$(665,542)	$6,626,633	

China Life Insurance Co., Ltd.

18-1.Calculation of special reserves (special reserves for catastrophe and fluctuation of risk) allocated

For the year ended 31 December 2019

Unit: NT$ thousands

Type of insurance	Earned premium retained	Anticipated dollar amount need to be paid		Retained claim	The special reserved in the current period						Note
		Expected loss rate	Expected amount for claims		Reserve rate	Reserve of fixed rate	Less than expected reserve for claims	Tax effect	Others	Total reserve	
Individual life insurance	$3,834	94%	$3,619	$3,000	3.00%	$115	$93	$43	$-	$165	
Individual injury insurance	2,592,955	81%	2,096,204	930,166	1.00%	25,930	174,906	40,168	-	160,668	
Individual health insurance	5,044,452	76%	3,847,090	3,591,263	3.00%	151,333	38,374	37,942	-	151,765	
Group insurance	6,671,735	82%	5,470,823	1,969,963	3.00%	200,153	525,129	145,056	-	580,226	
Annuity insurance	2,068	100%	2,068	421	3.00%	62	247	61	-	248	
Total	$14,315,044		$11,419,804	$6,494,813		$377,593	$738,749	$223,270	$-	$893,072	

China Life Insurance Co., Ltd.

18-2.Calculation of special reserves (special reserves for catastrophe and fluctuation of risk) recovered

For the year ended 31 December 2019

Unit: NT$ thousands

Type of insurance	The accumulated special reserve in the prior period	Special reserve, sum of prior period accumulation and reserve in the current period	Special reserves recovered in the current period					The accumulated special reserve in the current period	Note
			More than expected recovery for claims	More than recovery of self-retention earned premium	Special reserves recovered from catastrophic events	Tax effect	Total recovery		
Individual life insurance	$1,578	$1,743	$-	$-	$-	$-	$-	$1,743	
Individual injury insurance	871,147	1,031,815	-	153,535	41,403	38,988	155,950	875,865	
Individual health insurance	2,435,161	2,586,926	-	18,892	44,457	12,670	50,679	2,536,247	
Group insurance	3,090,678	3,670,904	-	487,842	85,764	114,721	458,885	3,212,019	
Annuity insurance	539	787	-	35	-	7	28	759	
Total	$6,399,103	$7,292,175	$-	$660,304	$171,624	$166,386	$665,542	$6,626,633	

China Life Insurance Co., Ltd.

19.Statement of changes in premium deficiency reserve

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Brginning balance	Net change in the current period	Amount for other changes (Note2)	Ending balance	Note
Total amount：					
Individual life insurance	$7,376,763	$(840,935)	$(32,547)	$6,503,281	
Individual health insurance	127,382	(3,117)	-	124,265	
Total	$7,504,145	$(844,052)	$(32,547)	$6,627,546	

Note1: There is no ceded premium deficiency reserve included in the above insurance contracts.

Note2: Amount for other changes $32,547 thousand are from net losses on foreign exchange.

China Life Insurance Co., Ltd.

20.Statement of changes in reserve for foreign exchange valuation reserve

For the year ended 31 December 2019

Unit: NT$ thousands

Beginning balance	Net change in the current period				Ending balance	Note
	Fixed reserve for the current period	Incremental reserve for the current period	Ofeeset for the current period	Total		
$3,169,331	$1,850,078	$3,568,203	$(6,220,573)	$(802,292)	$2,367,039	
$3,169,331	$1,850,078	$3,568,203	$(6,220,573)	$(802,292)	$2,367,039	

China Life Insurance Co., Ltd.

21.Statement of provisions

31-December-19

Unit: NT$ thousands

Item	Summary	Amount	Note
Provision for employee benefits		$206,940	
Other provisions	Litigation provision	2,388	
Total		$209,328	

China Life Insurance Co., Ltd.

22.Statement of lease liabilities

31-December-19

Unit: NT$ thousands

Item	Summary	Lease period	Discount rate	Ending balance	Note
Land	Royalty-surface rights	Over 65 years	3.5%	$2,089,952	
Buildings	Rent on office and parking space	1~3 years	0.749%~0.819%	63,287	
Computer equipment	Hardware and software	0~1 years	0.0%	26,710	
Transpotation equipment	Business car	2~7 years	0.749~1.077%	10,139	
Other office equipment	Multi Function machine etc.	2~3 years	0.749~0.819%	16,758	
Total				$2,206,846	

Note 1: Lease liabilities due in one year should be transferred to current liabilities.

Note 2: It is show separately by the type of the right-of-use asset, and the lease period and discount rate are disclosed in intervals.

China Life Insurance Co., Ltd.

23.Statement of other liabilities

31-December-19

Unit: NT$ thousands

Item	Summary	Amount	Note
Unearned receipts	Unearned premiums	$848,019	
	Other unearned revenue	16,089	
	Subtotal	864,108	
Guarantee deposits received	Real estate lease deposit	132,801	
	Other deposits	5,495,612	
	Subtotal	5,628,413	
Other liabilities－other	Temporary receipts and suspense accounts	1,265,598	
Total		$7,758,119	

China Life Insurance Co., Ltd.

24.Statement of retained earned premium income

For the year ended 31 December 2019

Unit: NT$ thousands

Types of insurance	Premium income	Reinsurance premium income	Premiums ceded to reinsurers	Retain premium	Reserve method	Net change of unearned premium reserve	Retained earned premium	Note
Individual life insurance	$217,287,736	$-	$(369,607)	$216,918,129	Note	$5,104	$216,923,233	
Individual injury insurance	2,782,970	-	(27,308)	2,755,662		(177,636)	2,578,026	
Individual health insurance	20,173,228	-	(725,452)	19,447,776		(235,035)	19,212,741	
Group insurance	2,603,410	-	(89,285)	2,514,125		(14,485)	2,499,640	
Investment-linked insurance	1,446,653	-	(124,261)	1,322,392		(9,203)	1,313,189	
Annuity insurance	17,557,294	-	-	17,557,294		(22)	17,557,272	
Total	$261,851,291	$-	$(1,335,913)	$260,515,378		$(431,277)	$260,084,101	

Note: Unearned premium reserve is calculated based on each individual case: premium income in the current period multiplies by the percentage of undue days.

China Life Insurance Co., Ltd.

25.Statement of interest income

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Bank interest		$240,058	
Securities interest		53,131,119	
Policy loan interest		1,488,386	
Secured loans interest		21,349	
Automatic premium loans interest		259,378	
Other		151,623	
Total		$55,291,913	

China Life Insurance Co., Ltd.

26.Statement of gain (loss) on financial assets and liabilities at fair value through profit or loss

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Debt instruments	Gain(loss) from transaction	$374,853	
	Gain(loss) from valuation	308,057	
	Interest income	2,894,311	
Equity instruments	Gain(loss) from transaction	8,352,477	
	Gain(loss) from valuation	18,045,432	
	Dividend income	9,136,285	
Derivatives	Gain(loss) from transaction	(7,136,837)	
	Gain(loss) from valuation	7,672,001	
Total		$39,646,579	

China Life Insurance Co., Ltd.

27.Statement of realized gain (loss) on financial assets at fair value through other comprehensive income

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Amount	Note
Equity instruments	$759,101	Dividend income
Debt instruments	6,838,166	Gain(loss) from transaction
	262	Security lending income
Total	$7,597,529	

China Life Insurance Co., Ltd.

28.Statement of gain (loss) from derecognition of financial assets measured at amortized cost

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Amount	Note
Debt instruments	$1,881,430	Gain(loss) from transaction
	632	Security lending income
Total	1,882,062	

China Life Insurance Co., Ltd.

29.Statement of other net investment gains (losses)

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Bond revenue		$440	
Security lending expense		(268)	
Total		$172	

China Life Insurance Co., Ltd.

30.Statement of foreign exchange gain (loss)

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Debt instruments		$(19,484,465)	
Other		(1,015,382)	
Total		$(20,499,847)	

China Life Insurance Co., Ltd.

31.Statement of gain (loss) on investment property

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Amount	Note
Rent income	$479,525	
Gain on disposal	1,289	
Losses on valuation	(37)	
Total	$480,777	

China Life Insurance Co., Ltd.

32.Statement of expected credit loss and reversal on investment

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Impairment losses	Gains on reversal	Note
Domestic bonds	$-	$36	
Overseas bonds	29,070	-	
Loans	-	4,943	
Total	$29,070	$4,979	

China Life Insurance Co., Ltd.

33.Statement of other impairment loss and reversal on investment

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Impairment losses	Gains on reversal	Note
Investment property	$-	$453	

China Life Insurance Co., Ltd.

34.Statement of other operating income or cost

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Amount	Note
Revenue		
Exchange losses of non-investments	$281	
Cost：		
Disbursement on guaranty fund	$(442,149)	

China Life Insurance Co., Ltd.

35.Statement of retained claim payments

For the year ended 31 December 2019

Unit: NT$ thousands

Type of insurance	claim payments （including claim expenses）	Reinsurance claim payments	Claims recovered from reinsures	Retained claim payment	Note
Individual life insurance	$79,693,012	$25	$(100,270)	$79,592,767	
Individual injury insurance	975,829	-	(43,533)	932,296	
Individual health insurance	7,660,917	-	(493,378)	7,167,539	
Group insurance	2,054,336	-	(71,240)	1,983,096	
Investment-linked insurance	16,134	-	(31,802)	(15,668)	
Annuity insurance	13,929,090	-	-	13,929,090	
Total	$104,329,318	$25	$(740,223)	$103,589,120	

China Life Insurance Co., Ltd.

36.Statement of commission expenses

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Acquisition commission expense			
Individual life insurance		$6,813,694	
Individual injury insurance		394,688	
Individual health insurance		1,382,592	
Group insurance		77,144	
Investment-linked insurance		533,693	
Annuity insurance		292,076	
Salesperson allowance		2,634,069	
Total		$12,127,956	

China Life Insurance Co., Ltd.

37.Statement of finance costs

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Interest expense		$27,119	

China Life Insurance Co., Ltd.

38.Statement of business expenses

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Payroll expense		$1,343,687	
Insuranse expense		402,694	
Tax expense		186,231	
Commission expense		737,279	
Professional service fees		180,428	
Other	The balance of items do not constitute over 5% of the balance of the major accounting item.	640,874	
Total		$3,491,193	

China Life Insurance Co., Ltd.

39.Statement of administrative and general expenses

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Payroll expense		$1,400,856	
Depreciation expense		245,378	
Amortization expense		117,736	
Other	The balance of items do not constitute over 5% of the balance of the major accounting item.	519,508	
Total		$2,283,478	

China Life Insurance Co., Ltd.

40.Statement of non-operating income and expenses

For the year ended 31 December 2019

Unit: NT$ thousands

Item	Summary	Amount	Note
Revenue：			
Gains on reversal of impairment losses on non-fiancial assets		$202	
Recovered bad debts and overdue accounts		7,304	
Other		11,841	
Subtotal		19,347	
Expense：			
Loss on abandonment of assets		(12)	
Other		(8,425)	
Subtotal		(8,437)	
Total		$10,910	

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Building a better working world

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X. Independent Auditors' Review Report

China Life Insurance Co., Ltd.
Review Report of Other Disclosures to the Financial Statements
Independent Auditors' Report Translated from Chinese

To China Life Insurance Co., Ltd.

We have audited the financial statements of China Life Insurance Co., Ltd. for the year ended December 31, 2019. Our audit was conducted 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, and we issued the audit report thereon on 20 February 2020. Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The attached "Other Disclosures to the Financial Statements" ("Other Disclosures") was prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. We have reviewed that information included in the Other Disclosures was in accordance with the Directions for Reviews of Other Disclosures in Financial Reports.

Based on our review, nothing has come to our attention that causes us to believe that the Other Disclosures to the Financial Statements of China Life Insurance Co., Ltd. for the year ended December 31, 2019, do not present fairly, in all material respects, in accordance with the Regulations Governing the Preparation of Financial Reports by Insurance Enterprises. The financial information disclosed is consistent with the financial statements and does not require any material modification.

/s/FUH, WEN-FUN

/s/CHANG, CHENG-TAO

Ernst & Young, Taiwan

20 February 2020

Notice to Readers:

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdiction. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.
Accordingly, the accompanying financial statements and report of independent accountants are not intended for use by those who are not informed about the accounting principles or auditing standards generally accepted in the Republic of China, and their applications in practice. As the financial statements are the responsibility of the management, Ernst & Young cannot accept any liability for the use of, or reliance on, the English translation or for any errors or misunderstandings that may derive from the translation.

XI. Other Disclosure

1. Business

(1) Significant business matters (most recent 5 fiscal years)

① Acquisition or merger: On 19 October 2017, the Board has resolved to pay $1 to acquire the traditional policies and riders spun off from Allianz Taiwan Life. The transaction is approved by FSC on 27 February 2018 and settled on 18 May 2018.

② Demerger: None noted.

③ Change in management rights (equity) reaching 10% or more: The Company was informed by China Development Financial Holding Corp. (CDF), about the tender offer of the Company's ordinary shares and the Public Tender Offer Report on 16 August 2017. CDF started the tender offer from 17 August 2017 to 6 September 2017. CDF completed the tender to acquire 25.33% of the Company's common shares, totaling 880,000,000 shares, on 13 September 2017. The Company became a subsidiary of CDF as defined in the "Financial Holding Company Act". As of 31 December 2019, CDF and its subsidiary, KGI Securities (excluding KGI Securities' hedge positions of derivative products), jointly held 34.82% of the Company's common shares.

④ Transfer of business: None noted.

⑤ Investments in affiliated enterprises: None noted.

⑥ reorganization: None noted.

⑦ Acquisition or disposal of major assets:

A. Acquisition of major assets:

Unit: NT$ thousands

Year of Acquisition	Type of Assets	Total Price for Acquisition	Transaction Counterparts	Purpose for Acquisition
2015	Land No. 61-1 and additional building (1 level), Jingmao Sec., Nangang Dist., Taipei City	460,000	Protech Pharmaservices Corporation	To conduct real estate investment.
2017	Land No. 405 and additional building (1 level), Subsec. 1st, Dunhua Sec., Songshan Dist., Taipei City	450,000	International CSRC Investment Holdings Co., Ltd.	For business operation.

B. Disposal of major assets:

Year of Disposal	Year of Acquisition	Type of Assets	Carrying Amounts	Selling Price	Gain(loss) on Disposal	Purpose for Disposal
2016	2001	35 units of land around Land No. 147, Subsec. 3rd, Bihu Sec., Neihu Dist., Tapei City.	$144,594	$145,107	$30	To realize gain on investment.

Note : The above property items do not include work in progress buiulding.

⑧ Significant changes in operation method (including sales system) or business activity:

The Company's pricipal business activities is life insurance business. The Company is engaged in various kinds of sale of insurance and the related business operation. There is no significant changes in the most recent five years.

(2) Remuneration of Directors, Supervisors, President, and Vice Presidents in the Most Recent Year

① Remuneration of Directors and Independent Directors

Unit: NT$ thousands

Title	Name	Remuneration: Base Compensation (A): The company	Remuneration: Base Compensation (A): Companies in the consolidated financial statements	Remuneration: Pension upon retirement (B): The company	Remuneration: Pension upon retirement (B): Companies in the consolidated financial statements	Remuneration: Bonus to Directors © : The company	Remuneration: Bonus to Directors ©: Companies in the consolidated financial statements	Remuneration: Allowances (D): The company	Remuneration: Allowances (D): Companies in the consolidated financial statements	Ratio of Total Remuneration (A+B+C+D) to Net Income (%): The company	Ratio of Total Remuneration (A+B+C+D) to Net Income (%): Companies in the consolidated financial statements	Relevant Remuneration Received by Directors Who are Also Employees: Salary, Bonuses, and Allowances (E): The company	Salary, Bonuses, and Allowances (E): Companies in the consolidated financial statements	Pension upon retirement (F): The company	Pension upon retirement (F): Companies in the consolidated financial statements	Profit Sharing- Employee Bonus (G): The company: Cash	Profit Sharing- Employee Bonus (G): The company: Stock	Profit Sharing- Employee Bonus (G): Companies in the consolidated financial statements: Cash	Profit Sharing- Employee Bonus (G): Companies in the consolidated financial statements: Stock	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%): The company	Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income (%): Companies in the consolidated financial statements	Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary and parent company
Chairman	China Development Financial Representative: Alan Wang	-	-	-	-	98,000	98,000	2,856	2,856	0.74%	0.74%	110,410	110,410	1,477	1,477	1,700	-	1,700	-	1.58%	1.58%	153,954
Vice Chairman	China Development Financial Representative: Yu Ling Kuo																					
Director	Tai li Investment Co., Ltd. Representative: Stephanie Hwang																					
Director	Tai li Investment Co., Ltd. Representative: Tony T.M. Hsu																					
Director	Hong Fu Ltd. Representative: Lauren Hsieh																					
Director	China Development Financial Representative: Hui-Chi, Shih																					
Independent Director	Wei-Ta Pan	4,756	4,756	-	-	-	-	1,808	1,808	0.05%	0.05%	-	-	-	-	-	-	-	-	0.05%	0.05%	-
Independent Director	Louis T. Kung(Note 2)																					
Independent Director	Wen-Yen Hsu																					
Independent Director	Jahnson F.H. Huang(Note 2)																					

The Company's independent directors' remuneration policy, system, standards and structure, and the relationship with the amount of remuneration according to the responsibilities, risks and time invested are described below:
The remuneration of the independent directors of the Company are evaluated based on the directors' participation in the Company's operations, the value of their contributions, and their responsibilities while taking into consideration other domestic or foreign company's remuneration policies in the same industry and the company's future risk. According to the Company's articles of association, independent directors receive fixed remuneration and do not participate in the distribution of directors' remuneration. The remuneration includes salaries, various bonuses and other payments that are due for providing services to the Company, and business execution costs include transportation fees and attendance fees.

Range of Remuneration

Range of Remuneration	Name of Directors and Independent Directors: Total of (A+B+C+D): The company	Total of (A+B+C+D): Companies in the consolidated financial statements(H)	Total of (A+B+C+D+E+F+G): The company	Total of (A+B+C+D+E+F+G): Parent company and all invested company(I)
Less than NT$ 1,000,000	Alan Wang, Hui-Chi Shih, Yu Ling Kuo, Tony T.M. Hsu, Stephanie Hwang, Lauren Hsieh, Louis T. Kung	Alan Wang, Hui-Chi Shih,Yu Ling Kuo, Tony T.M. Hsu, Stephanie Hwang, Lauren Hsieh, Louis T. Kung	Hui-Chi Shih, Louis T. Kung	Louis T. Kung
NT$1,000,000(inclusive) ~ NT$2,000,000(not inclusive)	Jahnson F.H. Huang	Jahnson F.H. Huang	Jahnson F.H. Huang	Jahnson F.H. Huang
NT$2,000,000(inclusive) ~ NT$3,300,000(not inclusive)	Wen-Yen Hsu, Wei-Ta Pan	Wen-Yen Hsu, Wei-Ta Pan	Wen-Yen Hsu, Wei-Ta Pan	Wen Yen Hsu, Wei-Ta Pan
NT$3,500,000(inclusive) ~ NT$5,000,000 (not inclusive)				
NT$5,000,000(inclusive) ~ NT$10,000,000(not inclusive)				
NT$10,000,000(inclusive) ~ NT$15,000,000(not inclusive)	Hong Fu	Hong Fu	Tony T.M. Hsu, Lauren Hsieh, Hong Fu	Hui-Chi Shih,Tony T.M. Hsu, Lauren Hsieh, Hong Fu
NT$15,000,000(inclusive) ~ NT$30,000,000(not inclusive)	Tai li Investment	Tai li Investment	Alan Wang,Yu Ling Kuo, Tai li Investment	Tai li Investment
NT$30,000,000(inclusive) ~ NT$50,000,000(not inclusive)			Stephanie Hwang	Stephanie Hwang
NT$50,000,000(inclusive) ~ NT$100,000,000(not inclusive)	China Development Financial	China Development Financial	China Development Financial	Yu Ling Kuo, China Development Financial
NT$100,000,000 and above				Alan Wang
Total	13	13	13	13

Note 1：Salary and bonus in 2019 for the Directors' drivers excluded from the above is NT$ 3,847 thousands. The company also provided other exclusive personal expenses amounted to NT$711 thousands.

Note 2：Independent Director Louis T. Kung left his position on 31 January 2019 ; Independent Director Jahnson F.H. Huang arrived his position on 31 May 2019.

Note 3：Employees' remunerations and remunerations of Directors and Supervisor for 2019 are estimated as NT$ 150,000 thousands and NT$ 98,000 thousands, which amount has not been reported to the general shareholders' meeting. .
Actual distributed amount is to be confirmed after being distributed by this Company according to the resolution of general shareholders' meeting on report therewith

②Remuneration of President and Vice Presidents (Disclosure in order of range of remuneration)

Unit: NT$ thousands

Title	Name	Salary(A)		Pension upon retirement (B)		Bonuses and Allowances (C)		Profit Sharing- Employee Bonus (D)				Ratio of total compensation (A+B+C+D) to net income (%)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary and parent company
		The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company	Companies in the consolidated financial statements	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements	
								Cash	Stock	Cash	Stock			
President	Stephanie Hwang	79,471	79,471	3,726	3,726	98,731	98,731	13,000	-	13,000	-	1.43%	1.43%	9,540
Chief Executive Vice President	Tony T.M. Hsu													
Senior Executive Vice president	Sung Ching Tsai (Note2)													
Executive Vice president	Lauren Hsieh													
Executive Vice president	Johnny Chang													
Executive Vice president	Angel Lu													
Executive Vice president	Anne Su													
Executive Vice president	Chin Lung Su													
Senior Vice president	Winnie Huang (Note2)													
Senior Vice president	Kuang Yang Huang													
Senior Vice president	Judith Lin													
Senior Vice president	Hsueh Ping Hsieh													
Senior Vice president	Helen Chen													
Senior Vice president	Percy Su													
Senior Vice president	Yih Ruey Kang													
Senior Vice president	Victor Hsu													
Senior Vice president	Jay Ueng													
Senior Vice president	Jeff Leu													
Senior Vice president	Janron Sung													
Senior Vice president	Ming Lung Lin													
Senior Vice president	Christopher Chern													
Senior Vice president	Shih Jung Hsu (Note3)													
Chief Compliance Officer	Crystal Chen													

Range of Remuneration

Remuneration Range of President and Vice Presidents	Name of President and Vice Presidents	
	The company	Parent company and all invested company
Less than NT$ 1,000,000		
NT$1,000,000(inclusive) ~ NT$2,000,000(not inclusive)	Winnie Huang	
NT$2,000,000(inclusive) ~ NT$3,300,000(not inclusive)	Christopher Chern,Sung Ching Tsai	Christopher Chern,Sung Ching Tsai
NT$3,500,000(inclusive) ~ NT$5,000,000 (not inclusive)	Yih Ruey Kang, Crystal Chen, Hsueh Ping Hsieh	Yih Ruey Kang, Crystal Chen, Hsueh Ping Hsieh
NT$5,000,000(inclusive) ~ NT$10,000,000(not inclusive)	Jeff Leu, Janron Song, Judith Lin, Ming Lung Lin,Jay Ueng, Johnny Chang, Victor Hsu, Shih Jung Hsu, Helen Chen, Kuang Yang Huang, Angel Lu, Percy Su, Anne Su, Chin Lung Su	Jeff Leu, Janron Song, Judith Lin, Ming Lung Lin,Jay Ueng, Johnny Chang, Victor Hsu, Shih Jung Hsu, Helen Chen, Kuang Yang Huang, Angel Lu, Percy Su, Anne Su, Chin Lung Su
NT$10,000,000(inclusive) ~ NT$15,000,000(not inclusive)	Tony T.M. Hsu, Lauren Hsieh	Tony T.M. Hsu, Winnie Huang, Lauren Hsieh
NT$15,000,000(inclusive) ~ NT$30,000,000(not inclusive)		
NT$30,000,000(inclusive) ~ NT$50,000,000(not inclusive)	Stephanie Hwang	Stephanie Hwang
NT$50,000,000(inclusive) ~ NT$100,000,000(not inclusive)		
NT$100,000,000 and above		
Total	23	23

Note 1: Salary and bonus in 2019 for the managers' drivers excluded from the above is NT$ 4,263 thousands. The company also provided other exclusive personal expenses amounted to NT$573 thousands.

Note 2: Senior Executive Vice President Sung Ching Tsai arrived his position on 14 October 2019 ; Senior Vice President Christopher Chern arrived his position on 10 June 2019 and Senior Vice President Winnie Huang left her position on 23 June 2019.

Note3: Senior Vice president Shih Jung Hsu was promoted to his position on 22 August 2019. The amount listed on the chart above included his income for the entire year of 2019.

③ Profit Sharing- Employee Bonus Distributed to Managers and Distribution Situation

Unit: NT$ thousands

Item	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Manager	President	Stephanie Hwang	-	13,500	13,500	0.10%
	Chief Executive Vice President	Tony T.M. Hsu				
	Senior Executive Vice president	Sung Ching Tsai				
	Executive Vice president	Anne Su				
	Executive Vice president	Lauren Hsieh				
	Executive Vice president	Johnny Chang				
	Executive Vice president	Angel Lu				
	Executive Vice president	Chin Lung Su				
	Senior Vice president	Jeff Leu				
	Senior Vice president	Kuang Yang Huang				
	Senior Vice President	Jay Ueng				
	Senior Vice president	Janron Sung				
	Senior Vice president	Christopher Chern				
	Senior Vice president	Helen Chen				
	Senior Vice President	Shih Jung Hsu				
	Senior Vice President (Chief Auditor)	Judith Lin				
	Senior Vice President (Head of Finance)	Hsueh Ping Hsieh				
	Senior Vice President	Percy Su				
	Senior Vice President	Victor Hsu				
	Senior Vice President	Ming Lung Lin				
	Senior Vice President	Yih Ruey Kang				
	Chief Compliance Officer	Crystal Chen				
	Vice President (Head of Accounting)	Jina Tsai				

Note：On 20 February 2020, the Board of Directors meeting resolved to distribute $150,000 thousand of employees' compensation.
Actual distributed amount is to be confirmed after being distributed by this Company according to the resolution of general shareholders' meeting on report therewith.

④The chairperson, president, or any managerial officer in charge of finance or accounting matters have not in the most recent year held a position at the accounting firm of its attesting CPA or at an affiliated enterprise of such accounting firm.

⑤Remuneration to the Chairmen of the board and presidents rehired as consultants after retiring from the insurance enterprise or its affiliate enterprises and related information: None.

(3) Labor Relations

① Status of Major Labor-Management Agreements and Their Implementations

A. Employee Welfare:

In response to the changing trends and environment, and in line with the concept of human-based management, China Life has established complete employee welfare programs, the Employee Welfare Committee and a labor-management communication channel to promote a reasonable working environment. China Life appreciates every employee's effort, so we offer the welfare programs that cater to employees' needs, offer a wide range of care and thus allow them to fully focus on their jobs.

B. Employees' education and training:

In order to continuously educate professionals for the varied challenges in the future, China Life embraces employees as our most valuable assets. Therefore, in addition to the workshops and trainings hold by the Human Resource Department and Sales Training Department, we also collaborate with the domestic and overseas professional education organizations to offer our employees both local and overseas training programs and create the channels of learning proper and just-in-time knowledge. For the purpose of motivation for self-study, China Life has created professional qualification examination incentive program aimed at promoting lifelong learning and improve the working quality of the employees. We offer complete education and training programs, including:

a. General Training: In addition to physical training programs such as expatriate training program, internal on-the-job training, external training, orientation for new staff, management training for each level of managers, and compliance training, a digital learning platform continued providing a flexible and timely learning channel. The Company also promote the concept of micro-learning, brewing an organizational atmosphere for continuous learning and pursuit of progress.

b. Overseas professional training: We collaborate with global training organizations, such as Life Office Management Association (LOMA), Associate of Society of Actuaries, The Institute of Actuaries of Japan, Reinsurance Group of America (RGA), Munich Reinsurance Company, Swiss Re Group, The Foundation for the Advancement of Life and Insurance Around the world (FALIA), OLIS, and LIMRA, to offer employees opportunities of overseas trainings, seminars, business trips and studies.

c. Professional qualification examination incentives and subsidies: We provide professional qualification examination incentives and subsidies for the Actuarial Exams, Certified Internal Auditor, Chartered Financial Analyst, Certified Financial Risk Manager, Fellow Life Management Institute Program, Chartered Life Underwriter, Fellow, Life and Health Claims Designation, R.O.C Claims Adjuster Examination, R.O.C Insurance Underwriter Examination, Certified Anti-Money Laundering Specialists, Anti-Money Laundering and Countering Terrorism Financing Specialists, Certified Financial Planner and International Certified Information Systems Auditor.

C. Retirement programs:

a. Defined contribution plan

The part in our pension plan that is made based on the "Labor Pension Act" is attributed to the Defined Contribution Plan. For employees who are applicable to the Labor Pension Act, the Company shall, on a monthly basis, contribute six percent of their monthly wage, prescribed in the Table of Monthly Contribution Wage Classification, to individual accounts of labor pension at the Bureau of Labor Insurance. Should the employees' monthly salary be higher than the ceiling amount provided in the Table of Monthly Contributions for Labor Pension, 6% may be withheld by the Company from the excess part as pension reserve on a monthly basis. An employee may receive the pension under this item only when he is eligible according to the pension plan.

b. Defined benefit plans

The Company adopts a defined benefit plan in accordance with the Labor Standards Act of the R.O.C. The pension benefits are disbursed based on the units of service years and the average salaries in the last month of the service year. Two units per year are awarded for the first 15 years of services while one unit per year is awarded after the completion of the 15th year. The total units shall not exceed upper limit. Under the Labor Standards Act, the Company contributes an amount equivalent to certain percentage of the employees' total salaries and wages on a monthly basis to the pension fund deposited at the Bank of Taiwan in the name of the administered pension fund committee. Before the end of each year, the Company assesses the balance in the designated labor pension fund. If the amount is inadequate to pay pensions calculated for workers retiring in the following year, the Company will make up the difference in one appropriation before the end of March of the following year.

D. Other significant agreements: None.

② Loss sustained as a result of labor disputes in the most recent fiscal year: None.

③ Results of labor inspection: None.

(4) Changes in president (general manager), chief audit officer and actuaries in the most recent 2 years:

Item \ Year	2019	2018
President	2019.01.01-2019.12.31 Stephanie Hwang	2018.01.01-2018.12.31 Stephanie Hwang
Chief Auditor	2019.01.01-2019.12.31 Judith Lin	2018.01.01-2018.12.31 Judith Lin
Certified Actuarial Analyst	2019.01.01-2019.12.31 Rochelle Hsieh	2018.01.01-2018.12.31 Rochelle Hsieh

(5) Changes in the method for allocation of all kinds of reserves: None.

(6) The insurance enterprise had the situation in the most recent year where its shareholders' meeting has adopted the resolution to carry out capital increase or decrease or its board of directors (council) has adopted the resolution to issue new shares but the application (or filing) was not approved (or approved for record) by the FSC, or where its application for capital change registration was not approved by the Ministry of Economic Affairs: None.

(7) Cases of claim payment and claim recovery from reinsurer involving amount exceeding NT$20 million in the most recent 3 years and financial impact analysis therefor: (expressed in thousands of New Taiwan Dollars)

For the year of 2017:

Insured person	Type of Insurance	Result of Claim		Insurance claim payments	Claims recovered from reinsures	Analysis of financial impacts
		Paid Date	Paid Amount			
A	Endowment	2017.09.06	$21,368	$21,368	$-	The amount of major cases of claim constitutes merely an insignificant part of the amount of claim for the entire fiscal year. Therefore, there is no material impact on over financial position.
B	Life	2017.09.21	76,769	76,769	-	
C	Universal	2017.07.10	22,269	22,269	-	
D	Life	2017.06.27	24,799	24,799	-	
E	Life	2017.06.09	40,847	40,847	5,023	
F	Life	2017.05.15	26,130	26,130	-	
G	Variable	2017.01.23	21,665	21,665	-	
H	Interest Sensitive	2017.01.25	62,951	62,951	-	

For the year of 2018:

Insured person	Type of Insurance	Result of Claim		Insurance claim payments	Claims recovered from reinsures	Analysis of financial impacts
		Paid Date	Paid Amount			
I	Universal	2018.02.23	$41,993	$41,993	$-	The amount of major cases of claim constitutes merely an insignificant part of the amount of claim for the entire fiscal year. Therefore, there is no material impact on over financial position.
J	Life	2018.03.22	289,046	289,046	41,490	
K	Universal	2018.04.30	20,091	20,091	-	
L	Variable	2018.04.24	30,000	30,000	-	
M	Variable	2018.05.25	68,069	68,069	-	
N	Life	2018.05.17	22,775	22,775	-	
O	Universal	2018.08.24	28,478	28,478	-	
P	Universal	2018.10.17	20,692	20,692	-	
Q	Life	2018.10.24	30,107	30,107	-	
R	Universal	2018.11.02	24,186	24,186	-	
S	Endowment	2018.11.15	20,827	20,827	-	
T	Life	2018.11.15	59,913	59,913	47,623	

For the year of 2019:

Insured person	Type of Insurance	Result of Claim		Insurance claim payments	Claims recovered from reinsures	Analysis of financial impacts
		Paid Date	Paid Amount			
U	Life	2019.01.16	$26,275	$26,275	$6,865	The amount of major cases of claim constitutes merely an insignificant part of the amount of claim for the entire fiscal year. Therefore, there is no material impact on over financial position.
V	Annuity	2019.02.22	42,007	42,007	-	
W	Universal	2019.02.25	51,944	51,944	-	
X	Endowment	2019.02.01	35,751	35,751	-	
Y	Universal	2019.04.10	33,681	33,681	-	
Z	Interest Sensitive	2019.04.12	62,579	62,579	15,574	
AA	Universal	2019.05.02	35,666	35,666	-	
AB	Universal	2019.07.30	21,051	21,051	-	
AC	Universal	2019.07.05	30,396	30,396	-	
AD	Interest Sensitive	2019.08.16	22,985	22,985	-	
		2019.08.21	7,136	7,136	-	
		2019.08.23	3,517	3,517	-	
AE	Universal	2019.09.26	36,551	36,551	-	
AF	Endowment	2019.10.09	21,400	21,400	-	
AG	Variable	2019.11.22	33,600	33,600		
AH	Universal	2019.12.23	53,887	53,887		
AI	Annuity	2019.12.27	29,991	29,991	-	

(8) The name and credit rating of any reinsurer whose reinsurance premiums for the preceding year accounted for 1% or more of total premium income of the Company: None.

(9) Credit rating information:

The company entrusted the credit rating company below to execute the financial strength and issuer credit rating. The result is as follows:

name of the credit rating agency	date of rating	result of rating	Credit outlook
Taiwan Rating	2019.07.30	tw AA	Stable

2. The market price of securities issued, dividend payout and distribution of ownership:

(1) Price, net worth, earnings, and dividends per share

Unit: NT$ thousand shares

Items \ Year			2018	2019
Price per Share	Highest Price	Before Adjustment	33.30	29.65
		After Adjustment	30.66	29.65
	Lowest Price	Before Adjustment	27.80	22.75
		After Adjustment	27.80	22.75
	Average Price		30.48	25.69
Net Worth per Share	Before Distribution		18.21	31.96
	After Distribution (Note)		18.21	-
Earnings per Share	Weighted Average Shares		4,013,582	4,247,829
	Earnings Per Share	Before Adjustment	2.54	3.20
		After Adjustment	2.54	-
Dividends per Share	Cash Dividends		-	-
	Stock Dividends	Dividends from Retained Earnings	-	-
		Dividends from Capital Surplus	-	-
	Accumulated Undistributed Dividends		-	-
Return on Investment	Price / Earnings Ratio		11.99	8.03
	Price / Dividend Ratio		-	-
	Cash Dividend Yield		-	-

Note : The number of the issuing shares in the year end as the base with the distribution decision resolved at the general shareholders' meeting held in the following year.

(2) Shareholding Distribution Status

① Ordinary stocks: (NT$10 per share)

27 December 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Percentage of number of shareholders	Shareholding (Shares)	Percentage of shareholding
1 - 999	64,224	42.88%	9,783,200	0.22%
1,000 - 5,000	53,853	35.96%	121,388,379	2.72%
5,001 - 10,000	13,816	9.23%	100,709,159	2.26%
10,001 - 15,000	5,901	3.94%	71,637,230	1.61%
15,001 - 20,000	3,002	2.00%	53,131,104	1.19%
20,001 - 30,000	3,184	2.13%	77,839,105	1.74%
30,001 - 40,000	1,530	1.02%	53,198,565	1.19%
40,001 - 50,000	860	0.57%	38,771,883	0.87%
50,001 - 100,000	1,685	1.13%	117,503,972	2.63%
100,001 - 200,000	817	0.55%	113,052,807	2.53%
200,001 - 400,000	368	0.25%	103,282,068	2.31%
400,001 - 600,000	122	0.08%	58,877,576	1.32%
600,001 - 800,000	62	0.04%	43,185,637	0.97%
800,001 - 1,000,0000	48	0.03%	43,355,042	0.97%
1,000,001以上	288	0.19%	3,457,866,577	77.47%
Total	149,760	100.00%	4,463,582,304	100.00%

② Preferred Stock: The Company does not issue preferred stock.

(3) Transfer and pledge of shares owned by directors, supervisors, managers, and major shareholders

① Chart of transfer and pledge of shares owned by directors, supervisors, managers, and major shareholders:

<table>
<tr><th rowspan="2">Title (Note 1)</th><th rowspan="2">Name</th><th colspan="2">2019</th><th colspan="2">As of 31 January 2020</th></tr>
<tr><th>Holding Increase (Decrease)</th><th>Pledged Holding Increase (Decrease)</th><th>Holding Increase (Decrease)</th><th>Pledged Holding Increase (Decrease)</th></tr>
<tr><td>Chairman</td><td>China Development Financial Holding Corporation Representative: Alan Wang</td><td rowspan="4">151,102,432</td><td rowspan="4">0</td><td rowspan="4">0</td><td rowspan="4">0</td></tr>
<tr><td>Vice chairman</td><td>China Development Financial Holding Corporation Representative: Yu Ling Kuo</td></tr>
<tr><td>Director</td><td>China Development Financial Holding Corporation Representative: Hui-Chi Shih</td></tr>
<tr><td>Major shareholder</td><td>China Development Financial Holding Corporation</td></tr>
</table>

Title (Note 1)	Name	2019		As of 31 January 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Tai li Investment Co., Ltd. Representative: Stephanie Hwang	47,734	0	0	0
Director	Tai li Investment Co., Ltd. Representative: Tony T.M. Hsu				
Director	Hong Fu Ltd. Representative: Lauren Hsieh	13,041	0	0	0
Independent Director	Johnson F.H Huang (Appointment on 31 May 2019)	0	0	0	0
Independent Director	Wei-Ta Pan	0	0	0	0
Independent Director	Wen-Yen Hsu	0	0	0	0
President	Stephanie Hwang	612,265	0	0	0
Chief Executive Vice President	Tony T.M. Hsu	568,724	0	0	0
Executive Vice President	Johnny Chang	319,528	0	0	0
Senior Vice President (Chief Auditor)	Judith Lin	255,159	0	0	0
Executive Vice President	Anne Su	443,274	0	0	0
Senior Vice President	Kuang Yang Huang	187,906	0	0	0
Executive Vice President	Angel Lu	343,673	0	0	0
Senior Vice President	Yih Ruey Kang	155,677	0	0	0
Senior Vice President (Head of Finance)	Hsueh Ping Hsieh	176,498	0	0	0
Senior Vice President	Helen Chen	213,108	0	0	0

Title (Note 1)	Name	2019		As of 31 January 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive Vice President	Chin Lung Su	301,022	0	0	0
Senior Vice President	Percy Su	257,421	0	0	0
Executive Vice President	Lauren Hsieh	255,439	0	0	0
Senior Vice President	Victor Hsu	250,000	0	0	0
Senior Vice President	Jay Ueng	162,527	0	0	0
Senior Vice President	Jeff Leu	185,000	0	0	0
Chief Compliance Officer	Crystal Chen	140,000	0	0	0
Senior Vice President	Janron Sung	11,000	0	0	0
Senior Vice President	Ming Lung Lin	251,684	0	0	0
Senior Vice President	Christopher Chern (Appointment on 10 June 2019)	0	0	0	0
Senior Executive Vice President	Sung Ching Tsai (Appointment on 14 October 2019)	0	0	0	0
Vice President (Head of Accounting)	Jina Tsai	120,990	0	0	0
Independent Director	Louis T. Kung (Dismissal on 31 January 2019)	0	0	0	0
Senior Vice President	Winnie Huang (Dismissal on 24 June 2019)	307,021	0	0	0
Senior Vice President	Shih Jung Hsu (Dismissal on 5 January 2020)	136,286	0	0	0

Note 1: Those who noted as major shareholders are shareholders with a stake of more than 10 percent of the total shares of the Company.

Note 2: There is no such situation where the counterparty in any such transfer or pledge of equity interests is a related party.

② Information on transfer of equity interests:

Name (Note 1)	Reasons for transfer of equity interests (Note 2)	Date of Transaction	Transaction Counterparty	Counterparty’s relationship between the company or the company's director, supervisor, and shareholder holding more than 10% of shares	Number of shares	Transaction price
None.						

Note 1: Should fill in the names of director, supervisor, managers, or shareholder holding more than 10% of shares.

Note 2: Should fill in acquisition or disposal.

③ Information on pledge of equity interests

There is no such situation where the counterparty in any such pledge of equity interests is a related party.

(4) Related information on self registration: None.

3. Financial Information

(1) Condensed Balance Sheet and Income Statement – Based on IFRS

① Balance Sheet

Unit: NT$ thousands

Item \ Year		Financial Summary for The Last Five Years (Note 1)				
		2015	2016	2017	2018	2019
Cash and cash equivalents		$52,426,711	$34,318,710	$44,717,613	$42,947,426	$85,927,723
Receivables		11,220,392	12,886,631	12,998,829	17,549,054	26,826,102
Other Financial assets and Loans		1,041,105,883	1,181,650,901	1,311,081,839	1,545,562,048	1,763,883,765
Reinsurance assets		340,209	285,097	302,104	534,353	533,134
Property, Plant and Equipment		6,988,198	8,088,226	9,387,145	10,722,338	14,113,541
Intangible assets		98,836	158,582	186,275	230,128	190,409
Other assets		90,441,424	86,323,311	87,060,379	93,809,989	108,763,246
Total assets		1,202,621,653	1,323,711,458	1,465,734,184	1,711,355,336	2,000,237,920
Payables		8,055,698	8,531,169	8,547,929	10,727,086	19,417,296
Other Financial liabilities		3,984,347	8,361,215	535,854	2,469,127	1,426,070
Insurance liabilities and Reserve for the Insurance Contract with the Nature of Financial Products		1,033,408,776	1,150,705,564	1,286,901,781	1,555,697,527	1,740,627,254
Provisions		277,491	97,753	120,084	134,940	209,328
Other liabilities		74,311,473	74,943,660	74,290,789	69,232,272	95,888,411
Total liabilities	Before distribution	1,120,037,785	1,242,639,361	1,370,396,437	1,638,260,952	1,857,568,359
	After distribution	1,122,041,873	1,245,418,369	1,373,425,556	1,638,260,952	(Note 2)
Capital Stock		33,401,467	34,737,600	37,863,984	40,135,823	44,635,823
Capital surplus		2,289,273	2,289,273	2,289,273	2,289,273	7,214,523
Retained earnings	Before distribution	34,763,780	40,925,080	44,077,239	48,243,509	61,240,158
	After distribution	31,423,559	35,019,688	38,776,281	48,243,509	(Note 2)
Other equity		12,129,348	3,120,144	11,107,251	(17,574,221)	29,579,057
Total equity	Before distribution	82,583,868	81,072,097	95,337,747	73,094,384	142,669,561
	After distribution	80,579,780	78,293,089	92,308,628	73,094,384	(Note 2)

Note 1: The above-listed financial information was compiled according to the Regulations Governing Preparation of Financial Reports by Insurance Enterprises and IFRSs and has been audited and certified by Certified Public Accountants.

Note 2: Until the submission date of this Report, the Company has not yet convened the shareholders' meeting.

② Income Statement

Unit: NT$ thousands

Year / Item	Financial Summary for The Last Five Years (Note 1)				
	2015	2016	2017	2018	2019
Operating revenue	$203,925,508	$237,222,260	$255,328,334	$338,495,113	$339,115,451
Operating costs	(189,610,062)	(222,488,981)	(242,182,893)	(325,583,910)	(318,713,973)
Operating expenses	(3,705,735)	(4,056,919)	(4,405,260)	(4,954,851)	(5,810,662)
Non-operating income and expenses	70,753	56,268	(897)	1,646,887	10,910
Net profit/ loss before tax	10,680,464	10,732,628	8,739,284	9,603,239	14,601,726
Net profit/ loss after tax	9,171,902	9,468,357	9,083,972	10,177,987	13,597,878
Other comprehensive income (income after tax)	302,072	(8,976,040)	7,960,686	(35,428,214)	46,561,453
Earnings per share (NT$)(Note2)	2.29	2.36	2.26	2.54	3.20

Note 1: The above-listed financial information was compiled according to the Regulations Governing Preparation of Financial Reports by Insurance Enterprises and IFRSs and has been audited and certified by Certified Public Accountants.

Note 2 The Company's earnings per share were calculated based on the retrospective adjustment after the historical capital increases.

(2) Important Financial Ratios Analysis

Item			Year: Financial Analysis for the Last Five Years				
			2015	2016	2017	2018	2019
Financial structure	Debt Ratio		93.13%	93.88%	93.50%	95.73%	92.87%
	All insurance liabilities to assets ratio		85.93%	86.93%	87.80%	90.90%	87.02%
	Change ratio of all insurance liabilities		10.00%	11.35%	11.84%	20.89%	11.89%
	Ratio of net increase amount of all insurance liabilities to premiums		62.13%	64.13%	69.43%	95.15%	70.62%
	The net worth ratio		7.26%	6.44%	6.79%	4.43%	7.42%
Solvency	Ratio of investment in related enterprises to equity		0.00%	0.00%	8.34%	18.10%	12.61%
	First year premium ratio		99.11%	109.00%	88.52%	187.40%	82.54%
	Renewal premium ratio		111.97%	127.21%	125.57%	120.03%	102.85%
Operating performance	New business expense ratio		13.38%	10.07%	7.95%	6.35%	8.00%
	Change ratio of premium		4.53%	20.96%	7.23%	44.01%	-7.30%
	Change ratio of equity		11.11%	-1.83%	17.60%	-23.33%	95.19%
	Change ratio of net profits		40.83%	3.23%	-4.06%	12.04%	33.60%
	Fund utilization ratio		99.86%	100.41%	99.25%	98.81%	98.98%
	Persistency ratio	13 months	98.47%	98.30%	98.49%	98.14%	98.70%
		25 months	95.39%	97.08%	97.37%	97.17%	97.05%
Profitability	Return on total assets		0.79%	0.75%	0.65%	0.64%	0.73%
	Return on stockholders' equity		11.69%	11.57%	10.30%	12.09%	12.60%
	Ratio of net income from the use of funds		4.52%	4.08%	3.68%	3.48%	3.85%
	Ratio of Return on Investment		4.16%	3.78%	3.45%	3.30%	3.64%
	Operating income to operating revenues ratio		5.20%	4.50%	3.42%	2.35%	4.30%
	Pre-tax income to revenue		5.24%	4.52%	3.42%	2.82%	4.31%
	Profit ratio		4.50%	3.99%	3.56%	3.01%	4.01%
	Earnings per share (NT$) (Note1)		2.29	2.36	2.26	2.54	3.20
	Ratio of investment real property and loans extended by mortgage on real property to assets		2.35%	2.02%	1.78%	1.53%	1.29%

Note 1: The Company’s earnings per share were calculated based on the retrospective

adjustment after the historical capital increases.

For those items whose rate of change increase or decrease by more than 20% in two years, the analysis are as below:

1. The decreasing change ratio of all insurance liabilities and deduction of ratio of net increase amount of all insurance liabilities to premiums were mainly due to the Allianz Insurance policies acquired last year.
2. The fall of ratio of investment in related enterprises to equity and the rise of change ratio of equity is caused by the cash capital increase in 2019 and the increase in unrealized valuation gain on financial assets measured at fair value through other comprehensive income and overlay.
3. The fall of change ratio of premium, the fall of first year premium ratio and the rise of new business expense ratio is because the significant decrease in new business premium of life insurance in this year.
4. The rise of change ratio of net profits, pre-tax income to revenue, profit ratio, and earnings per share stems from the increase of net income of this year compared to that of last year. Please refer to "Analysis for Financial Performance. "
5. The rise of operating income to operating revenues ratio was mainly due to the increase of net investment income/loss.

Note 3: The equations for calculation are shown below:

1. Financial structure
   (1) Debt Ratio = Total liabilities/Total assets
   (2) All insurance liabilities to assets ratio = all insurance liabilities/total assets
   (3) Change ratio of all insurance liabilities = (closing balance of all insurance liabilities－ opening balance of all insurance liabilities) /opening balance of all insurance liabilities
   (4) Ratio of net increase of all insurance liabilities to premiums = net increase of all insurance liabilities/ Premiums
   (5) The net worth ratio = Total equity/Total assets excluding the separate accounts product assets

2. Solvency
   (1) Ratio of investment in related enterprises to equity = investment in related enterprises/equity
   (2) First year premium ratio= current First year premiums/first year premiums in the prior period

(3) Renewal premium ratio = current renewal premiums/renewal premiums in the prior period

3. Operating performance
   (1) New business expense ratio= new business expenses/new business premiums
   (2) Change ratio of premiums= premiums accumulated for current period － premiums accumulated for the same period of last year/premiums accumulated for the same period of last year
   (3) Change ratio of equity= (current equity-equity for prior period) /the absolute value of equity for prior period
   (4) Change ratio of net profit = (current loss and profit- loss and profit for prior period)/absolute value of loss and profit for prior period
   (5) Fund utilization ratio= total amount of utilized funds / (all insurance liabilities + equity)
   (6) Persistency ratio (13-month, 25-month) = Pry = BFx + y/ NB'x×100%

4. Profitability
   (1) Ratio or return on total assets= [net income + interest expense*(1-tax rate)]/average total assets
   (2) Ratio or return on shareholder's equity= net income/average net shareholder's equity
   (3) Ratio of net income from the use of funds= (current net investment income + disposal of equity instruments at fair value through other comprehensive income) / [(opening utilizable funds + closing utilizable funds – current net investment income – disposal of equity instruments at fair value through other comprehensive income)/2]
   (4) Ratio of return on Investment= 2× (net investment income + disposal of equity instruments at fair value through other comprehensive income) / (opening total assets + closing total assets – net investment income – disposal of equity instruments at fair value through other comprehensive income)
   (5) Operating income to operating revenue ratio= operating income/ operating revenue
   (6) Ratio of before-tax net income to total revenue = before-tax net income/ (operating revenue + non-operating revenue)
   (7) Profit ratio= net income/net sales
   (8) Earnings per share= (net income-preferred stock dividend)/weighted average stock shares issued

(9) Ratio of investment real property and loans extended by mortgage on property to assets = real property investment and loans extended by mortgage on real property/average total assets

(3) Other significant information sufficient to enhance understanding of its financial position, financial performance and cash flows or trends of change: None.

4. Review and analysis for financial position and financial performance

(1) Comparative analysis for financial position:

Unit: NT$ thousands

Year / Item	2019	2018	Difference	
			Amount	%
Cash and cash equivalents	$85,927,723	$42,947,426	$42,980,297	100%
Receivables	26,826,102	17,549,054	9,277,048	53%
Other Financial assets and Loans	1,763,883,765	1,545,562,048	218,321,717	14%
Reinsurance assets	533,134	534,353	(1,219)	0%
Property, Plant and Equipment	14,113,541	10,722,338	3,391,203	32%
Intangible assets	190,409	230,128	(39,719)	-17%
Other assets	108,763,246	93,809,989	14,953,257	16%
Total assets	2,000,237,920	1,711,355,336	288,882,584	17%
Payables	19,417,296	10,727,086	8,690,210	81%
Other Financial liabilities	1,426,070	2,469,127	(1,043,057)	-42%
Insurance liabilities and Reserve for the Insurance Contract with the Nature of Financial Products	1,740,627,254	1,555,697,527	184,929,727	12%
Provisions	209,328	134,940	74,388	55%
Other liabilities	95,888,411	69,232,272	26,656,139	39%
Total liabilities	1,857,568,359	1,638,260,952	219,307,407	13%
Capital Stock	44,635,823	40,135,823	4,500,000	11%
Capital surplus	7,214,523	2,289,273	4,925,250	215%
Retained earnings	61,240,158	48,243,509	12,996,649	27%
Other equity	29,579,057	(17,574,221)	47,153,278	268%
Total equity	142,669,561	73,094,384	69,575,177	95%

For those items whose rate of change increase or decrease by more than 20% and the amount of change vary by more than 10 millions in two years, the analysis are as below:

① The increase in cash and cash equivalents was mainly due to increase of both domestic and foreign current and time deposits.

② The increase in receivables is mainly due to higher balance in the sale of securities receivables at year end.

③ The increasing amount of property, plant and equipment was because of the increase in the cost of Taipei Academy building construction and the expansion of the information engineering room in response to the growth of information systems.

④ The increase in payables is the result of the higher balance of investment payables at year end and the increase in policy related payables.

⑤ The decrease in other financial liabilities was the result of Taiwan dollars appreciates against US dollars in year-end, which led to reduced amount of derivative financial liabilities due to currency hedging compared with the previous year.

⑥ The increase in provisions results from the increase of provisions for employee benefits.

⑦ The increase in other liabilities mainly resulted from the increase of guarantee deposit received from counterparties of derivative financial transactions.

⑧ The increase in capital surplus was the result of the cash capital increase in 2019.

⑨ The increase in retain earnings results from the increase of pre-tax income.

⑩ The increase in other equity stems from the rise of the expand in the unrealized valuation gain on the financial assets at fair value through other comprehensive income and the financial assets apply overlay approach.

(2) Analysis for financial performance:

Unit: NT$ thousands

Year / Item	2109	2018	Amount in increase (decrease)	Percentage of change (%)
Operating revenue	$339,115,451	$338,495,113	$620,338	0%
Operating costs	318,713,973	325,583,910	(6,869,937)	-2%
Operating expenses	5,810,662	4,954,851	855,811	17%
Operating income	14,590,816	7,956,352	6,634,464	83%
Non-operating income and expenses	10,910	1,646,887	(1,635,977)	-99%
Net profit/ loss before tax	14,601,726	9,603,239	4,998,487	52%
Income tax	(1,003,848)	574,748	(1,578,596)	-275%
Net income from continuing operations	13,597,878	10,177,987	3,419,891	34%

For those items whose rate of change increase or decrease by more than 10% in two years, the analysis are as below:

① The increase in operating expense is owing to the growth of company and various kinds of expenses increase as the need in operating activities in this year.
② The increase in operating income, net profit/ loss before tax, net income from continuing operations, and income tax is owing to the increase of net investment gain.
③ The decrease in non-operating income and expenses results from the recognized gain on bargain purchase through the acquisition of Allianz Insurance policies last year.

5. Information Regarding the Company's Audit Fee:

(1) CPA fees:

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Ernst & Young	WEN-FUN FUH	CHENG-TAO CHANG	From 1 January 2019 to 31 December 2019	

Unit: NT$ thousands

Class of amount \ Item		Audit Fee	Non-audit fee	Total
1	Lower than NT$2,000 thousands			
2	NT$2,000 thousands(or NT$2,000) to NT$4,000 thousands		$2,060	$2,060
3	NT$4,000 thousands(or NT$4,000) to NT$6,000 thousands			
4	NT$6,000 thousands(or NT$6,000) to NT$8,000 thousands	7,500		7,500
5	NT$8,000 thousands(or NT$8,000) to NT$10,000 thousands			
6	NT$10,000 thousands or more			

① Non-audit fees paid to the certified public accountant, to the accounting firm of the certified public accountant, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid:

Unit: NT$ thousand

Accounting Firm	Name of CPA	Audit Fee	Non-audit fees					Audit period	Note
			System Design	Business registration	Human Resources	Others	Sub-total		
Ernst & Young	WEN-FUN FUH CHENG-TAO CHANG	7,500		98		1,962	2,060	2019	Other projects include certification services and consulting services

② When the company changes its accounting firm and the audit fees paid for the fiscal year in which such change took place are lower than those for the previous fiscal year: None.

③ When the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 10 percent or more: None.

(2) Replacement of CPA: There was no CPA change in two years and its subsequent period.