

**(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese.)**

**UNION INSURANCE CO., LTD. AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**(With Independent Auditors' Report Thereon)**

**Address: 12F., No.219, Sec. 4, Zhong Xiao E. Road, Taipei, Taiwan**  
**Telephone: +886-2-2776-5567**

The auditors' report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Financial Report Originally Issued in Chinese.)  
**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2017 and 2016**  
(Expressed in Thousands of New Taiwan Dollars)

	31 December, 2017		31 December, 2016			31 December, 2017		31 December, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>ASSETS</b>					<b>LIABILITIES AND EQUITY</b>				
Cash and cash equivalents	\$ 2,588,349	16	2,098,878	14	Accounts payables	\$ 1,271,877	8	1,197,316	8
Receivables	716,976	4	666,050	4	Insurance liabilities	10,307,142	63	10,229,033	66
Current tax assets	16,690	-	10,163	-	Reserve for insurance with nature of financial instrument	-	-	44,087	-
Financial assets at fair value through profit or loss	1,442,930	9	842,998	5	Other liabilities	51,815	-	10,346	-
Available-for-sale financial assets	1,402,480	9	1,307,205	8	Provisions	254,539	2	242,989	2
Financial assets at cost	1,319	-	1,319	-	Deferred tax liabilities	63,920	-	63,922	-
Investments in debt security with no active market	450,000	3	250,000	2	<b>TOTAL LIABILITIES</b>	<b>11,949,293</b>	<b>73</b>	<b>11,787,693</b>	<b>76</b>
Held-to-maturity financial assets	524,591	3	530,600	3					
Other financial assets — net	2,155,848	13	2,465,996	16	<b>Equity attributable to owners of parent</b>				
Investment property	1,037,349	6	1,038,614	7	Capital stock	2,129,600	13	2,129,600	14
Reinsurance assets	4,175,055	26	4,411,133	29	Legal reserve	328,895	2	292,293	2
Property and equipment	817,865	5	838,814	5	Special reserve	1,495,014	10	1,205,844	8
Intangible assets	75,045	1	101,790	1	Unappropriated retained earnings	347,153	2	25,506	-
Deferred tax assets	1,196	-	1,700	-	Exchange differences on translation of foreign financial statements	(864)	-	(1,451)	-
Other assets	882,810	5	853,360	6	Unrealized gains (losses) on available-for-sale financial assets	14,608	-	(46,149)	-
					<b>Total equity attributable to owners of parent</b>	<b>4,314,406</b>	<b>27</b>	<b>3,605,643</b>	<b>24</b>
					<b>Non-controlling interests</b>	<b>24,804</b>	<b>-</b>	<b>25,284</b>	<b>-</b>
					<b>TOTAL EQUITY</b>	<b>4,339,210</b>	<b>27</b>	<b>3,630,927</b>	<b>24</b>
<b>TOTAL ASSETS</b>	<b>\$ 16,288,503</b>	<b>100</b>	<b>15,418,620</b>	<b>100</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 16,288,503</b>	<b>100</b>	<b>15,418,620</b>	<b>100</b>

(English Translation of Financial Report Originally Issued in Chinese.)  
**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the year ended December 31, 2017		For the year ended December 31, 2016		Variance %
	Amount	%	Amount	%	
<b>Operating Revenues</b>					
Written premiums	\$ 9,113,770	126	8,506,501	135	7
Reinsurance premiums	571,518	8	584,380	9	(2)
Premiums revenues	9,685,288	134	9,090,881	144	
Less: Reinsurance expenses	3,008,515	42	3,307,161	52	(9)
Net changes in unearned premiums reserve	358,718	5	315,531	5	14
Retained earned premiums	6,318,055	87	5,468,189	87	
Reinsurance commission received	591,665	8	727,030	12	(19)
Net income(loss) from investments					
Interest income	68,479	1	58,201	1	18
Gains (losses) on financial assets at fair value through profit or loss	184,104	3	7,290	-	2,425
Realized gains (losses) on available-for-sale financial assets	21,355	-	13,443	-	59
Realized gains (losses) on financial assets or liabilities at cost	140	-	-	-	-
Foreign exchange gains (losses) — investments	(13,707)	-	(2,436)	-	(463)
Gains (losses) on investment property	48,614	1	42,892	-	13
(Reversal of) impairment loss on investments	-	-	(8,312)	-	100
Other operating revenues	21,788	-	-	-	-
<b>Total Operating Revenues</b>	<b>7,240,493</b>	<b>100</b>	<b>6,306,297</b>	<b>100</b>	
<b>Operating Costs</b>					
Insurance claim payments	5,361,984	74	4,842,758	77	11
Less: Claims recovered from reinsurers	2,060,706	28	1,955,207	31	5
Retained claim payments	3,301,278	46	2,887,551	46	
Net changes in other insurance liabilities					
Net changes in claim reserve	9,955	-	248,813	4	(96)
Net changes in special claim reserve	(41,011)	(1)	(117,402)	(2)	65
Net changes in premium deficiency reserve	(14,550)	-	(3,967)	-	(267)
Net changes in reserve for insurance with nature of financial instrument	(44,087)	(1)	-	-	-
Commission expenses	1,455,591	20	1,377,092	22	6
Finance costs	1,473	-	816	-	81
Other operating costs	66,982	1	13,462	-	398
<b>Total Operating Costs</b>	<b>4,735,631</b>	<b>65</b>	<b>4,406,365</b>	<b>70</b>	
<b>Operating Expenses</b>					
General expenses	1,469,101	21	1,365,894	22	8
Administrative expenses	375,798	5	346,489	5	8
Staff training expenses	1,292	-	1,232	-	5
<b>Total Operating Expenses</b>	<b>1,846,191</b>	<b>26</b>	<b>1,713,615</b>	<b>27</b>	
<b>Net Operating Income</b>	<b>658,671</b>	<b>9</b>	<b>186,317</b>	<b>3</b>	<b>254</b>
<b>Non-Operating Income and Expenses</b>					
Gains (losses) on disposals of property and equipment	-	-	86	-	(100)
Other non-operating income and expenses	5,129	-	31,149	-	(84)
<b>Total Non-Operating Income and Expenses</b>	<b>5,129</b>	<b>-</b>	<b>31,235</b>	<b>-</b>	
<b>Net Income Before Income Tax</b>	<b>663,800</b>	<b>9</b>	<b>217,552</b>	<b>3</b>	<b>205</b>
<b>Income Tax Expense (Gain)</b>	<b>774</b>	<b>-</b>	<b>1,442</b>	<b>-</b>	<b>(46)</b>
<b>Net Income</b>	<b>663,026</b>	<b>9</b>	<b>216,110</b>	<b>3</b>	<b>207</b>
<b>Other comprehensive income:</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
Gains (losses) on remeasurements of defined benefit plans	(16,039)	-	(37,556)	-	57
<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<b>(16,039)</b>	<b>-</b>	<b>(37,556)</b>	<b>-</b>	<b>57</b>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Exchange differences on translation of foreign operations	942	-	(678)	-	239
Unrealised gains (losses) on valuation of available-for-sale financial assets	60,354	1	(48,833)	(1)	224
<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<b>61,296</b>	<b>1</b>	<b>(49,511)</b>	<b>(1)</b>	<b>224</b>
<b>Other Comprehensive Income (net amount after tax)</b>	<b>45,257</b>	<b>1</b>	<b>(87,067)</b>	<b>(1)</b>	<b>152</b>
<b>Total Comprehensive Income</b>	<b>\$ 708,283</b>	<b>10</b>	<b>129,043</b>	<b>2</b>	
<b>Net income attributable to:</b>					
Owners of parent	\$ 663,458	9	218,479	3	
Non-controlling interests	(432)	-	(2,369)	-	
<b>Total</b>	<b>\$ 663,026</b>	<b>9</b>	<b>216,110</b>	<b>3</b>	
<b>Comprehensive income (loss) attributable to:</b>					
Owners of parent	\$ 708,763	10	133,000	2	
Non-controlling interests	(480)	-	(3,957)	-	
<b>Total</b>	<b>\$ 708,283</b>	<b>10</b>	<b>129,043</b>	<b>2</b>	
<b>Basic Earnings Per Share (Dollars)</b>	<b>\$ 3.12</b>		<b>1.03</b>		
<b>Diluted Earnings Per Share (Dollars)</b>	<b>\$ 3.11</b>		<b>1.02</b>		

(English Translation of Financial Report Originally Issued in Chinese.)  
**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity attributable to owners of parent								
	Capital	Retained Earnings			Other equity				
	Capital Stock	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange differences on translation of foreign financial statements	Unrealized Gains (Loss) on Available-For-Sale Financial Assets	Equity attributable to owners of parent	Non-controlling interests	Total equity
<b>Balance, January 1, 2016</b>	\$ 2,129,600	243,991	1,050,167	69,858	(1,028)	1,351	3,493,939	29,241	3,523,180
Net income for the year ended December 31, 2016	-	-	-	218,479	-	-	218,479	(2,369)	216,110
Other comprehensive income (loss)	-	-	-	(37,556)	(423)	(47,500)	(85,479)	(1,588)	(87,067)
Total comprehensive income (loss)	-	-	-	180,923	(423)	(47,500)	133,000	(3,957)	129,043
Appropriation and distribution of retained earnings:									
Legal reserve	-	48,302	-	(48,302)	-	-	-	-	-
Special reserve	-	-	157,507	(157,507)	-	-	-	-	-
Cash dividends on ordinary shares	-	-	-	(21,296)	-	-	(21,296)	-	(21,296)
Reversal of special reserve	-	-	(1,830)	1,830	-	-	-	-	-
<b>Balance, December 31, 2016</b>	2,129,600	292,293	1,205,844	25,506	(1,451)	(46,149)	3,605,643	25,284	3,630,927
Net income for the year ended December 31, 2017	-	-	-	663,458	-	-	663,458	(432)	663,026
Other comprehensive income (loss)	-	-	-	(16,039)	587	60,757	45,305	(48)	45,257
Total comprehensive income (loss)	-	-	-	647,419	587	60,757	708,763	(480)	708,283
Appropriation and distribution of retained earnings:									
Legal reserve	-	36,602	-	(36,602)	-	-	-	-	-
Special reserve	-	-	289,170	(289,170)	-	-	-	-	-
<b>Balance, December 31, 2017</b>	<b>\$ 2,129,600</b>	<b>328,895</b>	<b>1,495,014</b>	<b>347,153</b>	<b>(864)</b>	<b>14,608</b>	<b>4,314,406</b>	<b>24,804</b>	<b>4,339,210</b>

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**UNION INSURANCE CO., LTD. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	For the year ended December 31, 2017	For the year ended December 31, 2016
<b>Cash Flows from Operating Activities</b>		
<b>Net Income Before Income Tax</b>	\$ 663,800	217,552
<b>Adjustments:</b>		
Revenue and Expenses		
Depreciation expenses	38,490	36,770
Amortization expenses	9,666	9,330
Provision (reversal of provision) for bad debt expense	7,005	(889)
Interest income	(68,479)	(58,201)
Net changes in insurance liabilities	98,018	843,159
Net changes in reserve for insurance with nature of financial instrument	(44,087)	-
Net changes in reserve for liabilities	(4,489)	(3,330)
Losses (gains) on disposal of property and equipment	-	(86)
Losses (gains) on disposal of investment properties	(1,141)	-
Impairment loss of investments	-	8,312
<b>Subtotal of Income And Expenses Items With No Effect on Cash Flows</b>	<u>34,983</u>	<u>835,065</u>
<b>Net Changes in Operating Assets:</b>		
Decrease (increase) in notes receivable	(21,432)	(7,579)
Decrease (increase) in premium receivable	(24,427)	119,044
Decrease (increase) in other receivables	(13,639)	(2,636)
Decrease (increase) in financial assets measured at fair value through profit or loss	(599,932)	(379,921)
Decrease (increase) in other financial assets	310,148	1,337,874
Decrease (increase) in reinsurance assets	237,372	(435,707)
Decrease (increase) in current income tax assets	(6,527)	-
Decrease (increase) in available-for-sale financial assets	(35,178)	(850,188)
Decrease (increase) in held-to-maturity financial assets	6,009	(283,339)
Decrease (increase) in other assets	(29,450)	(80,284)
<b>Total Net Changes in Operating Assets</b>	<u>(177,056)</u>	<u>(582,736)</u>
<b>Net Changes in Operating Liabilities:</b>		
Increase (decrease) in payables	74,561	21,849
Increase (decrease) in other liabilities	41,469	(35,486)
<b>Total Net Changes in Operating Liabilities</b>	<u>116,030</u>	<u>(13,637)</u>
<b>Cash Flows from (Used in) Operating Activities</b>	<u>637,757</u>	<u>456,244</u>
Interest received	68,752	51,602
Income tax received	-	4,220
<b>Net Cash Flows from (Used in) Operating Activities</b>	<u>706,509</u>	<u>512,066</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of investments accounted for using equity method	(200,000)	(250,000)
Acquisition of investment properties	(1,005)	(195,505)
Proceeds from disposal of investment properties	2,050	86
Acquisition of property and equipment	(16,160)	(44,391)
Acquisition of intangible assets	(2,829)	(32,759)
<b>Net Cash Flows from (Used in) Investing Activities</b>	<u>(217,944)</u>	<u>(522,569)</u>
<b>Cash Flows from Financing Activities:</b>		
Cash dividends paid	-	(21,296)
<b>Net Cash Flows from (Used in) Financing Activities</b>	<u>-</u>	<u>(21,296)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	906	(645)
<b>Increase (decrease) in Cash and Cash Equivalents</b>	489,471	(32,444)
<b>Cash and Cash Equivalents, Beginning of The Period</b>	2,098,878	2,131,322
<b>Cash and Cash Equivalents, End of The Period</b>	<u>\$ 2,588,349</u>	<u>2,098,878</u>

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**UNION INSURANCE CO., LTD.**

**FINANCIAL STATEMENTS**

**December 31, 2017 and 2016**

**(With Independent Auditors' Report Thereon)**

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UNION INSURANCE CO., LTD.

Balance Sheets

December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

ASSETS	31 December, 2017		31 December, 2016		LIABILITIES AND EQUITY	31 December, 2017		31 December, 2016	
	Amount	%	Amount	%		Amount	%	Amount	%
Cash and cash equivalents	\$ 2,585,164	16	2,095,849	14	Accounts payables	\$ 1,254,165	8	1,179,206	8
Receivables	711,557	4	660,317	4	Insurance liabilities	10,284,374	63	10,209,237	67
Current tax assets	16,690	-	10,163	-	Reserve for insurance with nature of financial instrument	-	-	44,087	-
Financial assets at fair value through profit or loss	1,442,930	9	842,998	6	Other liabilities	51,670	-	10,087	-
Available-for-sale financial assets	1,384,607	9	1,288,285	8	Provisions	254,150	2	238,904	2
Financial assets at cost	1,260	-	1,260	-	Deferred tax liabilities	63,920	-	63,920	-
Investments accounted for using equity method—net	41,140	-	41,936	-	<b>TOTAL LIABILITIES</b>	<b>11,908,279</b>	<b>73</b>	<b>11,745,441</b>	<b>77</b>
Investments in debt security with no active market	450,000	3	250,000	2	<b>EQUITY</b>				
Held-to-maturity financial assets	524,591	3	530,600	3	Capital stock	2,129,600	13	2,129,600	14
Other financial assets—net	2,120,519	13	2,428,437	16	Legal reserve	328,895	2	292,293	2
Investment property	1,036,970	6	1,037,481	7	Special reserve	1,495,014	10	1,205,844	7
Reinsurance assets	4,151,807	26	4,391,031	29	Unappropriated retained earnings	347,153	2	25,506	-
Property and equipment	816,841	5	836,937	5	Exchange differences on translation of foreign financial statements	(864)	-	(1,451)	-
Intangible assets	74,893	1	101,609	1	Unrealized gains (losses) on available-for- sale financial assets	14,608	-	(46,149)	-
Other assets	863,716	5	834,181	5	<b>TOTAL EQUITY</b>	<b>4,314,406</b>	<b>27</b>	<b>3,605,643</b>	<b>23</b>
<b>TOTAL ASSETS</b>	<b>\$ 16,222,685</b>	<b>100</b>	<b>15,351,084</b>	<b>100</b>	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 16,222,685</b>	<b>100</b>	<b>15,351,084</b>	<b>100</b>

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## UNION INSURANCE CO., LTD.

Statements of Comprehensive Income  
For the years ended December 31, 2017 and 2016  
(Expressed in Thousands of New Taiwan Dollars)

	For the year ended December 31, 2017		For the year ended December 31, 2016		Variance %
	Amount	%	Amount	%	
<b>Operating Revenues</b>					
Written premiums	\$ 9,087,522	126	8,476,593	135	7
Reinsurance premiums	572,463	8	580,320	9	(1)
Premiums revenues	9,659,985	134	9,056,913	144	
Less: Reinsurance expenses	2,986,337	42	3,282,658	52	(9)
Net changes in unearned premiums reserve	362,577	5	315,532	5	15
Retained earned premiums	6,311,071	87	5,458,723	87	
Reinsurance commission received	581,000	8	715,684	11	(19)
Net income(loss) from investments					
Interest income	67,647	1	57,121	1	18
Gains (losses) on financial assets at fair value through profit or loss	184,104	3	7,290	-	2,425
Realized gains (losses) on available-for-sale financial assets	20,433	-	12,531	-	63
Realized gains (losses) on financial assets or liabilities at cost	140	-	-	-	-
Share of losses of associates and joint ventures accounted for using equity method	(716)	-	(3,930)	-	82
Foreign exchange gains (losses) – investments	(13,707)	-	(2,436)	-	(463)
Gains (losses) on investment property	48,649	1	43,894	1	11
(Reversal of) impairment loss on investments	-	-	(8,312)	-	100
Other operating revenues	21,788	-	-	-	-
<b>Total Operating Revenues</b>	<b>7,220,409</b>	<b>100</b>	<b>6,280,565</b>	<b>100</b>	
<b>Operating Costs</b>					
Insurance claim payments	5,360,373	74	4,836,857	77	11
Less: Claims recovered from reinsurers	2,060,122	28	1,951,515	31	6
Retained claim payments	3,300,251	46	2,885,342	46	
Net changes in other insurance liabilities					
Net changes in claim reserve	8,287	-	249,300	4	(97)
Net changes in special claim reserve	(41,011)	(1)	(117,402)	(2)	65
Net changes in premium deficiency reserve	(14,550)	-	(3,967)	-	(267)
Net changes in reserve for insurance with nature of financial instrument	(44,087)	(1)	-	-	-
Commission expenses	1,449,900	20	1,367,433	22	6
Finance costs	1,471	-	812	-	81
Other operating costs	66,917	1	13,387	-	400
<b>Total Operating Costs</b>	<b>4,727,178</b>	<b>65</b>	<b>4,394,905</b>	<b>70</b>	
<b>Operating Expenses</b>					
General expenses	1,468,988	21	1,366,165	22	8
Administrative expenses	364,596	5	330,933	5	10
Staff training expenses	1,292	-	1,232	-	5
<b>Total Operating Expenses</b>	<b>1,834,876</b>	<b>26</b>	<b>1,698,330</b>	<b>27</b>	
<b>Net Operating Income</b>	<b>658,355</b>	<b>9</b>	<b>187,330</b>	<b>3</b>	<b>251</b>
<b>Non-Operating Income and Expenses</b>					
Other non-operating income and expenses	5,103	-	30,836	-	(83)
<b>Total Non-Operating Income and Expenses</b>	<b>5,103</b>	<b>-</b>	<b>30,836</b>	<b>-</b>	
<b>Net Income Before Income Tax</b>	<b>663,458</b>	<b>9</b>	<b>218,166</b>	<b>3</b>	<b>204</b>
<b>Income Tax Expense (Gain)</b>	<b>-</b>	<b>-</b>	<b>(313)</b>	<b>-</b>	<b>100</b>
<b>Net Income</b>	<b>663,458</b>	<b>9</b>	<b>218,479</b>	<b>3</b>	<b>204</b>
<b>Other comprehensive income:</b>					
<b>Components of other comprehensive income that will not be reclassified to profit or loss</b>					
Gains (losses) on remeasurements of defined benefit plans	(16,039)	-	(37,556)	-	57
<b>Total components of other comprehensive income that will not be reclassified to profit or loss</b>	<b>(16,039)</b>	<b>-</b>	<b>(37,556)</b>	<b>-</b>	<b>57</b>
<b>Components of other comprehensive income that will be reclassified to profit or loss</b>					
Exchange differences on translation of foreign operations	587	-	(423)	-	239
Unrealised gains (losses) on valuation of available-for-sale financial assets	61,424	1	(45,289)	(1)	236
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method – components of other comprehensive income that will be reclassified to profit or loss	(667)	-	(2,211)	-	70
<b>Total components of other comprehensive income that will be reclassified to profit or loss</b>	<b>61,344</b>	<b>1</b>	<b>(47,923)</b>	<b>(1)</b>	<b>228</b>
<b>Other Comprehensive Income (net amount after tax)</b>	<b>45,305</b>	<b>1</b>	<b>(85,479)</b>	<b>(1)</b>	<b>153</b>
<b>Total Comprehensive Income</b>	<b>\$ 708,763</b>	<b>10</b>	<b>133,000</b>	<b>2</b>	
<b>Basic Earnings Per Share (Dollars)</b>	<b>\$ 3.12</b>		<b>1.03</b>		
<b>Diluted Earnings Per Share (Dollars)</b>	<b>\$ 3.11</b>		<b>1.02</b>		



(English Translation of Financial Report Originally Issued in Chinese.)  
**UNION INSURANCE CO., LTD.**  
**Statements of Changes in Equity**  
**For the years ended December 31, 2017 and 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Capital		Retained Earnings		Other equity		Total equity
	Capital Stock	Legal Reserve	Special Reserve	Unappropriated Earnings (Accumulated Deficit)	Exchange differences on translation of foreign financial statements	Unrealized Gains (Loss) on Available-For-Sale Financial Assets	
<b>Balance, January 1, 2016</b>	\$ 2,129,600	243,991	1,050,167	69,858	(1,028)	1,351	3,493,939
Net income for the year ended December 31, 2016	-	-	-	218,479	-	-	218,479
Other comprehensive income (loss)	-	-	-	(37,556)	(423)	(47,500)	(85,479)
Total comprehensive income (loss)	-	-	-	180,923	(423)	(47,500)	133,000
Appropriation and distribution of retained earnings:							
Legal reserve	-	48,302	-	(48,302)	-	-	-
Special reserve	-	-	157,507	(157,507)	-	-	-
Cash dividends on ordinary shares	-	-	-	(21,296)	-	-	(21,296)
Reversal of special reserve	-	-	(1,830)	1,830	-	-	-
<b>Balance, December 31, 2016</b>	2,129,600	292,293	1,205,844	25,506	(1,451)	(46,149)	3,605,643
Net income for the year ended December 31, 2017	-	-	-	663,458	-	-	663,458
Other comprehensive income (loss)	-	-	-	(16,039)	587	60,757	45,305
Total comprehensive income (loss)	-	-	-	647,419	587	60,757	708,763
Appropriation and distribution of retained earnings:							
Legal reserve	-	36,602	-	(36,602)	-	-	-
Special reserve	-	-	289,170	(289,170)	-	-	-
<b>Balance, December 31, 2017</b>	<b>\$ 2,129,600</b>	<b>328,895</b>	<b>1,495,014</b>	<b>347,153</b>	<b>(864)</b>	<b>14,608</b>	<b>4,314,406</b>

Note: The remuneration to directors and supervisors for December 31, 2017 and 2016 were \$6,530 and \$0, and the employees' bonuses were \$9,795 and \$6,000, which were deducted from the statements of comprehensive income, respectively.

(English Translation of Financial Report Originally Issued in Chinese.)

UNION INSURANCE CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	<u>For the year ended December 31, 2017</u>	<u>For the year ended December 31, 2016</u>
<b>Cash Flows from Operating Activities</b>		
Net Income Before Income Tax	\$ 663,458	218,166
<b>Adjustments :</b>		
Revenue and Expenses		
Depreciation expenses	36,853	32,517
Amortization expenses	9,636	9,330
Provision (reversal of provision) for bad debt expense	7,005	(503)
Interest income	(67,647)	(57,121)
Net changes in insurance liabilities	95,046	845,194
Net changes in reserve for insurance with nature of financial instrument	(44,087)	-
Net changes in reserve for liabilities	(793)	(618)
Share of losses (gains) of associates and joint ventures accounted for using equity method	716	3,930
Losses (gains) on disposal of investment properties	(1,141)	-
Impairment loss of investments	-	8,312
<b>Subtotal of Income And Expenses Items With No Effect on Cash Flows</b>	<u>35,588</u>	<u>841,041</u>
<b>Net Changes in Operating Assets:</b>		
Decrease (increase) in notes receivable	(21,432)	(7,608)
Decrease (increase) in premium receivable	(24,583)	117,421
Decrease (increase) in other receivables	(11,685)	(2,637)
Decrease (increase) in financial assets measured at fair value through profit or loss	(599,932)	(379,921)
Decrease (increase) in other financial assets	307,918	1,330,393
Decrease (increase) in reinsurance assets	240,518	(431,577)
Decrease (increase) in current income tax assets	(6,527)	-
Decrease (increase) in available-for-sale financial assets	(34,898)	(850,340)
Decrease (increase) in held-to-maturity financial assets	6,009	(283,339)
Decrease (increase) in other assets	(29,535)	(80,490)
<b>Total Net Changes in Operating Assets</b>	<u>(174,147)</u>	<u>(588,098)</u>
<b>Net Changes in Operating Liabilities:</b>		
Increase (decrease) in payables	74,959	22,311
Increase (decrease) in other liabilities	41,583	(35,610)
<b>Total Net Changes in Operating Liabilities</b>	<u>116,542</u>	<u>(13,299)</u>
<b>Cash Flows from (Used in) Operating Activities</b>	<u>641,441</u>	<u>457,810</u>
Interest received	65,808	50,141
Income tax received	-	4,220
<b>Net Cash Flows from (Used in) Operating Activities</b>	<u>707,249</u>	<u>512,171</u>
<b>Cash Flows from Investing Activities:</b>		
Acquisition of investments in debt security with no active market	(200,000)	(250,000)
Proceeds from disposal of investment properties	2,050	-
Acquisition of investment properties	(1,005)	(195,505)
Acquisition of property and equipment	(16,150)	(43,794)
Acquisition of intangible assets	(2,829)	(32,690)
<b>Net Cash Flows from (Used in) Investing Activities</b>	<u>(217,934)</u>	<u>(521,989)</u>
<b>Cash Flows from Financing Activities:</b>		
Cash dividends paid	-	(21,296)
<b>Net Cash Flows from (Used in) Financing Activities</b>	<u>-</u>	<u>(21,296)</u>
<b>Increase (decrease) in Cash and Cash Equivalents</b>	<u>489,315</u>	<u>(31,114)</u>
<b>Cash and Cash Equivalents, Beginning of The Period</b>	<u>2,095,849</u>	<u>2,126,963</u>
<b>Cash and Cash Equivalents, End of The Period</b>	<u>\$ 2,585,164</u>	<u>2,095,849</u>