



中華開發金控  
CHINA DEVELOPMENT FINANCIAL

Stock Code : 2883

# China Development Financial

## 2015 Annual Report

### Notice to readers

*This English-version annual report is a summary of the Chinese version and is not an official document of the share holders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.*

Annual Report is available at: <http://www.cdibh.com>

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## **I. Letter to Shareholders**

2015 started out with good prospects for the global economy, before changing course and taking a turn for the worse. All told, it was a year characterized by volatile markets, falling commodity prices, low inflationary pressure, low interest rates, and moderate expansionary monetary policies. The US was perhaps the most resilient economy of all, with a consistently improving employment rate and real estate market despite headwinds from the trade and manufacturing sectors. The Eurozone proved disappointing, as it continued to exhibit low inflationary pressure and sluggish growth momentum, prompting the European Central Bank to extend the duration of its QE measures. Growth of the Chinese economy had slowed down considerably as industries and economic structure underwent a series of transformation. It has proven difficult for the Chinese government to find the right balance between economic reform and risk control, as every step taken would inevitably contribute risks to the real estate, equity and debt markets. As for Taiwan, economic growth for 2015 was concluded at 0.85%, representing the worst performance since the Financial Tsunami in 2008; this slump was largely attributed to weakened demands from all over the world, coupled with China's weakened growth and the rise of China's supply chain. With regard to the capital market, the TWSE and TPEx aggregately averaged a daily trade volume of NT\$ 116.2 billion in 2015, representing a 2.5% decrease over 2014. The TAIEX opened at 9,307 and closed at 8,338, representing a yearly loss of 10.4%. Given the fact that non-US economies are still weak and have resolved to depreciate currency values as a means to stimulate economic activities, Taiwan's foreign trade performance and its path to industry transformation will undoubtedly be met with challenges. However, the government has been introducing a series of economic expansion plans and made continuous attempts, such as interest rate cuts, to restore investors' confidence and improve investment environment. These actions should provide incentives to domestic consumption in 2016 and deliver better economic growth than 2015.

On May 1, 2015, the Company transferred corporate banking and treasury businesses from subsidiary - China Development Industrial Bank to KGI Bank. This transfer provided the group with exposure to three core business activities: commercial banking, securities, and venture capital, which enables it to introduce the most completed lineup of financial services and products. However, after the recent transfer of business, the follow up operation & staff integration and IT investments did increase the Company's operation cost, while uncertainties in the global financial market had also limited the company's market potentials to a certain extent. Therefore, the company delivered a consolidated after-tax profit of NT\$ 8.6 billion (Non-controlling interests of NT\$ 870 million included) in 2015, which was lower than the NT\$



10.8 billion (Non-controlling interests of NT\$ 850 million included) in 2014. This performance was equivalent to an EPS of NT\$ 0.58 (compared to NT\$ 0.73 in 2014) and a consolidated return on equity (ROE) of 5.0% (compared to 6.3% in 2014). Performance of the three main business segments is described below:

1. KGI Bank (commercial banking):

After the business transfer with CDIB, KGI Bank has become capable of offering full range of banking services and products. Below is a description of its performance in different aspects: (1) Corporate banking operation: the bank continues to strengthen its customer relations with TSEC/TPEX listed companies and large corporations for greater cross-selling and revenue opportunities; meanwhile, the bank also strives to explore inter-bank transactions in broader product varieties and counterparties. To achieve better job specialization, the bank has established a Commercial Banking Division to provide cash management and trade financing services to privately owned companies, with the aim of the cross-sell wealth management opportunities with business owners. (2) Financial market operation: the bank strives to optimize asset allocation and deliver consistent returns by issuing bank debentures and expand deposit base, reducing capital cost and increasing its medium and long-term investments in domestic and foreign bonds, high dividend yield and value stocks. In the meantime, the bank is working closely with other members of the financial holding group to provide solutions of treasury products, wealth management and alternative investment to corporate clients, business owners as well as professional investors. (3) Consumer banking operation: the bank continues to explore new business opportunities in both unsecured lending (such as personal credit) and secured lending (such as share-backed financing, loan against beneficiary certificates, etc.). Meanwhile, through innovative new technology, a secured and simplified online loan operation is well structured. (4) Branch banking operation: the bank has been able to grow its mortgage portfolio while maintaining asset quality. With the introduction of structured products and new training plans, the bank now possesses a strong wealth management team capable of delivering professional asset management solutions to customers' satisfaction.

2. KGI Securities (securities):

The slowing economic momentum worldwide coupled with the poor performance of the global capital market and declining trading volume of Taiwan's stock market had all presented challenges to the securities business. However, KGI Securities still managed to lead the market in terms of investment banking, warrant trading, bond underwriting, and equity underwriting in particular, where it topped the market both in case count and total underwriting value. Meanwhile, KGI securities has also been actively exploring new profit sources by undertaking sophisticated

trading strategies and the underwriting of international bonds. Positive momentum also shown on its overseas operations: Increasing market share of KGI Ong Capital warrant trading in Singapore and after acquired AmFraser Securities at 1<sup>st</sup> quarter of 2015, the operational indicators of the new entity, KGI Fraser Securities has appeared promising. Moreover, with the acquisition of PT Hasta Dana Sekuritas Indonesia during the fourth quarter, KGI Securities had successfully extended its reach into the Indonesian market and complemented the group's plans in Asia. In the future, the securities segment will be undertaking more extensive integration of resources across regions and departments in order to provide the ultimate one-stop wealth management service to clients in Taiwan, Hong Kong and Southeast Asian countries and hence increase revenues from cross-selling and satisfy investors' needs for diversification.

### 3. China Development Industrial Bank (venture capital investment):

Poor performance in local and foreign stock markets undermined returns of investments that the bank invested in. Nevertheless, thanks to the contributions from the investment in biotech/healthcare sector and co-investment with international private equity funds, CDIB is able to deliver positive returns overall. In the future, the bank will attract world-renowned investment institutions to invest in sponsored PE/VC funds and thus reduce its capital commitments, and re-deploy the capital to support other business developments of the financial group. CDIB has made prominent progress in fund management: in addition to the existing CDIB Capital Creative Industries Limited, the CDIB Capital Healthcare Ventures Limited and CDIB Private Equity (Fujian) Enterprise (Limited Partnership), CDIB has recently raised its new CDIB Yida Fund Private (Kunshan) Enterprise (Limited Partnership) in mainland China in the second quarter of 2015, which successfully raised RMB 973 million funds. Furthermore, with the addition USD\$ 405 million from Asia Partners (a USD-denominated private equity fund), the total AUM (asset under management) of CDIB reached NT\$ 26.7 billion at yearend 2015, which represented a growth of more than 70% from the end of 2014. Apart from the five funds mentioned above, the launch of CDIB Capital Innovation Accelerator Ltd, CDIB Capital Growth Partners L.P. and Ali-Fund (in collaboration with Alibaba Group, China) is underway; therefore the total AUM is expected to rise further in 2016.

In terms of credit rating, in November 2015, Taiwan Ratings Corp. gave the Company a long-term rating of "twA+," a short-term rating of "twA-1," and a "Stable" outlook. This rating was recognition of the group's strong capital, robust foundation in the business of banking and securities, and well-diversified business portfolio.

In 2016, we expect the US economy to continue its solid performance, while Europe undergoes a slow recovery and China is able to strike the right balance between reform and

stability. As for emerging markets, the collapse of commodity prices coupled with the exit of foreign capital should present significant price risk, liquidity risk, and perhaps credit risk. The financial market will continue to exhibit volatility because of the different policies undertaken by various nations, but overall, the global economy is expected to make a slow or moderate recovery over the next year. In light of the rapidly changing circumstances, the Company will focus on optimizing products, services and customer relationship management in the commercial banking business, and try to utilize digital platforms and cross-selling to increase revenue contributions from wealth management and distribution of treasury products. For the securities business, the Company will aim to maintain its market competitiveness, explore overseas opportunities, optimize capital allocation, increase fee revenues, and diversify trading gains for better earnings stability. Last but not least, for the venture capital business, the Company aims to increase its asset management scale and transform into an asset manager. Moreover, it will continue focus on monetizing its asset by progressively reducing its principal investment and injecting capital into other business within the group to support the long term business plan of the Company.

In response to the highly competitive environment, the Company will continue to improve its profitability by business restructuring and seizing digital financial services opportunities, while at the same time construct a financial service network that spans across the Asia Pacific. Our employees shall continue to offer customers highly professional and differentiated services with greater passion, and take step towards becoming "the most distinguished financial group among the world's Chinese-speaking population!"

Best regards,

Chairman Mu-Tsai Chen

President Paul Yang

## **II. Company Profile**

### **2.1 Date of Incorporation**

#### **2.1.1 China Development Financial Holding Company (CDF, or “The Company”)**

Established and operated on 28 December, 2001

#### **2.1.2 Subsidiaries**

(1) China Development Industrial Bank (CDIB) :

Established and operated on 14 May, 1959

(2) KGI Securities (KGIS) :

Established on 14 September, 1988 and started operation on 10 December, 1988

(3) KGI Bank (KGIB) :

Established on 13 August, 1991 and started operation on 12 February, 1992

### **2.2 Company History**

On June 20, 2001, at a shareholders’ meeting convened by China Development Industrial Bank (CDIB), a 1-to-1 swap of shares issued by CDIB was approved by those presented. This approved resolution established the entity of China Development Financial (CDF). The approval of the competent authorities came later on November 28, 2011 and the legal establishment of CDF was formally enacted a month later on December 28, when CDF also launched its IPO on TWSE. CDF provides direct investment, corporate banking, global market and securities brokerage services and leads in direct investment in Taiwan.

CDIB, formerly China Development Corporation, was established on May 14, 1959 and was the first privately-run financial institution to operate direct investment business in Taiwan. China Development Corporation was born of the joint efforts of the Economic Stabilization Committee of the Executive Yuan, the World Bank, and private capital, and was restructured to become an industrial bank in 1999. In its more than 50 years of existence, CDIB has focused on the principal investment and corporate banking businesses, playing a crucial role in Taiwan’s venture capital market. Since the board was reshuffled in 2004, various internal structural adjustments have been made and reforms implemented, designed to fine-tune the bank’s asset quality, strengthen its financial structure, and increase its transparency. These improvements have all contributed to making investment reflect market value and to ensuring the quality of the bank’s outstanding credit. Meanwhile, CDF has stood by its founding principles of recruiting only the best-qualified professionals, utilizing extensive experience, know-how and teamwork to push the business

forward. Moreover, CDF had further expanded its business area to direct investment, corporate banking, and global markets in order to enrich its operating coverage.

On May 1, 2015, CDIB's corporate banking and financial market operations were transferred to KGI Bank. Upon completion of this transfer, CDIB will fully focus on its venture capital and private equity fund businesses in Taiwan, mainland China, and the Asia-Pacific, with a view to increasing fee revenue. CDIB will also proactively engage the group's restructuring plan to gradually dispose of investment positions and enlarge the size of managed equity funds, with the aim of becoming a leading private equity fund manager in the Asia-Pacific region.

As a subsidiary, KGI Bank (formerly Cosmos Bank) began operations in 1992 and has focused its energies on extending financial services to manufacturers, corporates and the general public. CDF resolved to conduct a share swap with Cosmos Bank at a board meeting on February 10, 2014 and during an extraordinary shareholders' meeting on April 8, 2014. Cosmos Bank became a 100%-owned subsidiary under CDF on September 15, 2014 and was renamed KGI Bank in January 2015. The merger was undertaken in order to strengthen operations and the synergies of financial products and services, as well as to expand into diverse marketing strategies.

KGI Bank's operations span the deposits/lending, wealth management, consumer banking, corporate banking, global markets, and foreign exchange transaction business. As a new member of CDF Group, KGI Bank will leverage the existing advantages of its financial businesses, utilize the abundant resources of CDF, and combine its strong corporate client relations with the market advantages of KGI Securities to aggressively develop more innovative, cutting-edge financial services. Also, to keep abreast of digital-era trends, the bank has set up a digital finance department, integrated virtual and physical channels and introduced digital financial products. It will provide SMEs clients with all-scale financial services, includes cross-border trading, trade finance, and TMU services. These efforts are ultimately aimed at creating a brand new e-commerce platform.

Supported by CDF's strong capital presence, KGI Bank will be able to wield more resources with a view to more thoroughly implementing its two-pronged strategy of cross-selling and utilizing capital for profits. This dual strategy is designed to quickly strengthen the bank's market competitiveness, expand its global business network, enhance its international profile, and win over more clients.

KGI Securities began operations in 1988 and is among the leading brokerages house in Taiwan. KGI Securities' business focuses are on: stock/future brokerage, stock/future proprietary trading, underwriting and futures introducing brokerage. Over the years, KGI

Securities has conducted multiple M&A activities and branch expansions. In December 2009, it acquired Taishin Securities and became the second largest brokerage firm in Taiwan. Aimed to expand its stock brokerage business scale, CDF obtained shares of KGI Securities via open-market purchases and stock swaps. On January 18, 2013, KGI Securities became a wholly-owned subsidiary. Later on June 22, 2013, KGI Securities merged with CDF's subsidiary Grand Cathay Securities, with KGI Securities being the surviving entity. This furthering of business integration will serve to strengthen the position of KGI Securities as a leading brokerage in Taiwan's investment banking, bond, and innovative financial products markets.

Going forward, KGI Securities plans to combine CDIB's close ties with industries in Greater China, CDIB's leadership in venture capital and private equity investment and CDF's abundant financial resources to continue its efforts to build the brokerage, bond, investment banking and innovative financial products businesses. This, ultimately, will forward its goal of becoming a standout, all-around brokerage firm in the Greater China region.

## **Accolades**

### **2002**

Asiamoney, Best Bond House in Taiwan

Asiamoney, Best Local Brokerage (Ranked #2)

FinanceAsia, Best Local Investment Bank

The Asset, Best Investment Bank in Taiwan

### **2003**

Asiamoney, Best Bond House in Taiwan

Asiamoney, Best Local Research and Sales & Trading Team

FinanceAsia, Best Local Investment Bank

The Asset, Best Investment Bank in Taiwan

### **2004**

Asiamoney, Best Bond House in Taiwan

Asiamoney, Best Local Brokerage

Global Finance Magazine, Best Investment Bank in Taiwan

### **2005**

Asiamoney, Best Local Brokerage

Global Finance Magazine, Best Investment Bank in Taiwan

### **2006**

Asiamoney, Best Bond House in Taiwan

Asiamoney, Best Local Brokerage (Ranked #1), Best Overall Sales (Ranked #1), Best Sales Trading (Ranked #1), Best Execution (Ranked #1)

FinanceAsia, Best Bond House in Taiwan

The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds (Ranked #1)

The Asset, Best Bond House in Taiwan

The Asset, Deals of the Year

## **2007**

Asiamoney, Best Bond House in Taiwan

FinanceAsia, Best Bond House in Taiwan

The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds (Ranked #2)

The Asset, Best Bond House in Taiwan

## **2008**

Asiamoney, Best Bond House in Taiwan

The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds & Corporate Bonds (Ranked #1), and Leading Bank in Taiwan Dollar Government Bonds (Ranked #2)

## **2009**

Asiamoney, Best Bond House in Taiwan

Asiamoney, Best Managed Company (Medium Cap) for Taiwan, and Best Debt House - Taiwan

FinanceAsia, Best Bond House - Taiwan

Financial Supervisory Commission, First class award in risk management assessment

The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds (Ranked #2), and Leading Bank in Taiwan Dollar Corporate Bonds (Ranked #2)

## **2010**

Asiamoney, Best Local Brokerage (Ranked #2)

The Asset, Asian Currency Bond Benchmark Survey, Best Domestic Bond House, Corporate Bonds Market Share 1st Bank, and Government Bonds Market Share 2nd Bank

## **2011**

Asiamoney, Best Domestic Bond House, Best Fixed Income Local Provider for Interest Rates Products (Ranked #2), and Best Local Brokerage (Ranked #2)

Department of Treasury of the Central Bank, Best Government Bond Dealer (Ranked #1)

FinanceAsia, Best Equity House and Best Bond House

Financial Supervisory Commission, First class award in risk management assessment



GreTai Securities Market, Excellent Issue of New Financial Products, Golden Laureate Award

GreTai Securities Market, Excellent Listing Recommended of GTSM Market (Emerging Stock Board), Golden Laureate Award

GreTai Securities Market, Excellent Stock/Bond Underwriter, Golden Laureate Award

Taiwan External Trade Development Council (TAITRA), Top 20 Taiwan Global Brands

The 11th Golden Goblet Award, Outstanding Securities Expertise, and Outstanding Financial Innovation

The Asset, Asian Currency Bond Benchmark Survey, Best Domestic Bond House, Top Bank in the Secondary Market for Government Bonds, Taiwan, and Top Bank Arranger – Quality and Number of Primary Government Bond Deals, Taiwan

World Finance, Best Investment Bank 2011 – Taiwan

## **2012**

Asiamoney, Best Foreign and Local Brokerages in Taiwan Research (Ranked #3), Best Execution Award (Ranked #3), Best Roadshow and Company Visit Award (Ranked #2)

GreTai Securities Market, Best Market Making for Government Bonds (Ranked #3), 1st half of 2012

Taiwan Stock Exchange, Outstanding Innovation Award

The Asset, Asian Currency Bond Benchmark Survey, Top Bank in the Secondary Market for Government Bonds

## **2013**

Asiamoney, Best Foreign and Local Brokerages in Taiwan Research (Ranked #3)

Global Views Monthly, 11th “Service Industry Survey”, Banking Category, (Ranked #4)

GreTai Securities, Central Government Bond Market Maker Review (Ranked #3), 2nd half of 2013

GreTai Securities, Most IPO Cases in the GreTai Securities Market (GTSM) and Registrations in the Emerging Stock Market in 2013

Taiwan Central Bank, Best Government Bond Dealer

The Asset, Best Bond House in Taiwan

TWSE, IPO Fund-raising (Ranked #1), SPO Fund-raising (Ranked #1), and IPO Market Value (Ranked #2)

TWSE, Number of Warrants Issued (Ranked #2), Total Value of Warrant Transactions (Ranked #2), and Best Warrant Market Maker in Taiwan

## **2014**

BSI, BS10012:2009 Specification for a Personal Information Management System

FinanceAsia, Best Taiwan DCM House

FinanceAsia Country Awards, Best Taiwan Investment Bank, Best Taiwan DCM, Best Taiwan ECM

GreTai Securities Market, Bond Trading (Ranked #1), and Bond Issue (Ranked #2), Golden Laureate Award

GreTai Securities Market, Listing Advisory Service (Ranked #1), and Emerging Stock Market Making (Ranked #2), Golden Laureate Award

GreTai Securities Market, OTC Derivatives Transaction Volume (Ranked #1), and Number of New Issues of Warrants (Ranked #3), Golden Laureate Award

GreTai Securities Market, Brokerage (Ranked #2), Golden Laureate Award

Taiwan Central Bank, Best Government Bond Dealer

The Asset, Best Bond House in Taiwan

TWSE, SPO Fund-raising (Ranked #1)

TWSE, Total Value of Warrant Transactions (Ranked #2), and Number of Warrants Issued (Ranked #3)

## **2015**

FinanceAsia, Best Taiwan DCM House

The Asset, Best Bond House in Taiwan

The Asset, Asian Currency Bond Benchmark Survey, Leading Bank in Taiwan Dollar Government Bonds (Ranked #1)

The Asset, Asian Currency Bond Benchmark Survey, Top Bank in the Secondary Market for Corporate Bonds (Ranked #1)

Euromoney, Awards for Excellence, Best Investment Bank in Taiwan

Asiamoney, Best Foreign and Local Brokerages in Taiwan Research (Ranked #3)

TWSE, SPO Fund-raising (Ranked #1)

TWSE, Securities Dealers ETF Trading Contest, Distinguished Contribution Award

TWSE, Best Warrant Market Maker in Taiwan

Taipei Exchange, Best Government Bond Market Maker

Taiwan Future Exchange, Futures Trading Diamond Awards, Outstanding Contribution by Introducing Brokers, Outstanding Contribution by Futures Proprietary Merchants, and Performance Excellence by RHF Market Makers

Wealth Magazine, Consumer Financial Services and Financial Holdings CSR Awards, Best Brokerage Brand (Ranked #2), and Best Brokerage Services

Business Today Wealth Management Review, Best Service (Ranked #1), and Best Wealth Management for Securities Houses, Best Sales Team, Best Product, and Best Digital Development (Ranked #2)

Financial Information Service Co., Outstanding Bank in Promotion of Virtual Cash Flow Business

TAIFEX Futures Trading Diamond Awards, Growth in Trading Volume for Banks (Ranked #2)

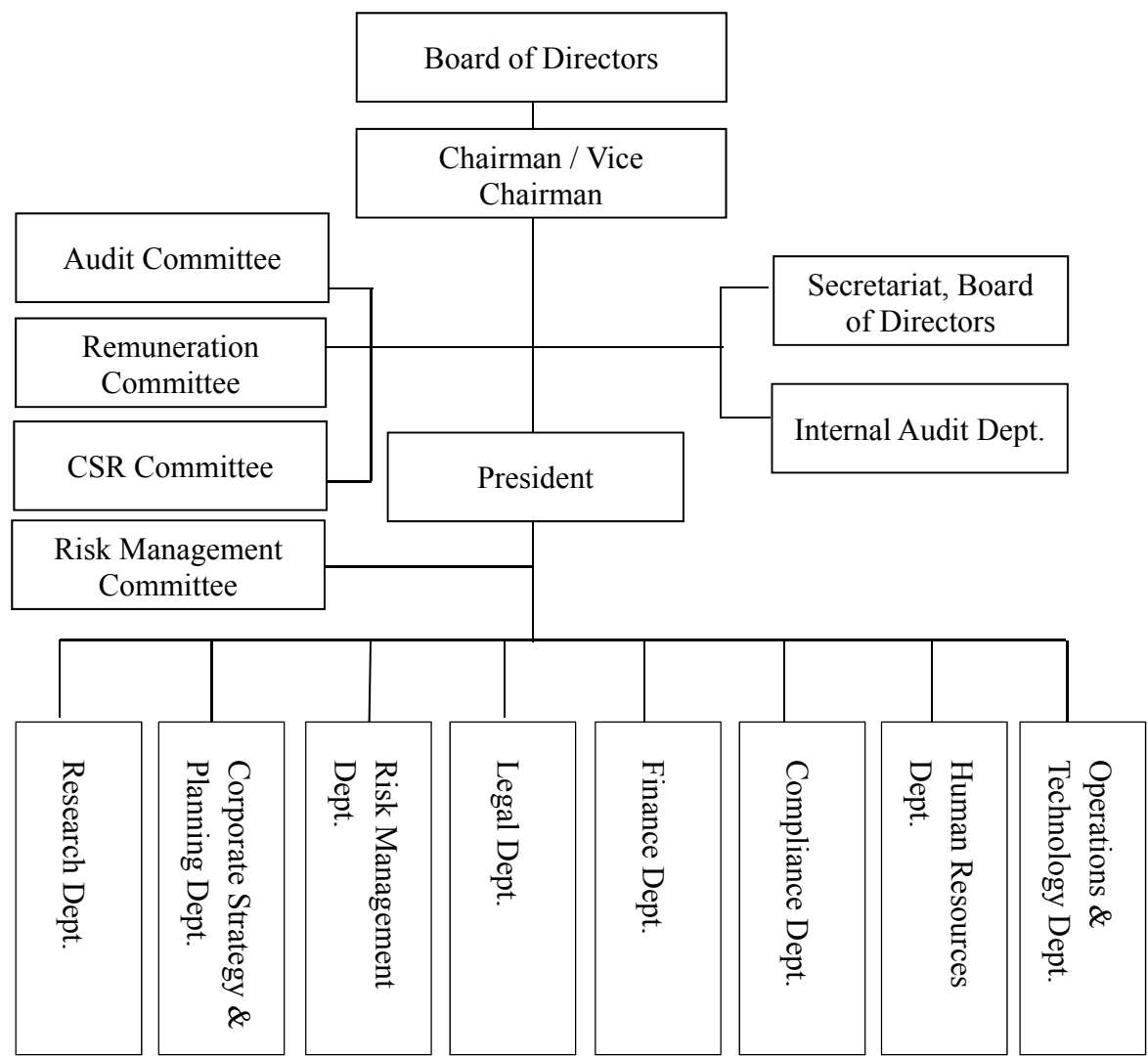
ISO 14001: 2015 Environmental Management Certification by BSI

### III. Corporate Governance Report

#### 3.1 Organization

##### 3.1.1 Organization and responsibilities of key departments

###### A. Organization chart of CDF



## **B. Functions of Key departments**

Secretariat, Board of Directors	Secretarial duties for the Board of Directors, Audit Committee and other functional committees under the Board of Directors; handling stock-related matters
Internal Audit Department	Responsible for matters relating to business audits and internal controls
Research Department	Corporate credit checking, industry research, macroeconomic research
Corporate Strategy and Planning Department	Strategic planning, administration of subsidiaries, investor relations, media and general shareholder relations, sponsorship of charitable activities and material information disclosure
Risk Management Department	Managing risk, including credit risk, market risk and operational risk
Legal Department	Responsible for handling all legal related issues
Finance Department	Financial management, capital management, and performance management; handling of all accounting-related matters
Compliance Department	Planning, administration and execution of compliance policy
Human Resources Department	Human resource management, employee relations and matters relating to the Remuneration Committee
Operations and Technology Department	General affairs, IT and operations

## **C. Primary duties of functional committees**

### **1. Audit Committee**

The Audit Committee consists of all independent directors of CDF. The powers of the Committee are as follows:

The adoption of or amendments to the internal control system pursuant to Article 14-1 of the Securities and Exchange Act;

Assessment of the effectiveness of the internal control system;

The adoption or amendment, pursuant to Article 36-1 of the Securities and Exchange Act, of the procedures for handling financial or business activities of a material nature, such as acquisition or disposal of assets, derivatives trading, loaning of funds to others, and endorsements or guarantees for others;

Matters in which a director is an interested party;

Asset transactions or derivatives trading of a material nature;

The offering, issuance, or private placement of equity-type securities;

The hiring or dismissal of a certified public accountant, or their compensation;

The appointment or discharge of a financial, accounting, or internal audit officer;

Annual and semi-annual financial reports; and

Other material matters as may be required by this Corporation or by the competent authority.

### **2. Remuneration Committee**

The Remuneration Committee consists of all independent directors. Its duties are:

Establishing and periodically reviewing the policy, system, standards and structure of the performance evaluation and remuneration of directors (including the chairman and vice chairman) and management members;

Periodically assessing and setting the remuneration contents and structure of directors (including the chairman and vice chairman) and management members; and

Deciding on matters assigned by the Board of Directors.

With the exception of matters assigned by the Board of Directors and regulations and rules approved by the Board of Directors, which may be implemented after the Remuneration Committee gives its approval, all decisions made by the Committee must be sent to the Board of Directors for discussion.

### 3. CSR Committee

CDF has established a CSR Committee, which reports to the Board of Directors, in order to proactively participate in public affairs, promote the balance between the economy, society and environment, and implement corporate social responsibility policies with a view to corporate sustainability. The Committee has the following duties:

Determining the annual corporate social responsibility plan and strategy;

Determining corporate social responsibility projects and activity plans;

Tracking and reviewing the execution results of the annual corporate social responsibility plan, strategy and activities;

Reviewing and approving the corporate social responsibility report; and

Determining other matters relating to corporate social responsibility and public affairs participation as assigned by the Board of Directors.

### 4. Risk Management Committee

The Risk Management Committee was established in order to ensure the consistency, appropriateness, stability and transparency of the risk management mechanisms of CDF and its subsidiaries by integrating, planning, overseeing and managing the various risk areas of CDF and its subsidiaries. The duties of the Committee are:

Fostering a risk-management oriented culture within CDF; deepening and expanding risk management; and boosting the effectiveness of risk management;

Reviewing the risk management framework via the procedures of identifying, assessing, monitoring, reporting and responding to risks, including key risks such as market, credit and operational risks; establishing a top-down, cross-firm and cross-business risk management and reporting regime to effectively manage risk;

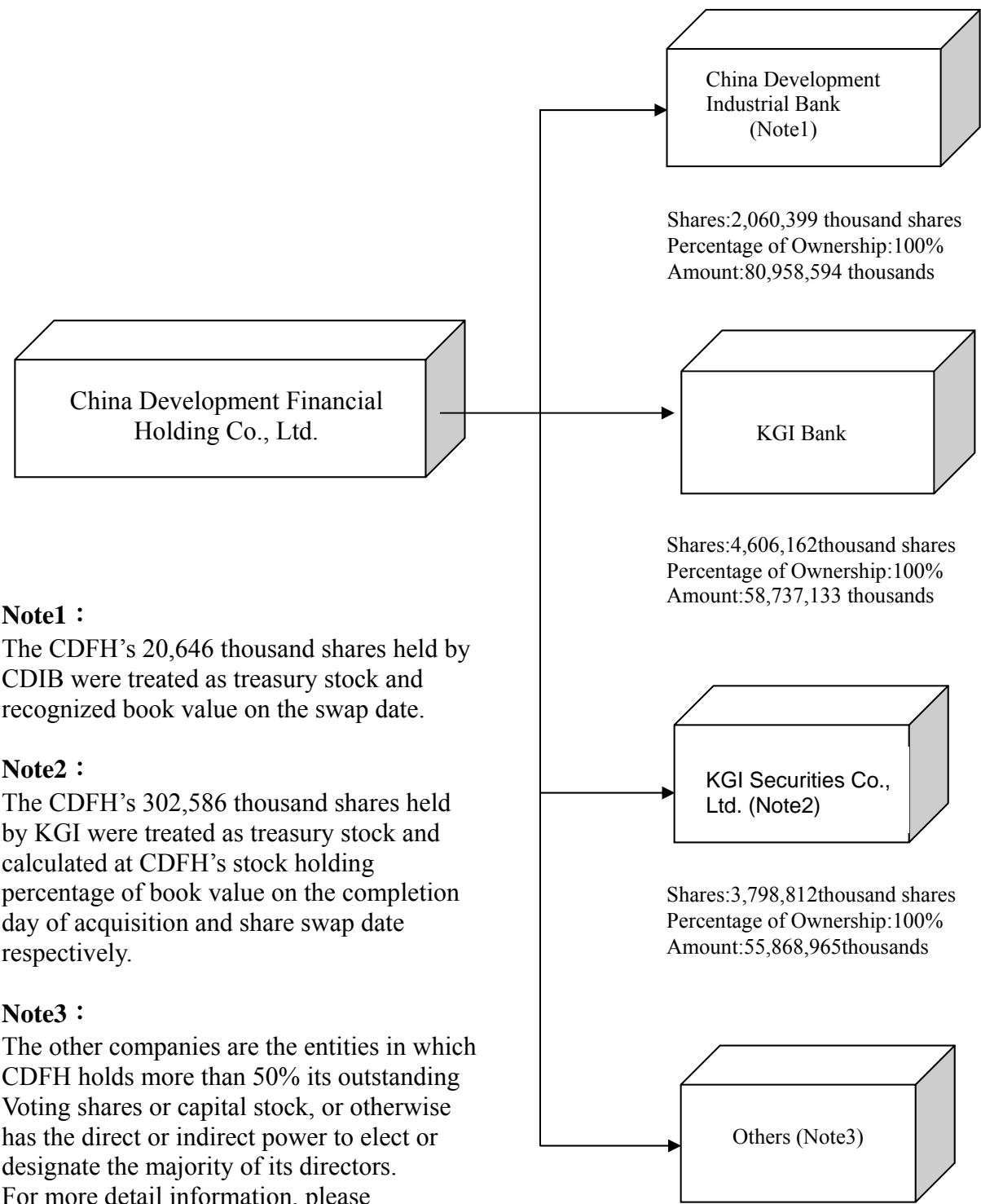
Supervising the establishment of the risk management framework; overseeing the execution of overall risk management practice;

Periodically reviewing the risk management reports of CDF and its subsidiaries, including reports on market, credit, operational, interest rate and liquidity risks, in order to evaluate whether the risks undertaken by CDF and its subsidiaries are within the established risk tolerance, and to assess the implementation of the risk management system. In addition, the Committee periodically reviews and analyzes, from the financial holding company's overall perspective, various risk-concentration situations at CDF and its subsidiaries; and

Periodically reporting to the Board of Directors of CDF the execution of risk management by CDF and its subsidiaries, as well as proposals for improvement. In the event of a major risk event, the Committee shall ensure that all subsidiaries adopt appropriate measures and report to the Board of Directors of CDF.

3.1.2 Organizational Chart

Date: December 31, 2015



**Note1 :**  
The CDFH’s 20,646 thousand shares held by CDIB were treated as treasury stock and recognized book value on the swap date.

**Note2 :**  
The CDFH’s 302,586 thousand shares held by KGI were treated as treasury stock and calculated at CDFH’s stock holding percentage of book value on the completion day of acquisition and share swap date respectively.

**Note3 :**  
The other companies are the entities in which CDFH holds more than 50% its outstanding Voting shares or capital stock, or otherwise has the direct or indirect power to elect or designate the majority of its directors. For more detail information, please refer to 8.1 Summary of Affiliated Companies.



## 3.2 Directors, President, Executive Vice Presidents, Vice President and Management Team

### 3.2.1 Directors

February 29, 2016

Title	Nationality / Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Chairman	R.O.C	Kai Don Investment Co., Ltd.	06/13/2013	3	04/05/2004	900,611	0.01	900,611	0.01	0	0	0	0	Master's degree in Economics, National Taiwan University; Chairman, China Development Industrial Bank	None	None	None	None
		Representative Mu-Tsai Chen	06/13/2013	3	04/12/2004 (Note1)	0	0	0	0	0	0	0	0					
Director/ Vice Chairman	R.O.C	Chi Jie Investment Co., Ltd.	06/13/2013	3	04/05/2004	917,249	0.01	917,249	0.01	0	0	0	0	Ph.D., Purdue University, U.S.A.; MINISTRY OF ECONOMIC AFFAIRS Minister	Chairman, China Development Industrial Bank	None	None	None
		Representative Chia-Juch Chang	10/27/2014	3	07/01/2006 (Note2)	353,992	0.00	353,992	0.00	0	0	0	0					
Independent Director	R.O.C	Ching-Yen Tsay	06/13/2013	3	06/15/2007	0	0	0	0	0	0	0	0	Ph.D., University of Utah, U.S.A.; Compal Electronic, INC group senior advisor	Independent Director / Managing Director, China Development Industrial Bank; Chairman, Industrial Technology Research Institute; Chairman, Golden Asia Fund Taiwan Ltd.; Chairman, Golden Asia Fund Ventures Ltd.	None	None	None
Director	R.O.C	GPPC Chemical Corp.	06/13/2013	3	04/05/2004	12,109,973	0.08	12,109,973	0.08	0	0	0	0	Doctor of Business Administration, Nova University, Fort Lauderdale, Florida, U.S.A.; Senior Executive Vice President, China Development Industrial Bank	Managing Director/Vice Chairman, China Development Industrial Bank; Managing Director, CDIB & Partners Investment Holding Corporation; Chairman, CDIB Private Equity (China) Corporation; Chairman, CDIB Capital Management Corporation; Chairman, CPEC Huakai Private Equity (Fujian) Co. Ltd.; Chairman, CDIB Private Equity (HK) Corporation Ltd.; Chairman, CPEC Huachang Private Equity (Kunshan) Co. Ltd; Supervisor, Overseas Investment & Development Corporation; Chairman, CDIB Venture Capital(HK) Corporation Ltd.; Director, CDIB Venture Capital Corporation	None	None	None
		Representative David Chen	06/13/2013	3	06/18/2010 (Note3)	9,073,735	0.06	735	0.00	4,300,000	0.03	0	0					

Title	Nationality / Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Director	R.O.C	Chi Jie Investment Co., Ltd.	06/13/2013	3	04/05/2004	917,249	0.01	917,249	0.01	0	0	0	0	M.B.A., The George Washington University, Washington, D.C., U.S.A.; Director General, Insurance Bureau of Financial Supervisory Commission	Chairman, KGI Bank; Board Supervisor, Chinese National Association of Industry and Commerce; Executive Director, Financial Executives Institute Executive Director, Spring Foundation of National Chiao-Tung University (NCTU); Vice Chairman, Association of NCTU Alumni	None	None	None
		Representative Mark Wei	06/19/2013	3	06/19/2013	0	0	0	0.00	20,000	0.00	0	0					
Director	R.O.C	Kai Don Investment Co., Ltd.	06/13/2013	3	04/05/2004	900,611	0.01	900,611	0.01	0	0	0	0	M.B.A., Harvard University; MS, Massachusetts Institute of Technology Senior Executive Vice President and Chief Investment Officer, China Development Financial Holdings Corp.	Director and President, China Development Industrial Bank; Chairman, CDIB Capital International Corporation; Director, CDIB Capital International (Korea) Corporation; Director, CDIB Capital International (Hong Kong) Corporation Ltd.; Director, CDIB Capital International (USA) Corporation; Director, CDIB Capital Investment I Limited; Director, CDIB Capital Investment II Limited; Director, CDIB Global Markets Limited; Director, CDIB Venture Capital (HK) Corporation Ltd.; Director, CDIB Venture Capital Corp.; Director, CDIB Private Equity (China) Corp.; Director, CDIB Capital Management Corp.; Director, ShareHope Medicine Co., Ltd.; Director, Shane Global Holding Inc.; Director, CDIB Capital Asia Partners Ltd.; Director, Private Equity (Hong Kong) Corporation Ltd.	None	None	None
		Representative Paul Yang	06/13/2013	3	05/04/2009	10,070,781	0.07	19,691,682	0.13	0	0	0	0					
Director	R.O.C	Shin Wen Investment Co., Ltd.	06/13/2013	3	06/15/2007	650,252,192	4.33	650,252,192	4.30	0	0	0	0	B.A. in Business Administration, University of Washington, U.S.A.; Director, Singapore Transmarco Limited	Director, Lee Kim Yew(Pte) Ltd.; Director, Lee Kim Yew (Trading) Pte. Ltd.; Director, Lee Kim Yew (Property) Pte. Ltd.	None	None	None
	Singapore	Representative Howe Yong Lee	06/13/2013	3	06/18/2010 (Note4)	1,969,234	0.01	1,969,234	0.01	0	0	0	0					

Title	Nationality / Country of Origin	Name	Date Elected	Term (Years)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience ( Education )	Other Position	Executives, Directors or Supervisors who are spouses or within two degrees of kinship		
						Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
Director	R.O.C	Shin Wen Investment Co., Ltd	06/13/2013	3	06/15/2007	650,252,192	4.33	650,252,192	4.30	0	0	0	0	B.A. in Economics, National Taiwan University; President, First Commercial Bank	Director, KGI Bank; Independent Director, TCI CO., LTD	None	None	None
		Representative Long-I Liao	06/13/2013	3	07/01/2006	0	0	0	0	0	0	0	0					
Director	R.O.C	Bank of Taiwan Co., Ltd.	06/13/2013	3	12/28/2001	205,999,742 (Note5)	1.37	205,999,742 (Note5)	1.36	0	0	0	0	Ph.D. in Economics, Georgia State University, U.S.A.; SVP & General Manager, Department of Credit Analysis, Bank of Taiwan Co., Ltd.; SVP & General Manager, Department of Auditing, Bank of Taiwan Co., Ltd.	SVP & General Manager, Department of Economic Research, Bank of Taiwan Co., Ltd.	None	None	None
		Representative Shing-Shiang Ou	03/02/2014	3	12/28/2001 (Note6)	0	0	0	0	0	0	0	0					
Independent Director	R.O.C	Hue-Sun Teng	06/13/2013	3	06/18/2010	0	0	0	0	0	0	0	0	M.A. in Business Administration, Middle Tennessee State University, U.S.A.; Senior Vice President, Fullerton Financial Holdings Pte. Ltd. Singapore	Independent Director, China Development Industrial Bank	None	None	None
Independent Director	R.O.C	Gilbert T.C. Bao	06/13/2013	3	04/05/2004	0	0	0	0	0	0	0	0	B.A.in Economics, University of Southern California, U.S.A.; Chairperson, Taiwan Man-Made Fiber Industries Association	Independent Director, China Development Industrial Bank; Chairman, Chung Shing Textile Co., Ltd.; Chairman, Chong Bai Department Store Co., Ltd.; Director, Chung Shing Textile Marketing Co., Ltd.; Chairman, Baw, Chao-Yun Charity Foundation; Executive Supervisor, Taiwan Spinner's Association; Managing Director, Taiwan Man-Made Fiber Industries Association; Managing Director, Textile Printing Dyeing & Finishing Association	None	None	None

Note 1 : Was not acting as director between April 2006 and December 11, 2008

Note 2 : Was not acting as director between February 17, 2013 and October 26, 2014

Note 3 : Was not acting as director between July 25th 2011 - December 31st 2011

Note 4 : Was not acting as director between June 25th 2011- July 24th 2011

Note 5 : Shares held by Bank of Taiwan Co., Ltd. does not include shares held by the financial department of Bank of Taiwan.

Note 6 : Was not acting as director between April 6th 2004 - April 19th 2004, July 2nd 2007 - December 17th 2008, August 1st - 2011 - March 1st 2015

**Chart 1: Major shareholders of the institutional shareholders**

February 29, 2016

Name of Institutional Shareholders	Major Shareholders	Percentage (%)
Kai Don Investment Co., Ltd.	Wen-Yao Lai	99.99
Chi Jie Investment Co., Ltd.	Hen-Yu Chen	99.99
GPPC Chemical Corp.	Grand Pacific Petrochemical Corp.	100.00
Shin Wen Investment Co., Ltd.	Wei Hung Investment Co., Ltd.	100.00
Bank of Taiwan Co., Ltd.	Taiwan Financial Holding Co., Ltd.	100.00

**Chart2: Major shareholders of the Company's major institutional shareholders**

February 29, 2016

Name of Institutional Shareholders	Major Shareholders	Percentage (%)
Grand Pacific Petrochemical Corp.	KGI Securities Co., Ltd.	7.67
	Cathay Life Insurance Co., Ltd.	6.55
	Labor Pension Fund (the New Fund)	4.57
	HSBC Direct Custody-Morgan Stanley & Co. International Plc	3.91
	Chung Kwan Investment Co., Ltd.	3.05
	Fubon Life Insurance Co., Ltd.	3.02
	China Life Insurance Co., Ltd.	2.55
	Labor Retirement Fund (the Old Fund)	2.54
	Shin Wen Investment Co., Ltd	2.21
	Jing Kwan Investment Co., Ltd.	2.20
Wei Hung Investment Co., Ltd.	Prime Bridge International Limited.	100.00
Taiwan Financial Holding Co., Ltd.	Ministry of Finance	100.00

## Professional qualifications and independence analysis of directors and supervisors

February 29, 2016

Name	Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
		An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	1	2	3	4	5	6	7	8	9	10	
Kai Don Investment Co., Ltd. Representative Mu-Tsai Chen		✓	✓	✓	✓		✓	✓	✓		✓	✓	✓		0
Chi Jie Investment Co., Ltd. Representative Chia-Juch Chang		✓		✓	✓		✓	✓	✓		✓	✓	✓		0
Ching-Yen Tsay		✓		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
GPPC Chemical Corp. Representative David Chen				✓	✓		✓	✓	✓		✓	✓	✓		0
Chi Jie Investment Co., Ltd. Representative Mark Wei				✓	✓		✓	✓	✓		✓	✓	✓		0
Kai Don Investment Co., Ltd. Representative Paul Yang				✓			✓	✓	✓		✓	✓	✓		0
Shin Wen Investment Co., Ltd Representative Howe Yong Lee				✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Shin Wen Investment Co., Ltd Representative Long-I Liao				✓	✓		✓	✓	✓		✓	✓	✓		1
Bank of Taiwan Co., Ltd Representative Shing-Shiang Ou				✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Hue-Sun Teng				✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0
Gilbert T.C. Bao				✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	0

Note: Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

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

### Skill Matrix of Director Candidates

Nominated Candidates			Key Areas of Knowledge, Skills, and Experience											
Name	Age	Years on CDF's Board	Execution & Strategic Planning	Government & Public Policy	Corporate Governance	Investment	Marketing Leadership	Human Resources	Risk Management	Financial	Securities/ Insurance	Commercial Banking	Info Technology	International Experience
Chia-Juch Chang	Over 65	5-10	✓	✓	✓	✓								✓
Paul Yang	36-50	5-10	✓		✓	✓	✓	✓						✓
Long-I Liao	Over 65	5-10	✓		✓				✓	✓		✓		
Howe Yong Lee	50-65	2-4	✓			✓				✓				✓
Mark Wei	50-65	2-4	✓	✓	✓					✓	✓	✓		✓
Shing-Shiang Ou	50-65	5-10		✓								✓		✓
Ching-Yen Tsay	Over 65	5-10	✓	✓	✓	✓							✓	
Gilbert T.C. Bao	50-65	10+	✓		✓	✓				✓				✓
Hsiou-Wei Lin	50-65	-			✓	✓			✓	✓				

## Profiles of the Director Candidates

### Dr. Chia-Juch Chang Director(Vice Chairman of Board)

*Current Position:*  
Vice Chairman of China  
Development Financial  
Holding Corporation;  
Chairman of China  
Development Industrial  
Bank



*Age: 66*

*Director since: 2006*

*Attendance:*

2014

*Board: 3 of 3, 100%  
(Since October 2014)  
Committee: N/A*

2015

*Board: 18 of 18, 100%  
Committee: N/A*

### Education

Ph.D., Engineering, Purdue University, U.S.A, 1979

### Key Areas of Expertise/Experience

Senior Executive/ Strategic Leadership  
Government/ Public Policy  
Corporate Governance  
Investments  
International Experience

### Professional Background

- Vice Chairman, China Development Financial Holding Corporation (July 2010~February 2013 & Since October 2014)
- Chairman, China Development Industrial Bank (Since October 2014)
- Minister, Ministry of Economic Affairs, R.O.C. (February 2013-August 2014, 1.5 years)
- Chairman & CEO, China Airlines Corporation (December 2010~February 2013, 2 years)
- Chairman & CEO, China Steel Corporation (August 2008~June 2010, 1.8 years)
- Supervisor / Managing Director, China Development Financial Holding Corporation & China Development Industrial Bank (July 2006~ February 2013, 6.5 years)
- President & Distinguished Chair Professor, Chung Hua University, Hsinchu, Taiwan (August 2005~August 2008, 3 years)
- Chairman, Chunghwa Post Co., Ltd. (December 2002)
- Director-General, Institute of Transportation / Vice Minister, Ministry of Transportation and Communications, R.O.C. (October 1987~June 2005, 18 years)
- Professor & Director, Institute of Traffic and Transportation, National Chiao Tung University, Hsinchu, Taiwan (August 1982~August 1987, 5 years)

<b>Mr. Paul Yang</b> <b>Director</b>	<b>Education</b>
<i>Current Position:</i> President & CEO of China Development Financial Holding Corporation; President & CEO of China Development Industrial Bank; Chairman of CDIB Capital International Corporation	M.B.A., Harvard University, U.S.A. M.S. in Mechanical Engineering, Massachusetts Institute of Technology, U.S.A
	<b>Key Areas of Expertise/Experience</b>
<i>Age:</i> 48	Strategy, Vision and Mission Planning Business and Marketing Leadership Human Resources Management Corporate Governance Investment International Experience
<i>Director since:</i> 2009	<b>Professional Background</b>
<i>Attendance:</i>	<ul style="list-style-type: none"> <li>• President &amp; CEO, China Development Financial Holding Corporation (Since August 2011)</li> <li>• President &amp; CEO, China Development Industrial Bank (Since October 2011)</li> <li>• Chairman, CDIB Capital International Corporation (Since February 2012)</li> <li>• Senior Executive Vice President &amp; Chief Investment Officer, China Development Financial Holding Corporation (2 years)</li> <li>• Executive Vice President &amp; Chief Investment Officer, China Development Financial Holding Corporation (3.5 years)</li> <li>• Managing Director &amp; Head, Private Equity and Mezzanine Finance, DBS Bank (4 years)</li> </ul>
<u>2014</u> Board: 15 of 20, 75% Committee: N/A	
<u>2015</u> Board:14 of 18, 78% Committee: N/A	



<b>Mr. Long-I Liao</b> <b>Director</b>	<b>Education</b> B.A. in Economics, National Taiwan University
<i>Current Position:</i> Director of KGI Bank; Independent Director of TCI Co., Ltd.	
	<b>Key Areas of Expertise/Experience</b> Senior Executive/ Strategic Leadership Risk Management Financial Services Corporate Governance Commercial banking Management
<i>Age: 76</i>  <i>Director since: 2006</i>  <i>Attendance:</i>  <u>2014</u> <i>Board: 20 of 20, 100%</i> <i>Committee: N/A</i>  <u>2015</u> <i>Board: 18 of 18, 100%</i> <i>Committee: N/A</i>	<b>Professional Background</b> <ul style="list-style-type: none"> <li>• Managing Director / Director, China Development Financial Holding Corporation (Since July 2006)</li> <li>• Director, KGI Bank (Since September 2014)</li> <li>• Independent Director, TCI Co., Ltd. (Since March 2012)</li> <li>• Director / Managing Director, China Development Industrial Bank (July 2006~September 2014, 8 years)</li> <li>• Vice President / President, First Commercial Bank (June 1997~April 2006, 9 years)</li> <li>• Chairman, Trust Association of R.O.C. (1 year)</li> </ul>

<b>Mr. Howe Yong Lee</b> <b>Director</b>	<b>Education</b> B.A. in Business Administration, University of Washington , U.S.A., 1984
<i>Current Position:</i> Director of Lee Kim Yew (Pte.) Ltd.; Director of Lee Kim Yew (Trading) Pte. Ltd., Director of Lee Kim Yew (Property) Pte. Ltd., Singapore	
	<b>Key Areas of Expertise/Experience</b> Senior Executive/ Strategic Leadership Financial Services Investments International Experience
<i>Age: 60</i>  <i>Director since:2011</i>  <i>Attendance:</i>  <u>2014</u> Board:10 of 20, 50% Committee: N/A  <u>2015</u> Board:7 of 18 , 39% Committee: N/A	<b>Professional Background</b> <ul style="list-style-type: none"> <li>• Director, Lee Kim Yew (Pte.) Ltd. (Since September 1979)</li> <li>• Director, China Development Financial Holding Corporation (Since July 2011)</li> <li>• Supervisor, China Development Financial Holding Corporation (June 2010~June 2011, 1 year)</li> <li>• Independent Non-Executive Director, GigaMedia Limited (2004~2012, 8 years)</li> <li>• Director, China Development Corporation Limited, Hong Kong (1997~2000, 2.5 years)</li> <li>• Director, Transmarco Limited, Singapore (1995~1997, 2 years)</li> </ul>

<b>Mr. Mark Wei</b> <b>Director</b>	<b>Education</b>
<i>Current Position:</i> Chairman of KGI Bank	MBA (International Business), The George Washington University, Washington, D.C., 1991
	MS (Financial Management), Benjamin Franklin University, Washington, D.C., 1987 BA (Marine Management), National Chiao Tung University, Hsinchu, Taiwan, 1980
	<b>Key Areas of Expertise/Experience</b> Senior Executive/ Strategic Leadership Insurance Industry Financial Services Corporate Governance Government/ Public Policy Commercial Banking International Experience
	<b>Professional Background</b>
<i>Age:</i> 58	<ul style="list-style-type: none"> <li>5 years ( 2005~2010 ) with AIG subsidiaries in Taiwan, including Chairman of AIG Investments, AIG Wealth Management Services, and AIG General Insurance ( Chartis ), respectively. Mark helped AIG to acquire local Central Insurance in 2007 and sold AIG Wealth Management Services to Bank of East Asia in 2009 during AIG crisis.</li> </ul>
<i>Director since:</i> 2013	
<i>Attendance:</i>  <u>2014</u> Board: 17 of 20, 85% Committee: N/A	<ul style="list-style-type: none"> <li>5 years ( 2000~2005) insurance regulator, including Director General of Insurance Bureau of Financial Supervisory Commission, Insurance Commissioner of Ministry of Finance, and President of Taiwan Insurance Institute.</li> </ul>
<u>2015</u> Board: 16 of 18, 89 % Committee: N/A	<ul style="list-style-type: none"> <li>9 years ( 1991~2000 ) securities regulator, including Division Director of Corporate Finance and International Affairs of Securities &amp; Futures Commission, respectively, as well as Section Chief of Investment Management.</li> </ul>
	<ul style="list-style-type: none"> <li>6 years ( 1985~1991 ) foreign commercial service in Washington, D.C., U.S.A. appointed by the Taiwan Ministry of Economic Affairs.</li> </ul>

**Dr. Shing-Shiang Ou**  
**Director**

*Current Position:*  
S.V.P. & General  
Manager, Department  
Of Economic Research,  
Bank of Taiwan



*Age:* 58

*Director since:*  
2004.04.20

*Attendance:*

2014

*Board:* -

*Committee:* N/A

2015

*Board:* 16 of 16, 100%  
(Since March 2015)

*Committee:* N/A

**Education**

Ph.D. in Economics, Georgia State University, Atlanta, Georgia, U.S.A., 1987

B.A. in Economics, National Taiwan University, 1980

**Key Areas of Expertise/Experience**

Economic Research

Commercial Banking

Government & Regulations

International Experience

**Professional Background**

- Supervisor, China Development Financial Holding Corporation (December 2001~April 2004)
- Director, China Development Financial Holding Corporation (April 2004~July 2007, December 2008~July 2011 & Since March 2015)
- Senior Vice President & General Manager, Department of Auditing, Board of Directors, Bank of Taiwan (April 2010~May 2014)
- Senior Vice President & General Manager, Department of Credit Analysis, Bank of Taiwan (September 2008~April 2010)
- Senior Vice President & General Manager, Department of Economic Research, Bank of Taiwan (February 2001~September 2008)
- Research Economist, Department of Economic Research, The Central Bank of China (March 1997~February 2001)
- Deputy Chief Representative, London Representative Office, The Central Bank of China (February 1994~March 1997)

**Dr. Ching-Yen Tsay**  
**Independent Director**

*Current Position:*  
Chairman, Industrial  
Technology Research  
Institute; Chairman,  
Golden Asia Fund  
Taiwan Ltd.



*Age: 71*

*Director since: 2007*

*Attendance:*

2014

*Board: 19 of 20, 95%*

*Committee:*

*Audit: 14 of 14, 100%*

*Remuneration:*

*11 of 11, 100%*

2015

*Board: 18 of 18, 100%*

*Committee:*

*Audit: 13 of 13, 100%*

*Remuneration: 10 of 10,*

*100%*

**Education**

Postdoctoral Research Fellow, Harvard University, U.S.A., 1973-1974

Ph.D., Meteorology, University of Utah, U.S.A., 1972

B.S., Meteorology, National Taiwan University, 1967

**Honors:**

Doctor of Science Honoris Causa, National Central University, Taiwan, 2013

Fellow, Meteorological Society of R.O.C. , 2001

Fellow, American Meteorological Society , U.S.A., 1999

**Key Areas of Expertise/Experience**

Senior Executive/ Strategic Leadership

Government/ Public Policy

Investments

Corporate Governance

Science & Technology Policy & Management

**Professional Background**

- Chairman, Industrial Technology Research Institute (Since 2010)
- Chairman, Golden Asia Fund Taiwan Ltd. (Since 2011)
- Chairman, Science and Technology Interchange Committee, Association of East Asia (Since 2008)
- Chairman, Association for Taiwan-Japan Cooperation on Industrial Technology, R.O.C. (2008~2012)
- Group Senior Advisor, Compal Electronics Inc. (2004~2010)
- National Policy Advisor to the President, R.O.C. (2009~2012)
- Minister of State, Executive Yuan & Convener, Science and Technology Advisory Group, R.O.C. (2000~2004, 4 years)
- Vice Chairman, National Science Council, R.O.C. (1996~2000, 4 years)
- Director-General of Central Weather Bureau / Director-General, Civil Aeronautics Administration, Ministry of Transportation and Communications, R.O.C. (1989~1996, 7 years)
- Professor & Director, Department of Atmospheric Sciences, National Taiwan University (1974-1989, 15 years)

**Mr. Gilbert T.C. Bao**  
**Independent Director**



*Age: 52*

*Director since: 2004*

*Attendance:*

2014

*Board: 15 of 20, 75%*

*Committee:*

*Audit: 12 of 14, 86%*

*Remuneration:*

*8 of 11, 72.7%*

2015

*Board: 16 of 18, 89%*

*Committee:*

*Audit: 12 of 13, 92%*

*Remuneration: 10 of 10,*

*100%*

**Education**

B.A. in Economics, University of Southern California, U.S.A.

**Key Areas of Expertise/Experience**

Senior Executive/ Strategic Leadership

Investments

Corporate Governance

Financial Management

**Current Positions**

- Chairman, Chung Shing Textile Co., Ltd. (Since November 2007)
- Chairman, Chong Bai Department Store Co., Ltd. (Since November 2007)
- Independent Director, China Development Financial Holdings Corp. (Since June 2007 )
- Independent Director, China Development Industrial Bank (Since June 2007)
- Director, Chung Shing Textile Marketing Co., Ltd. (Since October 2006)
- Chairman, Baw Chao-Yun Charity Foundation (Since June 2009)
- Executive Supervisor, Taiwan Spinner's Association
- Managing Director , Taiwan Man-Made Fiber Industries Association (Since 2010)
- Managing Director, Taiwan Textile Printing Dyeing & Finishing Association

**Professional Background**

- Chairperson , Taiwan Man-Made Fiber Industries Association (Since 2010)

**Dr. Hsiou-Wei Lin**  
**Independent**  
**Director**

*Current Position:*  
KGI Bank

- Independent Director  
(June 2010-present)
- Member of Audit  
Committee (AC)  
(June 2010-present)
- Member of  
Compensation  
Committee (CC)  
(Feb. 2014-present)
- Member of Risk  
Management  
Committee (RC)  
(Oct. 2014- present)



Age: 53

**Education**

PHD (Business), Stanford University, U.S.A, 1994  
MBA (Finance), New York University, U.S.A., 1989  
BBA (Business Administration), National Taiwan University, Taiwan 1985

**Key Areas of Expertise/Experience**

Risk Management                      Financial Services  
Investments                              Corporate Governance  
Financial Statement Analysis

**Professional Background**

**(a) Service to the University**

Aug. 2015 - present      Distinguished Professor and Dean of Management College,  
Tunghai University  
Aug. 2000 - present      Professor, Department of International Business National  
Taiwan University  
Aug. 2013 - July 2015      Associate Dean, NTU Office of Student Affairs, National  
Taiwan University  
Aug. 2010 - July 2013      Executive Director, Global MBA Program National Taiwan  
University  
Aug. 2005 - July 2009      Department and Research Institute Chairman, Department of  
International Business National Taiwan University  
Aug. 1996 - July 2000      Associate Professor, Department of International Business  
National Taiwan University  
Aug. 1994 - July 1996      Associate Professor, Department of International Trade  
National Cheng-Chi University

**(b) Service to the Profession**

2010 - present              Editorial Board, Taiwan Banking & Finance Quarterly  
2010 - present              Chief Editor, Journal of Accounting Review  
2007 - present              Editorial Board, NTU Management Review  
2009 - 2009                  Chief Editor, Special Issue, International Journal of  
Accounting Studies  
2008 - 2010                  General Convener, Accounting and Finance Field Committee,  
National Science Council, Taiwan  
2008 - 2012                  Deputy General Convener, Taiwan Financial Services  
Roundtable  
2002 - 2004                  Secretary-in-Chief, Association of East Asian Research  
Universities (AEARU)

**(c) Service to the Community/Corporation/Government**

2010 - 2014	Independent Board Member, MStar Semiconductor, Inc.
2008 - 2010	Commissioner, National Financial Stabilization Fund (NFSF), Taiwan
2006 - 2007	Board Member, PSPFMB Management Board of Public Service Pension Fund
2005 - 2008	Independent Supervisor, GO-IN Engineering Co., Ltd.
2003 - 2005	Board Member, Overseas Chinese Banking Corporation



### 3.2.2 Management Team

February 29, 2016

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
President	R.O.C	Paul Yang	09/29/ 2011	19,691,682	0.13	0	0.00	0	0.00	MBA, Harvard University Master of Mechanical Engineering, MIT Senior Executive Vice President and Chief Investment Officer of CDF	Director and President of CDIB Director of CDIB Capital Management Corp. Director of CDIB Private Equity (China) Corp. Director of CDIB Venture Capital Corp. Director of ShareHope Medicine Co., Ltd. Chairman of CDIB Capital International Corp. Director of CDIB Capital Investment I Ltd. Director of CDIB Capital Investment II Ltd. Director of CDIB Capital International (USA) Corp. Director of CDIB Capital International (Hong Kong) Corp. Ltd. Director of CDIB Capital International (Korea) Corp. Director of CDIB Global Markets Ltd. Director of CDIB Venture Capital (Hong Kong) Corp. Ltd. Director of CDIB Private Equity (Hong Kong) Corp. Ltd. Director of CDIB Capital Asia Partners Ltd. Director of Henwell Ltd. Director of Henning Ltd. Director of Shane Global Holding Inc.	-	-	-
Operations and Technology Dept. Executive VP	R.O.C	Beatrice Chou	10/11/ 2011	3,818,104	0.03	0	0.00	0	0.00	Master of Accounting, University of Illinois EVP of CDF and CDIB	Supervisor of CDIB CME Fund, Ltd. Supervisor of CDIB Healthcare Fund, Ltd. Director of CDIB Capital International (USA) Corp. Director of CDIB Capital International (Hong Kong) Corp. Ltd. Director of CDIB Capital International Corp. Director of CDIB Venture Capital (Hong Kong) Corp. Ltd. Supervisor of CDIB Capital International (Korea) Corp.	-	-	-
Internal Audit Dept. Chief Auditor	R.O.C	Kenneth Huang	10/22/ 2009	178,407	0.00	0	0.00	0	0.00	Bachelor of Accounting and Statistic, National Chung Hsing University Acting Chief Auditor of CDF, Chief Auditor of CDIB	Chief Auditor of CDIB	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
Corporate Strategy and Planning Dept. and Research Dept. Executive VP	R.O.C	Eddy Chang	05/01/ 2015	1,717,217	0.01	0	0.00	0	0.00	MBA, University of Southern California EVP of CDF and CDIB	EVP of CDIB Director of CDIB Venture Capital Corp. Director of CDIB & Partners Investment Holding Corp. Director of CDIB Capital International (USA) Corp. Director of CDIB Capital International (Korea) Corp. Director of CDIB Venture Capital (Hong Kong) Corp. Ltd.	-	-	-
Legal Dept. Executive VP	R.O.C	Julian Yen	05/01/ 2015	819,394	0.01	0	0.00	0	0.00	MBA, MIT EVP of CDF and KGI Securities	Director and EVP of KGI Securities Co. Ltd. Director of CDIB Capital Management Corp. Director of Global Securities Finance Corp. Supervisor of CPEC Huakai Private Equity (Fujian) Co., Ltd. Supervisor of CPEC Huachuang Private Equity (Kunshan) Co. Ltd. Director of KGI Securities (Thailand) Public Company Ltd. Director of KGI Alliance Corp. Director of KGI Wealth Management Ltd. Director of KGI Asset Management Ltd. Director of KGI Fraser Securities Pte. Ltd.	-	-	-
Secretariat, Board of Directors Executive VP	R.O.C	Michael M. H. Peng	05/01/ 2015	1,290,000	0.01	0	0.00	0	0.00	Bachelor of Economics, National Chung Hsing University EVP of CDF	-	-	-	-
Risk Management Dept. Executive VP	R.O.C	Jane Lai	10/01/ 2011	1,559,123	0.01	0	0.00	0	0.00	MBA, Bernard M. Baruch College, the City University of New York EVP of CDF and CDIB	EVP of KGI Bank Director of CDIB & Partners Investment Holding Corp.	-	-	-
Human Resources Dept. Executive VP	R.O.C	Jenny Chiang	04/14/ 2014	1,539,261	0.01	0	0.00	0	0.00	Bachelor of Business, Ming Chuan University EVP of CDF and CDIB	EVP of CDIB Director of CDIB Private Equity (Hong Kong) Corp. Ltd. Director of CDIB Capital International Corp. Director of CDIB Capital International (Hong Kong) Corp. Ltd. Director of CDIB Capital International (USA) Corp. Director of CDIB Capital International (Korea) Corp. Director of CDIB Capital Asia Partners Ltd.	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
Finance Dept. Executive VP (Acting CFO)	R.O.C	Andy Lin	10/01/ 2015	1,577,170	0.01	0	0.00	0	0.00	Master of Financial Management, National Central University EVP of CDF and KGI Bank	Director of CDIB Capital Management Corp. Director of CDIB International Leasing Corp. Director of CDC Finance & Leasing Corp. EVP of KGI Bank	-	-	-
Compliance Dept. Executive VP	R.O.C	Brian Huang	05/01/ 2015	0	0.00	0	0.00	0	0.00	Master of Laws, National Chengchi University EVP of CDF and CDIB	EVP of CDIB	-	-	-
Executive VP	R.O.C	Eddie Wang	05/16/ 2008	4,651,161	0.03	0	0.00	0	0.00	Master of International Affairs, Florida State University / New York University MD of Citigroup Asia Pacific	Chairman of CDIB Management Consulting Corp. Chairman of CDIB International Leasing Corp. Director and Vice Chairman of KGI Bank Director of CDIB Capital International Corp. Director of CDIB Capital International (Hong Kong) Corp. Ltd.	-	-	-
Executive VP	R.O.C	Daw-Yi Hsu	10/01/ 2011	428,359	0.00	5,600,000	0.04	0	0.00	MBA, The Ohio State University EVP of CDF, Chairman of Grand Cathay Securities	Chairman of KGI Securities Co. Ltd. Director of CPEC Huakai Private Equity (Fujian) Co., Ltd. Chairman of KGI Venture Capital Co. Ltd. Director of CPEC Huachuang Private Equity (Kunshan) Co. Ltd. Director of Richpoint Company Ltd. Chairman of KGI Investment Advisory (Shanghai) Co. Ltd. Director of KG Investments Holdings Ltd. Director of CDIB Private Equity (Hong Kong) Corp. Ltd.	-	-	-
Executive VP	R.O.C	Lawrence S. Liu	08/02/ 2004	2,462,248	0.02	0	0.00	0	0.00	Doctor of Laws, University of Chicago Partner of Lee and Li Attorneys-at-Laws	Director of CDIB Private Equity (China) Corp. Supervisor of China Development Asset Management Corp. Director of CDIB Capital Management Corp. Chairman of CDIB CME Fund, Ltd. Chairman of CDIB Healthcare Fund, Ltd. Chairman of CDIB Venture Capital Corp. Director of HIM International Music Inc. Director of CECI Engineering Consultants, Inc. Taiwan Director of Taiwan Stock Exchange Corp. Director of CDIB Venture Capital (Hong Kong) Corp. Ltd.	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
Executive VP	Singapore	Reddy Wong	10/01/ 2011	3,890,996	0.03	0	0.00	0	0.00	B.B.A., National University of Singapore EVP of CDF	Director of Grand Cathay Capital (Hong Kong) Ltd. Director of KGI Asia (Holdings) Pte. Ltd. Director of KGI Capital Asia Ltd. Director of KGI Capital (Singapore) Pte. Ltd. Director of KGI Finance Ltd. Director of KG Investments Holdings Ltd. Director of KGI International Holdings Ltd. Director of KGI Hong Kong Ltd. Director of KGI International Finance Ltd. Director of KGI International (Hong Kong) Ltd. Director of KGI International Ltd. Director of KGI Ltd. Director of KGI Ong Capital Pte. Ltd. Director of KGI Wealth Management Ltd. Director of KGI Fraser Securities Pte. Ltd. Director of KGI Asset Management Ltd. Director of Grand Cathay Securities (Hong Kong) Ltd. Director of Supersonic Services Inc. Director of KGI Investments Management Ltd.	-	-	-
Executive VP	R.O.C	Bing- Huang Shih	06/18/ 2012	0	0.00	0	0.00	0	0.00	Master of Political Science, National Taiwan University VP of Kaohsiung Rapid Transit Corporation	EVP of CDIB	-	-	-
Executive VP	R.O.C	Janet Sheng	05/01/ 2015	1,576,466	0.01	0	0.00	0	0.00	MBA, Florida State National University EVP of CDF and KGI Bank	EVP of KGI Bank	-	-	-
Executive VP	R.O.C	Vincent Hung	05/10/ 2004	2,070,647	0.01	0	0.00	0	0.00	Bachelor of Information Management, Fu Jen Catholic University VP of KGI Securities	-	-	-	-
Executive VP	R.O.C	Ming Lin	01/05/ 2009	825,552	0.01	683	0.00	0	0.00	Master of Computer Science, University of Southern California EVP of CDIB	EVP of CDIB	-	-	-
Executive VP	R.O.C	David Kuok	01/12/ 2009	1,964,086	0.01	326,364	0.00	0	0.00	MBA, West Coast University EVP of CDF and CDIB	EVP of KGI Bank	-	-	-
Executive VP	R.O.C	James Meng	01/25/ 2010	517,915	0.00	0	0.00	0	0.00	Master of Finance, National Taiwan University EVP of CDIB	Director of CDIB Management Consulting Corp. Chairman and President of CDC Finance & Leasing Corp. Supervisor of Nuvoton Technology Corp.	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
Executive VP	R.O.C	Guang-Yue Yeh	05/01/2015	0	0.00	0	0.00	0	0.00	Master of Computer Science, Mississippi State University EVP of KGI Bank	EVP of KGI Bank	-	-	-
Executive VP	R.O.C	Jane Lai	03/03/2014	150,000	0.00	0	0.00	0	0.00	Bachelor of Economics, Stanford University Senior VP of HSBC	EVP of CDIB Director of CDC Finance & Leasing Corp.	-	-	-
Executive VP	R.O.C	Frances Tsai	09/15/2014	0	0.00	0	0.00	0	0.00	MBA, National Taiwan University Senior VP of Citi Bank	EVP of CDIB Director of CDIB Venture Capital Corp. Supervisor of CDIB Healthcare Fund, Ltd. Supervisor of CDIB CME Fund, Ltd. Supervisor of CDIB Capital Management Corp. Director of CDIB Venture Capital (Hong Kong) Corp. Ltd. Director of CDIB Private Equity (Hong Kong) Corp. Ltd. Director of CDIB Capital Investment I Ltd. Director of CDIB Capital Investment II Ltd. Director of CDIB Global Markets Ltd.	-	-	-
Executive VP	R.O.C	Chih-Yu Chou	05/01/2015	1,118,154	0.01	0	0.00	0	0.00	Master of Public Finance, National Chengchi University EVP of CDF and KGI Bank	EVP of KGI Bank	-	-	-
Executive VP	R.O.C	Kiki Shih	05/01/2015	1,270,668	0.01	555,135	0.00	0	0.00	Master of Accounting, National Taiwan University SVP of CDF	Supervisor of CDIB International Leasing Corp. Supervisor of CDIB Management Consulting Corp. Director of China Development Asset Management Corp. Director of China Sea Products Development Corp.	SVP	Steven Ching	Spouse
Executive VP	R.O.C	Isabel Liu	05/01/2015	420,336	0.00	0	0.00	0	0.00	Bachelor of Economics, National Chengchi University SVP of CDF and KGI Bank	EVP of KGI Bank	-	-	-
Executive VP	R.O.C	Hans Tzou	05/01/2015	340,873	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Chung Hsing University SVP of CDIB	EVP of CDIB Supervisor of CDIB International Leasing Corp. Supervisor of CDIB Management Consulting Corp.	-	-	-
Executive VP	R.O.C	Teresa Li	05/01/2015	0	0.00	0	0.00	0	0.00	MBA, Wharton School SVP of KGI Bank	EVP of KGI Bank	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
Executive VP	R.O.C	I-Wei Hsieh	10/08/ 2015	0	0.00	0	0.00	0	0.00	MBA, Wichita State University VP of Taishin International Bank	EVP of KGI Bank	-	-	-
SVP	R.O.C	Amy Shan	11/01/ 2008	283,831	0.00	0	0.00	0	0.00	Bachelor of Banking, National Chengchi University VP of CDF	SVP of CDIB	-	-	-
SVP	R.O.C	Lecko Lai	05/01/ 2010	536,649	0.00	0	0.00	0	0.00	Bachelor of Finance, National Taiwan University VP of CDF and CDIB	SVP of KGI Bank	-	-	-
SVP	R.O.C	Michael Chang	07/01/ 2011	0	0.00	0	0.00	0	0.00	Master of Laws, Harvard University VP of CDF and CDIB	SVP of CDIB Supervisor of CDIB Private Equity (China) Corp. Supervisor of CDIB Venture Capital Corp. Director of CDIB Venture Capital (Hong Kong) Corp. Ltd. Director of CDIB Private Equity (Hong Kong) Corp. Ltd.	-	-	-
SVP	R.O.C	Ellen Chang	07/01/ 2011	136,692	0.00	0	0.00	0	0.00	Master of Computer Science, University of West Florida VP of CDF and CDIB	SVP of CDIB	-	-	-
SVP	R.O.C	Adrienne Chiu	05/01/ 2013	1,053,214	0.01	0	0.00	0	0.00	MBA, National Taiwan University SVP of CDIB Management Consulting Corp. and CDIB International Leasing Corp.	Director of Global Securities Finance Corp. Director of Grand Cathay Holding Ltd.	-	-	-
SVP	R.O.C	Vincent Hsiao	01/01/ 2014	0	0.00	214,485	0.00	0	0.00	MBA, National Chengchi University VP of CDF and CDIB	SVP of CDIB	-	-	-
SVP	R.O.C	Chris Sun	08/01/ 2014	194,138	0.00	0	0.00	0	0.00	Master of Accounting, National Chengchi University VP of CDF	Director of CDIB Global Markets Ltd.	-	-	-
SVP	R.O.C	Alex Hung	08/01/ 2014	20,000	0.00	1,000	0.00	0	0.00	Bachelor of Open College with National Taipei University of Business VP of CDF and CDIB	SVP of CDIB	-	-	-
SVP	R.O.C	Lian-Yin Li	08/01/ 2014	297,384	0.00	0	0.00	0	0.00	Master of Public Policy, Harvard University VP of CDF and CDIB	-	-	-	-
SVP	R.O.C	Marisol Wang	11/01/ 2014	0	0.00	0	0.00	0	0.00	Master of Laws, Soochow University VP of CDF and CDIB	SVP of CDIB	-	-	-
SVP	R.O.C	Sharol Lin	11/25/ 2014	71,487	0.00	0	0.00	0	0.00	MBA, Oklahoma City University VP of CDIB	SVP of KGI Bank	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
SVP	R.O.C	Abby Chen	12/30/ 2014	0	0.00	0	0.00	0	0.00	MBA, State University of New York at Buffalo ED of JPMorgan Asset Management Ltd.	-	-	-	-
SVP	R.O.C	Shu-Ling Yang	05/01/ 2015	522,567	0.00	0	0.00	0	0.00	Bachelor of Accounting, Tunghai University VP of CDF and CVM	SVP of CDIB Capital Management Corp.	-	-	-
SVP	R.O.C	Christy Lin	05/01/ 2015	758,644	0.01	0	0.00	0	0.00	MBA, National Taiwan University VP of CDF	Director of China Development Asset Management Corp. Director of Chung Hwa Growth 3 Asset Management Corp. Director of Chung Hwa Growth 4 Asset Management Corp.	-	-	-
SVP	R.O.C	Joyce Lo	05/01/ 2015	451,691	0.00	0	0.00	0	0.00	Ph.D. in Finance, Xiamen University VP of CDF and CDIB	SVP of KGI Bank	-	-	-
SVP	R.O.C	Sandra Yao	05/01/ 2015	92,470	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Taiwan University VP of CDF and CDIB	SVP of CDIB	-	-	-
SVP	R.O.C	Pi-Fa Yang	05/01/ 2015	43	0.00	0	0.00	0	0.00	Bachelor of International Trade, Takming University of Science and Technology SVP of CDIB	SVP of CDIB	-	-	-
SVP	R.O.C	Steven Ching	05/01/ 2015	555,135	0.00	1,270,668	0.01	0	0.00	Master of Accounting, Soochow University VP of CDIB	SVP of KGI Bank	EVP	Kiki Shih	Spouse
SVP	R.O.C	James Chou	05/01/ 2015	80,000	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB	SVP of CDIB	-	-	-
SVP	R.O.C	Milly Liu	07/01/ 2015	14,990	0.00	0	0.00	0	0.00	Bachelor of Public Finance, National Chengchi University VP of CDF and KGI Bank	SVP of KGI Bank	-	-	-
VP	R.O.C	Willy Lu	07/01/ 2008	67,871	0.00	0	0.00	0	0.00	Bachelor of International Trade, Hsing Wu University AVP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	Joann Tsai	01/01/ 2012	33,210	0.00	0	0.00	0	0.00	Bachelor of Laws, National Taiwan University AVP of CDF	VP of CDIB	-	-	-
VP	R.O.C	Chien- Ping Lin	01/01/ 2012	263,012	0.00	0	0.00	0	0.00	MBA, National Chengchi University AVP of CDF and CDIB	VP of KGI Bank	-	-	-
VP	R.O.C	Dennis Yang	01/01/ 2012	362	0.00	23,376	0.00	0	0.00	B.B.A., National Taiwan University AVP of CDF and CDIB	VP of CDIB	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
VP	R.O.C	Jessica Chen	01/01/ 2012	54,357	0.00	0	0.00	0	0.00	Master of Accounting, Pace University of New York AVP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	Daphne Chuang	01/01/ 2012	176,867	0.00	0	0.00	0	0.00	Master of Information Engineering, National Taiwan University AVP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	Justin Wu	01/01/ 2012	499,230	0.00	0	0.00	0	0.00	MBA, National Chengchi University AVP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	Chris Chiang	01/01/ 2012	0	0	0	0.00	0	0.00	B.B.A., Ming Chuan University VP of Grand Cathay Securities	VP of CDIB	-	-	-
VP	R.O.C	Chih-Shun Wang	01/01/ 2012	157,649	0.00	0	0.00	0	0.00	MBA, Texas A&M University AVP of CDF	VP of KGI Bank	-	-	-
VP	R.O.C	Fanny Lin	10/25/ 2012	465,071	0.00	775	0.00	0	0.00	MBA, Chinese Culture University VP of Grand Cathay Securities	VP of CDIB	-	-	-
VP	R.O.C	Edward Lee	11/01/ 2012	0	0.00	0	0.00	0	0.00	Master of Advertisement, Michigan State University VP of ANZ	VP of CDIB	-	-	-
VP	R.O.C	Patrick Huang	05/01/ 2013	0	0.00	0	0.00	0	0.00	MBA, Chinese Culture University Special assistant of Shining Vision Ltd.	VP of CDIB	-	-	-
VP	R.O.C	Hui-Lin Yu	04/01/ 2014	162,757	0.00	3,000	0.00	0	0.00	MBA, National Taiwan University AVP of KGI Securities	VP of KGI Bank	-	-	-
VP	R.O.C	Judy Mao	05/20/ 2014	49,483	0.00	0	0.00	0	0.00	Master of Economics , University of Wisconsin, Madison VP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Claire Wang	06/01/ 2014	389	0.00	0	0.00	0	0.00	Bachelor of Business Mathematics, Soochow University VP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Vincent Tsao	09/22/ 2014	0	0.00	0	0.00	0	0.00	Bachelor of Accounting, Takming University of Science and Technology VP of HSBC	VP of CDIB VP of CDIB Capital Management Corp.	-	-	-
VP	R.O.C	Shelly Chang	05/01/ 2015	0	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB	VP of CDIB	-	-	-



Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
VP	R.O.C	Hui-Ju Huang	05/01/ 2015	127,110	0.00	0	0.00	0	0.00	Master of Computer Science, University of Southern California VP of CDIB	-	-	-	-
VP	R.O.C	Yi-Wen Lin	05/01/ 2015	124,907	0.00	0	0.00	0	0.00	Master of Computer Science, The George Washington University VP of CDIB	-	-	-	-
VP	R.O.C	Floyd Wang	05/01/ 2015	160,701	0.00	0	0.00	0	0.00	Bachelor of Applied Mathematics, Chinese Culture University VP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Hans Chen	05/01/ 2015	9,600	0.00	0	0.00	0	0.00	Master of Accounting, National Chung Hsing University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Wen-Jung Chen	05/01/ 2015	9,600	0.00	0	0.00	0	0.00	Bachelor of Finance, National Chengchi University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Fion Liu	06/01/ 2015	0	0.00	0	0.00	0	0.00	MBA, National Cheng Kung University VP of Citi Bank	-	-	-	-
VP	R.O.C	Felicia Kuo	07/20/ 2015	0	0.00	0	0.00	0	0.00	Master in Applied Mathematics, State University of New York at Stony Brook VP of HSBC	VP of KGI Bank	-	-	-
VP	R.O.C	Thomas Wu	08/18/ 2015	0	0.00	0	0.00	0	0.00	Master of Accounting, Case Western Reserve University VP of CDIB	-	-	-	-
VP	R.O.C	Stephanie Kao	12/01/ 2015	2,000	0.00	0	0.00	0	0.00	Master of Education, University of Bath VP of Horizon Securities				
VP	R.O.C	Wen-Chiao Chang	01/01/ 2012	128,349	0.00	0	0.00	0	0.00	Master of Accounting, National Chengchi University AVP of CDF	VP of KGI Bank	-	-	-
VP	R.O.C	Amy Wang	01/01/ 2012	173,822	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of CDF and Grand Cathay Securities	VP of CDC Finance & Leasing Corp. VP of CDIB Management Consulting Corp.	-	-	-
VP	R.O.C	Tess J.P. Huang Liu	11/01/ 2013	259,923	0.00	0	0.00	0	0.00	MBA, National Chengchi University AVP of CDF	-	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
VP	R.O.C	Wen- Chung Lin	11/01/ 2013	150,018	0.00	0	0.00	0	0.00	MBA, University of Illinois VP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	I-Ling Lai	05/20/ 2014	65,962	0.00	45,208	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB	VP of KGI Bank	-	-	-
VP	R.O.C	Julin Chen	06/04/ 2014	141,206	0.00	0	0.00	0	0.00	Bachelor of Financial Management, National Sun Yat-sen University AVP of CDIB	VP of CDIB Capital Management Corp.	-	-	-
VP	R.O.C	Chia-Hui Lee	07/01/ 2014	0	0.00	0	0.00	0	0.00	B.B.A., National Chengchi University AVP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	Sophie Hsieh	07/01/ 2014	163,019	0.00	0	0.00	0	0.00	Master of Finance, National Chengchi University AVP of CDF and CDIB	VP of KGI Bank	-	-	-
VP	R.O.C	Yen-Ling Lai	01/01/ 2012	79,000	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Scott Hsu	11/03/ 2014	0	0.00	0	0.00	0	0.00	Bachelor of Management, Yuan Ze University Senior Manager of Standard Chartered Bank	VP of CDIB	-	-	-
VP	R.O.C	Melissa Pan	04/01/ 2015	0	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Chung Hsing University AVP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	Eveline Lu	04/01/ 2015	0	0.00	0	0.00	0	0.00	Bachelor of Shipping and Transportation Management, National Taiwan Ocean University AVP of CDF and CDIB	VP of CDIB	-	-	-
VP	R.O.C	Dan Hsiao	05/01/ 2015	1,436	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Hsien -Tang Hsu	05/01/ 2015	81,862	0.00	0	0.00	0	0.00	Bachelor of Cooperative Economics, National Chung Hsing University VP of CDIB	VP of KGI Bank	-	-	-
VP	R.O.C	Kevin Hsu	05/01/ 2015	121,544	0.00	2,000	0.00	0	0.00	Master of Information Systems, Lawrence Technological University VP of CDIB	-	-	-	-
VP	R.O.C	Gina Fang	05/01/ 2015	7,970	0.00	0	0.00	0	0.00	B.B.A., Soochow University VP of CDIB	VP of CDIB	-	-	-

Title (Note1)	Nationality /Country of Origin	Name	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note2)	Other Position	Managers who are Spouses or Within Two Degrees of Kinship		
				Shares	%	Shares	%	Share	%			Title	Name	Relation
VP	R.O.C	Ya-Hui Tsai	05/01/ 2015	0	0.00	0	0.00	0	0.00	Bachelor of Information Management, National Pingtung Institute of Commerce AVP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Tien-Fu Huang	05/01/ 2015	82,785	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Bee-Jane Hsu	06/01/ 2015	40,887	0.00	0	0.00	0	0.00	Master of Management Science, Tamkang University VP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Mike Tsai	09/01/ 2015	102,722	0.00	0	0.00	0	0.00	Bachelor of Transportation Management, Feng Chia University VP of KGI Bank	VP of CDIB	-	-	-
VP	R.O.C	Sandy Lu	09/01/ 2015	0	0.00	0	0.00	0	0.00	Bachelor of Foreign Languages and Literatures, National Chung Hsing University Manager of HSBC	-	-	-	-
VP	R.O.C	Chi-Yun Yu	12/01/ 2015	1,822	0.00	0	0.00	0	0.00	Bachelor of Public Finance, National Chengchi University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Yung-Ching Lin	01/01/ 2016	5,000	0.00	0	0.00	0	0.00	Bachelor of Information Management, Fu Jen Catholic University AVP of CDIB	VP of CDIB	-	-	-
VP	R.O.C	Eddie Chang	01/01/ 2016	85,555	0.00	0	0.00	0	0.00	Bachelor of Information Engineering, Feng Chia University AVP of CDIB	VP of CDIB	-	-	-

Note 1: This should include all Presidents, Executive Vice Presidents, Senior Vice Presidents, and those who hold the equivalent positions (regardless the job titles), as well as, key managers from each department and branch entity.

Note 2: Experiences related with current position. Detailed job title and the working responsibilities should be described if previously worked for the auditing accounting firm or its affiliated company.

### 3.3 Remuneration of Directors, Supervisors, President, and Vice President

#### 3.3.1 Remuneration of Directors

Unit: NT\$'000 ; thousand shares ; December 31, 2015

Title	Name (Note 1)		Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income(%) (Note 11)		Relevant Remuneration Received by Directors Who are Also Employees												Ratio of Total Compensation (A+B+C+D+E+F+ G) to Net Income(%) (Note 11)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 12)
			Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)				Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 6)				Exercisable Employee Stock Options(H)(Note 7)		Restricted Employee Shares (Note 13)				
			The company	Companies in the consolidated financial statements (Note 8)	The company	Companies in the consolidated financial statements (Note 8)	The company	Companies in the consolidated financial statements (Note 8)	The company	Companies in the consolidated financial statements (Note 8)	The company	Companies in the consolidated financial statements (Note 8)	The company	Companies in the consolidated financial statements (Note 8)	The company		Companies in the consolidated financial statements		The company	Companies in the consolidated financial statements (Note 8)	The company	Companies in the consolidated financial statements (Note 8)	The company	Companies in the consolidated financial statements (Note 8)			
Chairman	Kai Don Investment Co., Ltd. Representative:	Mu-Tsai Chen	5,400	5,400	0	0	75,000	75,000	4,840	6,982	1.000	1.025	64,866	181,521	0	0	21,171	0	21,171	0	5,400	5,400	11,909	11,909	2.008	3.401	-
Managing Director	Chi Jie Investment Co., Ltd. Representative:	Chia-Juch Chang																									
Independent Director / Managing Director	Ching-Yen Tsay																										
Director	GPPC Chemical Corp. Representative:	David Chen																									
Director	Kai Don Investment Co., Ltd. Representative:	Paul Yang																									
Director	Chi Jie Investment Co., Ltd. Representative:	Mark Wei																									
Director	Bank of Taiwan Co., Ltd. Representative:	Shing- Shiang Ou																									
Independent Director	Gilbert T.C. Bao																										
Independent Director	Hue-Sun Teng																										
Former Director	Bank of Taiwan Co., Ltd. Representative:	Jen-Chieh Pan																									
Director	Shin Wen Investment Co., Ltd. Representative:	Long-I Liao	0	0	0	0	0	0	562	2,812	0.007	0.033	0	0	0	0	0	0	0	0	-	-	-	-	0.007	0.033	-
Director	Shin Wen Investment Co., Ltd. Representative:	Howe- Yong Lee	0	0	0	0	0	0	105	105	0.001	0.001	0	0	0	0	0	0	0	0	-	-	-	-	0.001	0.001	-

Note1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$3,697,000; compensation for drivers was NT\$3,997,000.

Note2: Provision expense of retirement payments was NT\$108,000.

Note3: Employee-related remuneration for executive director is collected individually.

Note4: The values of directors' remuneration and employee bonuses as part of earnings distribution are only tentative.

### Range of Remuneration

Range of Remuneration	Name of Directors			
	Total of (A+B+C+D)		Total of (A+B+C+D+E+F+G)	
	The company (Note 9)	Companies in the consolidated financial statements (Note10) (I)	The company (Note 9)	Companies in the consolidated financial statements (Note10) (J)
Under NT\$ 2,000,000	Bank of Taiwan Co., Ltd. : Shing-Shiang Ou	Bank of Taiwan Co., Ltd: Shing-Shiang Ou	Bank of Taiwan Co., Ltd. : Shing-Shiang Ou	Bank of Taiwan Co., Ltd. : Shing-Shiang Ou
NT\$2,000,000 ~ NT\$5,000,000(exclude)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang	Chi Jie Investment Co., Ltd. : Chia-Juch Chang	-	-
NT\$5,000,000 ~ NT\$10,000,000 (exclude)	Ching-Yen Tsay、GPPC Chemical Corp. : David Chen、Chi Jie Investment Co., Ltd. : Mark Wei、Gilbert T.C. Bao、Hue-Sun Teng、Bank of Taiwan Co., Ltd. : Jen-Chieh Pan(Former)	Ching-Yen Tsay、GPPC Chemical Corp. : David Chen、Chi Jie Investment Co., Ltd. : Mark Wei、Gilbert T.C. Bao、Hue-Sun Teng、Bank of Taiwan Co., Ltd. : Jen-Chieh Pan(Former)	Ching-Yen Tsay、GPPC Chemical Corp. : David Chen、Chi Jie Investment Co., Ltd. :Mark Wei、Gilbert T.C. Bao、Hue-Sun Teng、Bank of Taiwan Co., Ltd. : Jen-Chieh Pan(Former)	Ching-Yen Tsay、Gilbert T.C. Bao、Hue-Sun Teng、Bank of Taiwan Co., Ltd. : Jen-Chieh Pan(Former)
NT\$10,000,000 ~ NT\$15,000,000 (exclude)	Kai Don Investment Co., Ltd. : Mu-Tsai Chen、Kai Don Investment Co., Ltd. : Paul Yang	Kai Don Investment Co., Ltd.: Mu-Tsai Chen、Kai Don Investment Co., Ltd.: Paul Yang	Chi Jie Investment Co., Ltd.: Chia-Juch Chang	-
NT\$15,000,000 ~ NT\$30,000,000(exclude)	-	-	-	Chi Jie Investment Co., Ltd.: Chia-Juch Chang、GPPC Chemical Corp. :David Chen、Chi Jie Investment Co., Ltd. : Mark Wei
NT\$30,000,000~ NT\$50,000,000(exclude)	-	-	Kai Don Investment Co., Ltd.: Mu-Tsai Chen、Kai Don Investment Co., Ltd.: Paul Yang	Kai Don Investment Co., Ltd.: Mu-Tsai Chen
NT\$50,000,000 ~ NT\$100,000,000(exclude)	-	-	-	-
Over NT\$100,000,000	-	-	-	Kai Don Investment Co., Ltd.: Paul Yang
Total	10	10	10	10

\* Remuneration shown under the chart is for disclosure purpose. It is not subject to “income” under the Income Tax Act, and thereby is not taxable.

Note 1: Directors name must be shown separately (for institutional directors, both the institution and the representative are required). All compensation paid must be added together. For directors who are also presidents or executive vice presidents at the Company or the subsidiaries, this and the following charts must be filled in.

Note 2: This includes salary, compensation for professional services, severance pay, and all bonus and bounties paid to the director during the year.

Note 3: The director’s profit sharing of the latest fiscal year proposed and resolved by the Board but before the final approval of shareholders’ meeting.

Note 4: Payments to the director to cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received.

Note 5: Payments to the director, who is also a president, executive vice president, manager, or employee, include salary, supervisory differential pay, severance pay, remuneration, and other payment to cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received.

Note 6: Employee remuneration (stock and cash) to the director, who is also a president, executive vice president, manager, or employee. The rewarding amount is proposed and resolved by the Board but before the final approval of shareholders’ meeting of the fiscal years. If cannot be estimated, an amount = (the percentage received last year) x (net income this year) must be adopted and filled in Table 1-3.

Note 7: Employee stock options granted (excluding exercised portion) to the director, who is also a president, executive vice president, manager, or employee, as of the printout date of this Report. The same information must be disclosed in Table 15.

Note 8: Total remuneration paid by the Group companies (including the Company) in the consolidated statement to the director.

Note 9: Disclose remuneration paid by the Company to the director under the suitable range. Name of the receiver must be shown under the suitable range.

Note 10: Disclose remuneration paid by the Group companies (including the Company) in the consolidated statement to the director under the suitable range. Name of the receiver must be shown under the suitable range.

Note 11: Net income disclosed from latest financial statement of each company.

Note 12: a. Remuneration amount received by directors from Non-group affiliates.

b. For remuneration received by Company supervisors from Non-group affiliates, the amount must be shown in the Column J under the Remuneration Range Table. The Column must be renamed to “All Investee Companies.”

c. Remuneration, including salary, compensation, employee remuneration(including compensations received as an employee, director and supervisor), business allowance, etc., received by directors from Non-group affiliates for being a director, supervisor, or managers.

Note 13: Number of new restricted employee stock options granted (excluding exercised portion) to the director, who is also a president, executive vice president, manager, or employee, as of the printout date of this Report. The same information must be disclosed in Table 16-1.

### 3.3.2 Remuneration of the President and Vice President

Unit: NT\$'000 ; thousand shares ; December 31, 2015

Title	Name (Note1)	Salary (A) (Note2)		Severance Pay (B)		Bonuses and Allowances (C) (Note3)		Profit Sharing- Employee Bonus (D) (Note4)				Ratio of total compensation (A+B+C+D) to net income (%) (Note9)		Exercisable Employee Stock Options (Note5)		Restricted Employee Shares (Note11)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note10)
		The company	Companies in the consolidated financial statements (Note6)	The company	Companies in the consolidated financial statements (Note6)	The company	Companies in the consolidated financial statements (Note6)	The company		Companies in the consolidated financial statements (Note6)		The company	Companies in the consolidated financial statements (Note6)	The company	Companies in the consolidated financial statements (Note6)			
								Cash	Stock	Cash	Stock							
President	Paul Yang	84,701	143,006	0	0	198,026	347,423	56,334	0	56,334	0	3.976	6.411	20,537	20,537	20,321	20,321	-
Executive VP	Eddie Wang																	
Executive VP	Bing Huang Shih																	
Executive VP	Daw-Yi Hsu																	
Executive VP	Janet Sheng																	
Executive VP	Reddy Wong																	
Executive VP	Kenneth Huang																	
Executive VP	Eddy Chang																	
Executive VP	Michael M. H. Peng																	
Executive VP	Lawrence S. Liu																	
Executive VP	Julian Yen																	
Executive VP	Beatrice Chou																	
Executive VP	Teresa Li																	
Executive VP	Ming Lin																	
Executive VP	Andy Lin																	
Executive VP	James Meng																	
Executive VP	Chih Yu Chou																	
Executive VP	Vincent Hung																	
Executive VP	Sam Hong																	
Executive VP	Kiki Shih																	
Executive VP	Jenny Chiang																	
Executive VP	David Kuo																	
Executive VP	Brian Huang																	
Executive VP	Hans Tzou																	
Executive VP	Frances Tsai																	
Executive VP	Isabel Liu																	
Executive VP	Guang-Yue Yeh																	
Executive VP	Jane Lai																	
Executive VP	Jane Lai																	
Executive VP	I-Wei Hsieh																	
Executive VP(Former)	Eddie Chen																	
Executive VP(Former)	Chung-Jen Lin																	
Executive VP(Former)	Jeremy Ou																	
SEVP(Former)	Daniel Wu																	
SEVP(Former)	Sherie Chiu																	
Executive VP(Former)	Melanie Nan																	

Note1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$6,019,000; compensation for drivers was NT\$8,073,000.

Note2: Provision expense of retirement payments was NT\$4,178,000.

Note3: The values of employee bonuses as part of earnings distribution are only tentative.

### Range of Remuneration

Range of Remuneration	Name of President and Vice President	
	The company (Note 7)	Companies in the consolidated financial statements (Note8) ( E )
Under NT\$ 2,000,000	Daw-Yi Hsu 、Janet Sheng 、Chih Yu Chou 、Sam Hong 、Jenny Chiang 、Brian Huang 、Hans Tzou 、I-Wei Hsieh	I-Wei Hsieh
NT\$2,000,000 ~ NT\$5,000,000(exclude)	Kenneth Huang 、Julian Yen 、Teresa Li 、Isabel Liu 、Guang-Yue Yeh 、Chung-Jen Lin 、Jeremy Ou	Teresa Li 、Chih Yu Chou 、Hans Tzou 、Isabel Liu 、Chung-Jen Lin 、Jeremy Ou
NT\$5,000,000 ~ NT\$10,000,000(exclude)	Bing Huang Shih 、Michael M. H. Peng 、Lawrence S. Liu 、Beatrice Chou 、Ming Lin 、James Meng 、Vincent Hung 、Kiki Shih 、David Kuo 、Frances Tsai 、Jane Lai 、Jane Lai 、Eddie Chen 、Daniel Wu	Bing Huang Shih 、Kenneth Huang 、Michael M. H. Peng 、Ming Lin 、James Meng 、Vincent Hung 、Sam Hong 、Kiki Shih 、Jenny Chiang 、David Kuo 、Brian Huang 、Frances Tsai 、Guang-Yue Yeh 、Jane Lai 、Jane Lai 、Eddie Chen
NT\$10,000,000~NT\$15,000,000(exclude)	Reddy Wong 、Eddy Chang 、Andy Lin	Janet Sheng 、Julian Yen 、Beatrice Chou 、Andy Lin
NT\$15,000,000~NT\$30,000,000(exclude)	Melanie Nan	Daw-Yi Hsu 、Eddy Chang 、Lawrence S. Liu 、Daniel Wu 、Melanie Nan
NT\$30,000,000~NT\$50,000,000(exclude)	Paul Yang 、Eddie Wang 、Sherie Chiu	Eddie Wang 、Reddy Wong 、Sherie Chiu
NT\$50,000,000~NT\$100,000,000(exclude)	-	-
Over NT\$100,000,000	-	Paul Yang
Total	36	36

\* Remuneration shown under the chart is for disclosure purpose. It is not subject to “income” under the Income Tax Act, and thereby is not taxable.

Note 1: President and Executive Vice Presidents name must be shown separately. All compensation paid must be added together. For president or executive vice presidents who are also directors at the Company or the subsidiaries, this and the preceding forms must be filled in.

Note 2: This includes salary, supervisory differential pay, severance pay to the President and Executive Vice Presidents during the year.

Note 3: Payments to the President and Executive Vice Presidents to cover business expenses (including travel expenditures, allowances, reimbursements, accommodation, company cars, in-kind supplies, etc.) If residences, cars (or other transportations) or personal expenses are provided, information about the assets (including classification, cost, actual or fair market values of the rent, gasoline expenses, other perks) must be disclosed but not included in the remuneration. Compensation paid to personal drivers must be noted, when applicable, but not accumulated under the remuneration received.

Note 4: Employee remuneration (stocks and cash) to the president and executive vice presidents of the latest fiscal year proposed and resolved by the Board but before the final approval of shareholders’ meeting. If cannot be estimated, an amount = (the percentage received last year) x (net income this year) must be adopted and filled in Table 1-3.

Note 5: Employee stock options granted (excluding exercised portion) to the director, who is also a president, executive vice president, manager, or employee, as of the printout date of this Report. The same information must be disclosed in Table 15.

Note 6: Total remuneration paid by the Group companies (including the Company) in the consolidated statement to the president and executive vice presidents.

Note. 7: Disclose remuneration paid by the Company to the director under the suitable range. Name of the receiver must be shown under the suitable range.

Note 8: Disclose remuneration paid by the Group companies (including the Company) in the consolidated statement to the director under the suitable range. Name of the receiver must be shown under the suitable range.

Note 9: Net income disclosed from latest financial statement of each company.

Note 10: a. Remuneration amount received by directors from Non-group affiliates.

b. For remuneration received by Company supervisors from Non-group affiliates, the amount must be shown in the Column J under the Remuneration Range Table. The Column must be renamed to “All Investee Companies.”

c. Remuneration, including salary, compensation, employee remuneration (inclusive of employees' directors' and supervisors' compensation), business allowance, etc., received by directors from Non-group affiliates for being a director, supervisor, or managers.

Note 11: Number of new restricted employee stock options granted (excluding exercised portion) to the director, who is also a president, executive vice president, manager, or employee, as of the printout date of this Report. The same information must be disclosed in Table 16-1.

### 3.3.3 Employee Remuneration

Unit: NT\$'000 ; December 31, 2015

	Title (Note1)	Name (Note1)	Employee Bonus - in Stock (Note 2)	Employee Bonus - in Cash (Note 2)	Total	Ratio of Total Amount to Net Income (%)
Executive Officers (Note3)	President	Paul Yang	0	63,148	63,148	0.740
	Executive VP	Eddie Wang、Bing Huang Shih、 Daw-Yi Hsu、Janet Sheng、 Reddy Wong、Kenneth Huang、 Eddy Chang、Michael M. H. Peng、 Lawrence S. Liu、Julian Yen、 Beatrice Chou				
	Executive VP	Teresa Li、Ming Lin、 Andy Lin、James Meng、 Chih Yu Chou、Vincent Hung、 Kiki Shih、Jenny Chiang、 David Kuo、Brian Huang、 Hans Tzou、Frances Tsai、 Isabel Liu、Guang-Yue Yeh、 Jane Lai、Jane Lai				
	SVP	Marisol Wang、James Chou、 Adrienne Chiu、Sharol Lin、 Christy Lin、Alex Hung、 Sandra Yao、Chris Sun、 Michael Chang、Abby Chen、 Ellen Chang、Amy Shan、 Steven Ching、PiFa Yang、 Shu Ling Yang、Milly Liu、 Joyce Lo、Lian Yin Li、 Lecko Lai、Vincent Hsiao				

Note 1: Individual name and title must be disclosed. Profit distributing awarded must be shown as an aggregated number.

Note 2: Employee remuneration (stock and cash bonus) to managers. The rewarding amount is proposed and resolved by the Board but before the final approval of shareholders' meeting of the fiscal years. If cannot be estimated, an amount = (the percentage received last year) x (net income this year) must be adopted. Net income disclosed from the latest financial statement of each company.

Note3: Managers subject to the rewarding (according to per March 27, 2003 Letter No. Securities and Futures Bureaus-III-0920001301 of the Financial Supervisory Commission, Executive Yuan of the Taiwan Stock Exchange Corporation) are:

(1) president or their equivalents; (2) executive vice president or their equivalents; (3) Division Head or their equivalents; (4) chief financial officer; (5) chief accounting officer; and (6) other persons authorized to manage affairs and sign documents on behalf of a company.

Note 4: For directors, presidents, and executive vice presidents who received employee remuneration (including stock and cash bonus), Table 1-2 must be filled in other than this chart.



### **3.3.4 Comparison of Remuneration for Directors, Presidents and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Presidents and Vice Presidents**

1. Analysis of director/president remuneration as a percentage of the company's net income

In 2014, all the remunerations paid to directors by the company and all companies in the consolidated financial statement (not including part-time employee compensation, same below) as a percentage of the company's net income were 0.793% and 0.813%, respectively. In 2015, all remunerations paid to directors by the company and all companies in the consolidated financial statement as a percentage of the company's net income were 1.008% and 1.059%, respectively; and in 2014, all remunerations paid to presidents and vice presidents by the company and all companies in the consolidated financial statement as a percentage of net income were 2.905% and 4.613%, respectively. In 2015, all remunerations paid to presidents and vice presidents by the company and all companies in the consolidated financial statement as a percentage of the company's net income were 3.976% and 6.411%, respectively.

2. Transportation fees, attendance fees, and other forms of compensation are given in compliance with the Company Act and the Articles of Association of the company.

3. The company's policy on manager remuneration is determined by job description and the candidate's work experience, with due consideration given to the company's earnings status, wage growth across the job market, price fluctuations, prospective risks, and other internal/external factors. Ultimately, it is the company's goal to present compensation packages that reflect performance and that are competitive in the recruiting of talent.

### 3.4 Status of Corporate Governance

#### 3.4.1 Information concerning the board of directors

The board held eighteen meetings during 2015 (A); the attendance of directors and independent directors is summarized as follows:

December 31, 2015

Title	Name (Note 1)	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note2)	Remark
Chairman	Kai Don Investment Co., Ltd. Representative: Mu-Tsai, Chen	17	1	94	
Vice Chairman, Managing Director	Chi Jie Investment Co., Ltd. Representative: Chia-Juch Chang	18	0	100	
Managing Director, Independent Director	Ching-Yen Tsay	18	0	100	
Director	Shin Wen Investment Co., Ltd. Representative: Long-I Liao	18	0	100	
Director	GPPC Chemical Corp. Representative: David Chen	18	0	100	
Director	Kai Don Investment Co., Ltd. Representative: Paul Yang	14	4	78	
Director	Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	7	11	39	
Director	Chi Jie Investment Co., Ltd. Representative: Mark Wei	16	2	89	

Title	Name (Note 1)	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note2)	Remark
Director	Bank of Taiwan Co. Ltd Representative: Shing-Shiang Ou	16	0	100	On March 2, 2015, Bank of Taiwan Co., Ltd. reassigned Shing-Shiang Ou as its representative. Director Ou attended 16 meetings in 2015.
Independent Director	Gilbert T.C. Bao	16	1	89	
Independent Director	Hue-Sun Teng	15	3	83	
Former Director	Bank of Taiwan Co., Ltd. Representative: Jen-Chien Pan	2	0	100	On March 2, 2015, Bank of Taiwan Co., Ltd. reassigned Shing-Shiang Ou as its representative. Director, Jen-Chien Pan, prior the reassignment, attended 2 meetings in 2015.

Note 1: For representatives of institutional shareholders, the name of the institutional shareholder should be noted.

Note 2: (1) If any director resigned before year end, the resignation date should be filled in the Remark column. The actual attendance rate is calculated on the basis of the number of board meetings held during his/her real term and the number of meetings he/she actually attended.

(2) If any board election happened during the year, both old/new directors should be noted and the re-elect date should be filled in the Remark column. The actual attendance rate is calculated on the basis of the number of board meetings held during his/her real term and the number of meetings he/she actually attended.

### Other items to be stated:

1. For resolution(s) passed pursuant to Article 14-3 of the Securities and Exchange Act or any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing, the minutes concerned shall clearly state the meeting date, term, contents of proposal and resolution thereof, opinions of all independent directors and the Company's handling of the said opinions:

None

2. In instances where a director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts:

<b>Date/Term</b>	<b>Recused Director</b>	<b>Agenda Item</b>	<b>Reason for recusal</b>	<b>Notes</b>
January 27 5 <sup>th</sup> term 31 <sup>st</sup> meeting	Mu-Tsai Chen Chia-Juch Chang Ching-Yen Tsay Paul Yang Mark Wei	The attendance fee of CSR meetings for CSR Committee member.	The interested directors are the CSR Committee members	Recused from voting
February 9 5 <sup>th</sup> term 32 <sup>nd</sup> meeting	Mu-Tsai Chen	Performance review results of chairman of the board doubling as chairman of subsidiary CDIB.	Mu-Tsai Chen is the chairman	Recused from voting
	Paul Yang	The proposed distribution list of the 2nd restricted employee shares (issued in 2015)	The interested director is the recipient of the subject restricted new shares	Recused from voting
	Mu-Tsai Chen Chia-Juch Chang	Performance remuneration for Chairman and Vice Chairman	The interested directors are the chairman and vice chairman of the Company.	Recused from voting
March 23 5 <sup>th</sup> term 34 <sup>th</sup> meeting	Paul Yang	The disposal of non-core overseas private equity funds of CDIB and its four 100% owned overseas subsidiaries	The interested director is the chairman of overseas venture capital subsidiaries.	Recused from voting
April 13 5 <sup>th</sup> term 35 <sup>th</sup> meeting	David Chen Paul Yang Shing-Shiang Ou	releasing the non-competition restrictions for the 5th term board of directors (including judicial persons and their representatives)	The interested directors are the parties who will lift the obligation for non-competition.	Recused from discussing and voting on the matter
April 27 5 <sup>th</sup> term 36 meeting	Paul Yang	Duty adjustment proposal for CDF and CDIB's management team and graded with 13 <sup>th</sup> senior-level staff.	The interested director is the party who will be affected by the adjustment.	Recused from voting
June 12 5 <sup>th</sup> term 39 <sup>th</sup> meeting	Mu-Tsai Chen Chia-Juch Chang Paul Yang David Chen Long-I Liao Howe Yong Lee Mark Wei Shing-Shiang Ou Ching-Yen Tsay Gilbert T.C. Bao Hue-Sun Teng	2014 remuneration of directors	The interested directors are the parties receiving the remuneration.	Recused from discussing and voting on the matter

<b>Date/Term</b>	<b>Recused Director</b>	<b>Agenda Item</b>	<b>Reason for recusal</b>	<b>Notes</b>
July 27 5 <sup>th</sup> term 41 <sup>st</sup> meeting	Chia-Juch Chang	Appointment of Chia-Juch Chang as board director of subsidiary KGI Securities	The interested director is the proposed appointee.	Recused from voting
September 21 5 <sup>th</sup> term 44 <sup>th</sup> meeting	David Chen Paul Yang	The merger plan of two subsidiaries: CDIB Capital Management Corp. and China Venture Management, Inc.	The interested directors are the board members of the subject subsidiaries.	Recused from voting
	David Chen Paul Yang	The merger plan of three subsidiaries: CDIB Venture Capital Corp., R.O.C. Strategic Co. Ltd. and CDIB Strategic Venture Fund, Ltd.	The interested directors are the board members of the subject subsidiary.	Recused from voting
	David Chen Paul Yang	CPE HK (100% owned subsidiary of CDIB) proposes to purchase 100% share of CDIB Private Equity(China) Corporation and 56% stake of CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership) from CVC HK	The interested directors are the board directors of CPE HK and CVC HK	Recused from voting
October 26 5 <sup>th</sup> term 45 <sup>th</sup> meeting	Paul Yang	The proposed capital return plan, total amount of NT\$110 million to CDIB from three 100% owned subsidiaries (capital generating source: GMII – by capital reduction; and GMI & GMIII through repurchase of shares)	The interested director is the board director both of GM I and GM III	Recused from voting
December 28 5 <sup>th</sup> term 48 <sup>th</sup> meeting	David Chen Paul Yang	Application to Financial Supervisory Commission (FSC) and Investment Commission, Ministry of Economic Affairs (MOEA) of the purchase plan: CPE HK (100% owned subsidiary of CDIB) proposes to purchase 100% share of CDIB Private Equity(China) Corporation and 56% stake of CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership) from CVC HK	The interested directors are the board directors of CPE HK and CVC HK	Recused from voting

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
	David Chen Paul Yang	Application to Financial Supervisory Commission (FSC) and Investment Commission, Ministry of Economic Affairs (MOEA) of the capital injection plan for CDIB Private Equity (China) Corporation from CDIB's 100% owned subsidiary CPE HK plan to support its purchase plan: to purchase 70% shares of CPEC Huakai Private Equity (Fujian) Co., Ltd. ("Huanan GP1") from CDIB Venture Capital (HK) Corporation Limited("CVC HK") and 65% stake of CPEC Huachuang Private Equity (Kunshan) Co. Ltd. ("Huadong GP1") from CPE HK.	The interested directors are the board directors of the subject subsidiaries.	Recused from voting
	Chia-Juch Chang	KGI Securities proposes, through its 100% owned subsidiary KGI Capital Asia Ltd., to purchase 99% share of PT Hasta Dana Sekuritas Indonesia from PT HD Capital Asia Ltd.	The interested director is the board director of KGI Securities	Recused from voting

### 3. Measures taken to strengthen the functionality of the board :

The company has complied with the Regulations Governing Procedures for the Board of Director Meetings of Public Companies in drafting internal regulations governing procedures for the company's Board of Directors meetings and has disclosed the attendance data of directors on the Market Observation Post System website. To assist the Board of Directors in raising the efficacy of corporate governance, the company has (in the second half of 2011) set up the Auditing Committee and the Remuneration Committee, and has submitted important related bills for the review and authorization of these committees; in accordance with CSR Best Practice Principles for TWSE/GTSM Listed Companies, CDF has also established a CSR committee under the Board of Directors. Under the aegis of the committee, five task forces of corporate governance, social philanthropy, environmental protection, client relations and employee well-being have been assembled to engage in the planning and supervision of the company's CSR policy.

### 3.4.2 Audit Committee (or Attendance of Supervisors at Board Meetings)

#### A. Audit Committee

A total of thirteen 【A】 Audit Committee meetings were held in the previous period.

The attendance of the independent directors was as follows:

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) 【B/A】 (Note)	Remark
Independent Director	Ching-Yen Tsay	13	0	100	
Independent Director	Gilbert T.C. Bao	12	1	92	
Independent Director	Hue-Sun Teng	11	2	85	

Note:

- \* If there is independent director resigned before the end of the year, the resigned date shall be indicated in the note column, and the rate of attendance in person (%) shall be calculated based on the number of meetings held during the terms of office and the number of attendance made in person.
- \* If there is new election of independent director before the end of the year, the election date and whether such independent director is a previous member, a new member or a re-elected member shall be indicated in the note column. The actual attendance rate (%) shall be calculated based on the number of meetings held during the terms of office and the number of attendance made in person.

Other items to be stated:

1. Resolution(s) passed pursuant to Article 14-5 of the Securities and Exchange Act and resolution(s) not passed by the audit committee but receiving the consent of two thirds of the board of directors shall clearly state the meeting date, term, contents of proposal and resolution thereof, opinions of all audit committee members and the Company's handling of the said opinions: None.
2. In instances where an independent director recused himself/herself due to a conflict of interest, the minutes shall clearly state the director's name, contents of the proposal and resolution thereof, reason for not voting and actual voting counts: None
3. Communication between independent directors and internal auditing officers as well as CPAs on company finances and business situation (such as items discussed, means communication and results, etc.):  
  
(1) The Internal Audit Department of the company submitted the following work statement report to members of the Audit Committee and independent directors in 2015:

- (i) The Internal Audit Department reports its audit business to the Audit Committee and the Board of Directors every six months, pursuant to Article 10 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
  - (ii) The Internal Audit Department conducts a routine audit at least once annually, and a special audit on operations of the company as well as subsidiaries (CDIB, KGI Securities and KGI Bank), with a focus on the Finance, Risk Management and Compliance Departments, at least every six months, pursuant to Articles 15, 16 and 19 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries. The Internal Audit Department is also required by the regulatory authorities to carry out enhanced inspection of subsidiaries. All aforementioned internal audit reports are delivered to the Audit Committee for review.
  - (iii) The Internal Audit Department prepares audit plans for the upcoming fiscal year in a prescribed format, for approval by the Audit Committee and Board of Directors, pursuant to Article 22 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
  - (iv) The Internal Audit Department conducts follow-up reviews on any examination opinions or audit deficiencies brought up by the financial examination authority, CPA, or internal audit unit, and on matters specified in the internal control system statement as per requirement for improved efforts in auditing policy and practice. The Department then submits a written report on the implementation of improvements designed to rectify deficiencies to the Audit Committee and the Board of Directors, pursuant to Article 26 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
  - (v) Within three months of the end of each fiscal year, the Internal Audit Department prepares a statement on the current status of the internal control system, jointly signed and issued by the chairperson, president, general auditor, and compliance officer, for submission to the Audit Committee and Board of Directors for review, pursuant to Article 27 of the Implementation Rules of the Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries.
  - (vi) In Accordance with Article 7 of the Corporate Governance Best-Practice Principles for the Financial Holding Company, the Internal Audit Department shall held a meeting with the Chairman, at least once a year, to review the internal control system. The meeting minutes shall be submitted to the Board of Directors and Audit Committee for approval.
- (2) The company's Finance Department regularly submits the CPA-reviewed financial reports to the independent directors for inspection, with the CPA reports and discusses findings directly with the independent directors.



**B. Supervisors' participation in operations of the Board of Directors**

Not applicable. Refer to foregoing Auditing Committee operation.

**3.4.3 Items disclosed in accordance with the Corporate Governance Best-Practice Principles for Financial Holding Companies:**

On the home page of the Company's website, the "Corporate Governance" section discloses information related to the operations of corporate governance of the Company.

(<http://www.cdibh.com/chhtml/content/24>)

### 3.4.4 Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for Financial Holding Companies”

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
1. Shareholding structure and shareholder rights of financial holding company				
(1) Does the financial holding company (FHC) establish internal operating procedures to handle shareholders’ recommendations, questions, disputes and litigation, and implement in accordance with the procedures?	V		(1) The Company has designated appropriate personnel to handle shareholders’ recommendations, questions, disputes and litigations.	None
(2) Does the FHC possess the list of its major shareholders as well as the ultimate owners of those shares?	V		(2) The Company’s Secretariat, Board of Directors is responsible for collecting the update information of major shareholders and the list of ultimate owners of those shares.	None
(3) Does the FHC establish and implement the risk control mechanism and firewall system between the Company and its affiliates?	V		(3) A. The Company’s finances and operations are independent from its affiliates. B. The Company has an independent risk management unit being responsible for supervising and implementing risk management measures. In addition, the risk control mechanism and firewall system between the Company and its subsidiaries are established in accordance with the Company’s” Risk Management Policy” and “Regulations Governing Operations Related to Financial Transactions with Affiliated Companies and Stakeholders” C. In accordance with article 44 and 45 of the Financial Holding Company Act and the related regulations, the Company has established "Related Party Transaction Management Policy” to regulate the business and transactions between the Company’s	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			subsidiaries, and between the Company and its subsidiaries.	
2. Composition and Responsibilities of Board of Directors				
(1) In addition to the Remuneration Committee and the Audit Committee, does the FHC voluntarily establish other functional committees?	V		(1) Other than the Remuneration Committee and Audit Committee, the Company has voluntarily established Risk Management Committee and CSR Committee.	None
(2) Does the FHC periodically evaluate the independence of the certified public accountants (CPA) that audit its financial statements?	V		(2) Prior the approval of CPA’s appointment, the Board of Directors will review of the independence of the CPA and request the CPA to submit a declaration of independence. The Board will make sure that the appointed CPA is not an interest party of the Company and the CPA has no any financial interest or business relationships except the auditing fee with the Company. The motion for employment will be subject to a resolution made by the Board of Directors. In addition, the rotation of CPAs also operates in accordance with related regulations.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
3. Does the FHC establish communication channels with stakeholders?	V		<p>The Company has established “Interested Parties” section on its website to provides its interested parties, such as employee, clients, vendors and investors, a easy access to communicate with the Company through letter, telephone, fax, Internet, etc.</p> <p>In addition to the dedicated units (Stock Affairs, Public Relations and Investor Relations), the Company has designated a spokesperson and a deputy Spokesperson to offer timely response to its interested parties.</p> <p>Internal staff issues are handled by dedicated units of Human Resource Department.</p>	None
4. Information Disclosure				
(1) Does the FHC set up a website to disclose both financial standings and the status of corporate governance?	V		(1) The Company has set up both Chinese and English language websites to disclose information about the Company’s financials, business and corporate governance status.	None
(2) Does the FHC employ other methods (e.g. setting up English language websites, appointing dedicated personnel to collect and disclose corporate information, implementing a spokesperson system, webcasting investor conferences) to disclose information?	V		(2) The Company has appointed appropriate personnel to handle information collection and disclosure on the corporate website. The Company has established a spokesperson system in accordance with regulations, with a spokesperson and deputy spokesman tasked to centralize the announcement of corporate information. In accordance with the Taiwan Stock Exchange Corporation’s rules and regulations, the Company discloses its material information and financial data on the Market Observation Post System (MOPS). The Company periodically holds investor conferences and posts related information in Chinese and English on its website.	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
5. Is there any other important information to facilitate a better understanding of the FHC’s corporate governance practices (e.g. including, but not limited to, employee rights, employee well-being, investor relations, rights of stakeholders, directors’ and supervisors’ training records, the implementation of risk management policies and risk evaluation measures, the implementation of customer relations policies, the purchasing of insurance for directors and supervisors, and the donations to political parties, stakeholders and non-profit organizations)?	V		<p>I &amp; II Employee Rights and Employee Well-being:</p> <p>For detail information, please refer to Section 8 Labor Relations in Chapter Five – Business Overview of the current report.</p> <p>III. Investor Relations</p> <p>The company maintains proper and appropriate relations with investors through the following measures:</p> <ol style="list-style-type: none"> <li>1. Holding an Annual General Meeting (AGM), in accordance with related laws and regulations.</li> <li>2. Disclosure of information on the Market Observation Post System.</li> <li>3. Organizing investor conferences on a regular basis.</li> <li>4. Established “Investor Relations” section under the company’s website, where investors can view/download information on the company.</li> <li>5. Providing “Investor Relations” contact details (phone and email) to facilitate timely communication.</li> </ol>	None

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from the “Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>IV. Stakeholder Interests</p> <p>On the aspect of the interaction with vendors, the Company has formulated “the Operation Guidelines for Procurement”, ensuring a transparent and fair process. The Company also emphasizes fair and green procurement. When purchasing office supplies, equipment, lighting systems and other office products, the Company’s selecting priority is low energy consumption and environmental friendliness.</p> <p>The Company requires all suppliers’ to commit to honest behavior and the Company’s corporate social responsibility policies.</p> <p>To ensure suppliers’ commitment to the Company’s corporate social responsibility policies, the Company had specified in the contracts all of the policies that suppliers are bound to follow (including but not limited to the protection of workers’ rights, environment, and consumers’ interests); these contracts are structured in ways that allow the Company to terminate the service arrangement at any time if suppliers are found to have violated the prescribed policies or caused significant impact to the environment or society.</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from the “Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>V. Continuing education of Directors</p> <p>1. In accordance with “Taiwan Stock Exchange Corporation Rules Governing Information Filing by Companies with TWSE Listed Securities and Offshore Fund Institutions with TWSE Listed Offshore Exchange-Traded Funds” and “Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies”, the Company files the board meeting attendance and continuing education record of all directors and supervisors for the preceding month by 15 day of each month. The Company also proactively provides directors with information on training opportunities with regard to corporate governance.</p> <p>2. From 1 January to 31 December 2015, ten directors attended the corporate governance related training courses of various entities including Taiwan Securities Association, Securities and Futures Institute, Taiwan Corporate Governance Association, Chinese National Association of Industry and Commerce, Taiwan Academy of Banking and Finance, and the Financial Supervisory Commission.</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from the “Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>VI. Implementation of Risk Management Policy and Risk Measurement Criteria</p> <p>The Company has instituted Risk Management Policy and established rules and guidelines to manage market risk, credit risk and operational risk.</p> <p><b>Market risk.</b> The Company employs sensitivity and value at risk (VaR) analyses, among others, to gauge existing or potential market risk for its trading positions. Stop-loss limits for various positions are established based on daily assessments, in order to appropriately control risk.</p> <p><b>Credit risk.</b> The Company analyses indicators including probability of default, loss given default, exposure and credit rating to gauge loss and risk capital, among other risk factors. In addition to controlling the exposure of each individual client by imposing a credit limit on a daily basis, the Company also monitors and controls credit portfolios on a monthly basis.</p> <p><b>Operational risk.</b> The Company employs three methods to counter operational risk: (1) every business unit undertakes routine management of operations on a daily basis; (2) the operational risk management unit monitors and controls risks through Loss Event (LE) reporting, Risk Control Self-Assessment (RCSA) and Key Risk Indicator (KRI);</p>	



Evaluation Item	Implementation Status <sup>1</sup>			Deviation from the “Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>and (3) the internal audit unit conducts audit examinations on an aperiodic basis.</p> <p>VII. Implementation of Client Policy</p> <p>In order to protect the interests of clients, the Company has personnel dedicated to providing both juridical- and natural-person clients with services to resolve transaction disputes.</p>	
			<p>VIII. Purchase of Liability Insurance by the Company for Directors and Supervisors</p> <p>The Company has entered into liability insurance contracts with insurance companies, including AIG Taiwan, extending coverage to all directors and supervisors of the Company and its subsidiaries.</p> <p>IX. Donation to Political Parties, Stakeholders and Non-profit Organizations</p> <ol style="list-style-type: none"> <li>1. The Company donated NT\$2,500,000 in 2015 to “Taiwan Financial Services Education Charity Fund”, launched by the Taiwan Financial Services Roundtable (TFSR), to support economically disadvantaged youth.</li> <li>2. The Company’s subsidiary China Development Industrial Bank donated NT\$24,000,000 to “CDIB Education and Cultural Affairs Foundation” to provide financial assistance to the student victims of the dust explosion at</li> </ol>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from the “Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>Formosa Fun Coast in New Taipei City.</p> <p>3. The Company’s subsidiary China Development Industrial Bank donated NT\$30,000,000 to “CDIB Education and Cultural Affairs Foundation” in 2015.</p> <p>4. The Company’s subsidiary China Development Industrial Bank donated NT\$700,000 to National Taiwan University Academic Development Foundation in 2015.</p> <p>5. The Company’s subsidiary KGI Securities donated NT\$200,000 to Rong-Shing Cultural Foundation in 2015.</p> <p>6. The Company’s subsidiary KGI Securities donated NT\$700,000 to KGI Charity Foundation in 2015.</p> <p>7. The Company’s subsidiary KGI Securities donated NT\$17,000 to the Children Welfare League Foundation in 2015.</p> <p>8. The Company’s subsidiary KGI Securities donated NT\$22,500 to ASE Cultural &amp; Education Foundation in 2015.</p> <p>9. The Company’s subsidiary KGI Securities donated NT\$5,000 to Taiwan Financial Services Roundtable (TFSR) in 2015.</p> <p>10. No donation to political parties by the Company and its subsidiaries.</p>	

Evaluation Item	Implementation Status <sup>1</sup>			Deviation from the “Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
6. Does the FHC have corporate governance self-assessment reports or corporate governance evaluation reports prepared by professional institutions? (If yes, please state the opinions of the Board of Directors the results of self-assessment or commissioned assessment, the major deficiencies, recommendations for improvements. (Note 2)		V	The Company has been subject to corporate governance assessments undertaken by regulators. It will consider commissioning the task to professional institutions.	The Company will consider commissioning the task to professional institutions.

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

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

### 3.4.5 Composition, Responsibilities and Operations of the Remuneration Committee

#### A. Composition and Operations of the Remuneration Committee

- (1) The Remuneration Committee officially commenced operation on September 30, 2011, with three sitting members.
- (2) The term for current committee members is from June 19, 2013 to June 12, 2016.

In 2015, a total of ten meetings were convened, with attendance detailed below.

Title	Position holder	Name	Qualified category* (1, 2, 3)	Actual attendance	Attendance by proxy	Actual attendance ratio (%)
Chief	Independent Director	Ching-Yen Tsay	1, 3	10	0	100
Member	Independent Director	Gilbert T.C. Bao	3	10	0	100
Member	Independent Director	Hue-Sun Teng	3	9	1	90

\* Qualifications required to become a committee member (please fill in 1, 2, or 3 in the chart above):

- (1) Position of lecturer and above at public or private universities and colleges in the fields of commerce, law, finance, accounting and related fields;
- (2) Judge, prosecutor, lawyer, Certified Public Accountant or professional and technical person with national examination certification as well as certificates in the business areas required by the companies ;
- (3) Persons with professional experience in the fields of commerce, law, finance, and accounting, or business areas required by the companies.

#### B. Scope of function

- (1) Establishing and periodically assessing the performance and remuneration policies, systems, standards and structures for directors (chairman and vice chairman included) and executives.
- (2) Establishing and periodically assessing directors (chairman and vice chairman included) and individual executives' remuneration and related structure.
- (3) Deciding on matters assigned by the Board of Directors.

With the exception of matters assigned by the Board of Directors and regulations and rules approved by the Board of Directors, which may be implemented after the Remuneration Committee gives its approval, all decisions made by the Committee must be sent to the Board of Directors for discussion.

**Table 1****Directors' Training - 2015**

December 31, 2015

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
Corporate Governance and Directors' and Supervisors' Responsibilities; Corporate Governance and Intellectual Property Rights	2015/3/10	2015/3/10	Taiwan Corporate Governance Association	Long-I Liao	6
International Conference on "Corporate Governance, Financial Supervision and Laws"	2015/6/26	2015/6/26	Taiwan Stock Exchange Corporation	Mark Wei	6
Amendment and Practical Interpretation of the Company Act	2015/6/30	2015/6/30	China Development Industrial Bank	Chia-Juch Chang	2
Key to Industry Growth and Upgrade - Cross-border M&A	2015/7/14	2015/7/14	Taiwan Corporate Governance Association	Hsing-Hsiang Ou	3
Best Board Practice and Corporate Governance Workshop	2015/7/22	2015/7/22	Taiwan Academy of Banking and Finance	Hsing-Hsiang Ou	3
Implications of Business Secret Protection Laws in Business Competition	2015/7/24	2015/7/24	Taiwan Corporate Governance Association	Mu-Tsai Chen	3
Independent Directors - "Outsiders" with Greater Responsibilities? An Investigation into Independent Directors' Responsibilities	2015/8/18	2015/8/18	Taiwan Corporate Governance Association	Mu-Tsai Chen	3
				Ching-Yen Tsay	3
				Hsing-Hsiang Ou	3
Independent Director Functions	2015/8/25	2015/8/25	Taiwan Corporate Governance Association	Hui-Sun Teng	3

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
Independent Director and Functional Committee Practices	2015/9/01	2015/9/01	Taiwan Corporate Governance Association	Hui-Sun Teng	3
Advanced Practical Conference for (Independent) Directors and Supervisors ~ [Employee Incentive Strategies and Tools]	2015/9/09	2015/9/09	Securities and Futures Institute	Paul Yang	3
The Parent-Subsidiary Structure and Division of Director/Supervisor Responsibilities	2015/10/27	2015/10/27	Securities and Futures Institute	Chia-Juch Chang	3
				Ching-Yen Tsay	3
				Long-I Liao	3
				David Chen	3
				Mark Wei	3
Corporate M&A Trends and Case Studies	2015/10/27	2015/10/27	Securities and Futures Institute	Paul Yang	3
Advanced Practical Conference for (Independent) Directors and Supervisors ~ [Insiders' Civil Liabilities under the Securities and Exchange Act]	2015/12/01	2015/12/01	Securities and Futures Institute	Gilbert Bao	3
Advanced Practical Conference for (Independent) Directors and Supervisors ~ [Risk Control and Directors' and Supervisors' Legal Responsibilities in Misstated Reports - A Case Study]	2015/12/18	2015/12/18	Securities and Futures Institute	Gilbert Bao	3

**Table 2 Managers' Corporate Governance Training - 2015**

December 31, 2015

Title	Name	Training date	Organizer	Course name	Hours
Chairman	Mu-Tsai Chen	2015/05/21	China Development Financial Holding Corp	2015 First Half Industry Report	3
		2015/07/24	Taiwan Corporate Governance Association	Implications of Business Secret Protection Laws in Business Competition	3
		2015/08/18	Taiwan Corporate Governance Association	Independent Directors - "Outsiders" with Greater Responsibilities? An Investigation into Independent Directors' Responsibilities	3
		2015/08/21	Taiwan Academy of Banking and Finance	New Banking Trends - Third Party Payment and e-Commerce Forum	6
Vice Chairman	Chia-Juch Chang	2015/01/29	China Development Financial Holding Corp	Overview of Financial Holding Company Act	2
		2015/03/13	China Development Financial Holding Corp	Legal Implications of Offshore Private Equity Funds	2.5
		2015/07/15	China Development Financial Holding Corp	Cross-strait Investment Regulations and Case Studies	3
		2015/10/27	Securities and Futures Institute	The Parent-Subsidiary Structure and Division of Director/Supervisor Responsibilities	3
President	Paul Yang	2015/09/09	Securities and Futures Institute	Employee Incentive Strategies and Tools	3
		2015/10/27	Securities and Futures Institute	Corporate M&A Trends and Case Studies	3
Senior Vice President	Eddie Wang	2015/07/24	Taiwan Corporate Governance Association	Implications of Business Secret Protection Laws in Business Competition	3
		2015/11/30	Taiwan Corporate Governance Association	Directors'/Supervisors' Responsibility in Information Disclosures and Misstatements	3
Senior Vice President	Lawrence Liu	2015/03/24	China Development Financial Holding Corp	Cloud-based Currency and Internet Banking	3
		2015/08/07	China Development Financial Holding Corp	New Industry Prospects and Prosperity Opportunities for Taiwan	2
		2015/08/14	China Development Financial Holding Corp	Development Strategies and Investment Incentives for the Local Biotech Industry	2
Senior Vice President	Eddy Chang	2015/05/21	China Development Financial Holding Corp	2015 First Half Industry Report	3
		2015/08/27	China Development Financial Holding Corp	Industry, Economic and Financial Focus 2015	3.5

Title	Name	Training date	Organizer	Course name	Hours
Senior Vice President	Julian Yen	2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2
Senior Vice President	Janet Sheng	2015/03/24	China Development Financial Holding Corp	Cloud-based Currency and Internet Banking	3
		2015/08/21	Taiwan Academy of Banking and Finance	New Banking Trends - Third Party Payment and e-Commerce Forum	6
		2015/10/22	China Development Financial Holding Corp	"Digital Banking and e-Commerce" Seminars: From Creativity to Business	3
Senior Vice President	Michael M.H. Peng	2015/05/21	China Development Financial Holding Corp	2015 First Half Industry Report	3
		2015/08/07	China Development Financial Holding Corp	New Industry Prospects and Prosperity Opportunities for Taiwan	2
		2015/10/27	Securities and Futures Institute	The Parent-Subsidiary Structure and Division of Director/Supervisor Responsibilities	3
		2015/10/27	Securities and Futures Institute	Corporate M&A Trends and Case Studies	3
Senior Vice President	Kenneth Huang	2015/04/08	Trust Association of R.O.C.	2015 Audit Workshop for Trust Services	3
		2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2
		2015/08/22	China Development Financial Holding Corp	2015 Audit Personnel Training	7
		2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2
		2015/10/30	Financial Examination Bureau, Financial Supervisory Commission	Local Banks Internal Audit Conference	1.5
		2015/06/25~2015/06/26	Taiwan Academy of Banking and Finance	Financial Crime and Prevention Workshop	15
Senior Vice President	Bing-Huang Shih	2015/06/09	Taiwan Academy of Banking and Finance	Competitiveness of the Future: Corporate Social Responsibilities (CSR)	3
		2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2
		2015/07/24	China Development Financial Holding Corp	Value-adding Strategies for Local Petrochemical Industry	2
		2015/07/31	China Development Financial Holding Corp	Future Plans and Opportunities for Taiwanese Industries - Productivity 4.0	2
		2015/08/07	China Development Financial Holding Corp	New Industry Prospects and Prosperity Opportunities for Taiwan	2
		2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2



Title	Name	Training date	Organizer	Course name	Hours
		2015/09/10	China Development Financial Holding Corp	From Basic Industrial Technology to Cross-border Industrial Collaboration	2
		2015/09/18	China Development Financial Holding Corp	Transformation of the Manufacturing Sector and Participation in TPP/RCEP Markets	2
		2015/11/19	China Development Financial Holding Corp	Introduction to Closed Corporation	2
		2015/12/17	China Development Financial Holding Corp	Building Awareness towards Labor Regulations	2
Vice President	Andy Lin	2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2
		2015/09/25	Lee and Li Attorneys-at-Law	Globalization Opportunities and Challenges for Local Banks	3
		2015/10/06	Taiwan Academy of Banking and Finance	2015 Asian Financial Supervisors Summit Forum	3.5
		2015/10/22	China Development Financial Holding Corp	From Creativity to Business	3.5
		2015/10/29	China Development Financial Holding Corp	Introduction and Ombudsman Cases of the Financial Consumer Protection Act	2
		2015/12/17	China Development Financial Holding Corp	Building Awareness towards Labor Regulations	2
Vice President	Jane Lai	2015/07/15	Taiwan Academy of Banking and Finance	2015 Risk Executives Conference - BASEL III Development and New Banking Risks	3.5
		2015/08/28	China Development Financial Holding Corp	New Opportunities in Design, Lifestyle Aesthetics, and Brand Innovation	2
		2015/09/11	Taipei Foundation Of Finance	Trade Practices of Foreign Currency Derivatives	3
		2015/09/24	Taiwan Academy of Banking and Finance	Cross-strait Banking Conference - Application and Risk Management of CNY Instruments	7.8
		2015/10/27	Securities and Futures Institute	The Parent-Subsidiary Structure and Division of Director/Supervisor Responsibilities	3
		2015/11/26	Taiwan Academy of Banking and Finance	S&P China Credit Observation Conference - Changes and Opportunities in Economic Reform	3
		2015/12/17	China Development Financial Holding Corp	Building Awareness towards Labor Regulations	2
Vice President	David Kuo	2015/09/23	Taipei Foundation Of Finance	Derivatives Risk Management and Trade Practices	4
		2015/10/23	Taipei Foundation Of Finance	Derivatives Risk Management	4
Vice President	Jenny Chiang	2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2

Title	Name	Training date	Organizer	Course name	Hours
		2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2
		2015/12/17	China Development Financial Holding Corp	Building Awareness towards Labor Regulations	2
Vice President	Ming Lin	2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2
Vice President	Kiki Shih	2015/10/27	Securities and Futures Institute	Corporate M&A Trends and Case Studies	3
		2015/11/18	Accounting Research and Development Foundation	Government Policy in "Helping TWSE/TPEX-Listed and Emerging Stock Market Traded Companies Prepare Consolidated Financial Statements"	3
		2015/11/02~2015/11/10	Accounting Research and Development Foundation	Orientation for Securities Issuers, Securities Firms, and TWSE Chief Accounting Officer	27
Vice President	Brian Huang	2015/03/13	China Development Financial Holding Corp	Legal Implications of Offshore Private Equity Funds	2.5
		2015/06/17	Taiwan Academy of Banking and Finance	2015 Compliance Executives Conference	3
		2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2
		2015/07/15	China Development Financial Holding Corp	Cross-strait Investment Regulations and Case Studies	3
		2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2
		2015/11/29	Taiwan Academy of Banking and Finance	Basel III Overview and Liquidity Risk Management Workshop	8
		2015/12/18	Taiwan Academy of Banking and Finance	Compliance Practices and Trends in Digital Banking	3.5
Vice President	Frances Tsai	2015/01/07	China Development Financial Holding Corp	Application of Mobile Payments	1.5
		2015/01/29	China Development Financial Holding Corp	Overview of Financial Holding Company Act	2
		2015/06/17	China Development Financial Holding Corp	Anti-money Laundering Regulations and Case Studies	2
		2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2
		2015/07/15	China Development Financial Holding Corp	Cross-strait Investment Regulations and Case Studies	3
		2015/08/07	China Development Financial Holding Corp	New Industry Prospects and Prosperity Opportunities for Taiwan	2
		2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2

Title	Name	Training date	Organizer	Course name	Hours
		2015/09/25	Lee and Li Attorneys-at-Law	Globalization Opportunities and Challenges for Local Banks	3
		2015/10/27	Securities and Futures Institute	The Parent-Subsidiary Structure and Division of Director/Supervisor Responsibilities	3
		2015/11/03	IBM	2015 CFO Forum	3
		2015/11/05	China Development Financial Holding Corp	Credit Rating Conference ~ Overview of S&P Rating Methodology	3
		2015/3/19~2015/3/27	China Development Financial Holding Corp	2013 IFRS and Corporate Credit Workshop	8
Vice President	Jane Li-Chen Lai	2015/06/30	China Development Financial Holding Corp	Latest Trends in Commercial Laws	2
		2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2
		2015/10/27	Securities and Futures Institute	The Parent-Subsidiary Structure and Division of Director/Supervisor Responsibilities	3
		2015/10/27	Securities and Futures Institute	Corporate M&A Trends and Case Studies	3
		2015/11/05	China Development Financial Holding Corp	Credit Rating Conference ~ Overview of S&P Rating Methodology	3
Vice President	Hans Tzou	2015/03/13	China Development Financial Holding Corp	Legal Implications of Offshore Private Equity Funds	2.5
		2015/04/23	China Development Financial Holding Corp	Personal Information Protection Act in Practice	3
		2015/08/22	China Development Financial Holding Corp	2015 Audit Personnel Training	7
		2015/10/29	China Development Financial Holding Corp	Introduction and Ombudsman Cases of the Financial Consumer Protection Act	2
		2015/10/30	Financial Examination Bureau, Financial Supervisory Commission	Local Banks Internal Audit Conference	1.5
		2015/11/25~2015/11/26	Taiwan Academy of Banking and Finance	Auditor Workshop	15
Vice President	Chih-Yu Chou	2015/06/18	KGI Bank	Internet Banking and Financial Innovation	2
		2015/08/25	China Development Financial Holding Corp	The Future of Taiwanese Industries	2
		2015/10/29	China Development Financial Holding Corp	Introduction and Ombudsman Cases of the Financial Consumer Protection Act	2
		2015/11/19	China Development Financial Holding Corp	Introduction to Closed Corporation	2
		2015/12/17	China Development Financial Holding Corp	Building Awareness towards Labor Regulations	2

### 3.4.6 Corporate Social Responsibility

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
1. Corporate Governance Implementation (1) Does the company have a corporate social responsibility policy or system in place? Is the implementation reviewed on a regular basis?	V		(1) The Company has assembled "China Development Financial Corporate Social Responsibilities Committee" in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies," and assigned task forces to execute various assignments. The Company adopts business policies that focus on achieving "active participation of public affairs; balance between economic, social and environmental development; business sustainability through corporate social responsibilities." For more detailed descriptions of the Company's CSR involvements in 2015, please refer to Section 5. Corporate Responsibilities and Ethics in Chapter Five - Business Overview of the current annual report.	None
(2) Does the company organize social responsibility training on a regular basis?	V		(2) The Company organizes regular training courses on corporate social responsibilities to promote employees' awareness and knowledge to the relevant regulations.	None
(3) Does the company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	V		(3) The Company has assembled "China Development Financial Corporate Social Responsibilities Committee" in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies," and assigned task forces to execute various assignments.	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(4) Does the company formulate a reasonable remuneration policy that associates employees' performance appraisals with CSR? Does the remuneration policy supported by an effective reward/disciplinary system?	V		(4) The Company has a Remuneration Committee in place to regularly review directors' (including Chairman and Vice Chairman) and managers' performance, as well as the policy, system, standards and structure of the current remuneration. Should any employee violate this policy, the respective departments are required to report to the Audit Division for immediate inspection. Violations that are found to be true will be subject to disciplinary actions in accordance with the Company's Employee Reward and Discipline Policy.	None
2. Sustainable Environment Development  (1) Is the company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		(1) The Corporate Social Responsibility Committee was established as for the purpose of environmental sustainability. The committee's main task is create tangible goals and practices related to environmental sustainability and carbon reduction in a manner that actively promotes a sustainable business environment and meets regularly to discuss related issues. In 2015, in an attempt to utilize a more systematic approach towards environmental protection and energy saving, the Company has passed ISO 14001 Environmental Management System certification in December 2015 to ensure better efficiency in the use of various resources.	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		(2) The Company created service handbooks that detail environmental policy and office energy conservation issues according to the specific characteristics of the financial industry for its employees to follow. All of the Company’s subsidiaries have outlined environmental management policies, and assigned their respective General Affairs Departments to supervise office environment and equipment maintenance. Regular services have been procured to ensure proper functioning of all equipment used and the cleanliness and appearance of the work environment.	None
(3) Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	V		(3) The Company’s main source of greenhouse gas emissions comes from electricity use. To create a low-carbon environment, the Company plans to reduce its total electricity consumption by 1%, using total energy consumption in 2015 as the base, over a period of two years (by the end of 2017) in relation to air-conditioning and lighting power consumption. Some of the energy conservation and carbon reduction measures the Company continues to promote include:	None
	V		1. Energy conservation: Use of inverter-based air conditioning chiller units; partial shutdown of elevator services during off-peak hours and public holidays; replacement of outdated elevator controllers; removal of ceiling lighting tubes and adjustment of indoor temperature; use of LED lighting for emergency signs; partial shutdown of lighting at common areas and parking lots during lunch breaks and after-work	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
	V		hours and use of window films or curtains in areas of strong sunlight.	None
	V		2. Water resource management: Reduced tap water flow at pantry and toilets; regular cleaning of water tank and detecting water quality.	None
	V		3. Greenhouse gas control: The Company is not a manufacturer and therefore does not directly emit ozone depleting substances. There is no relevant statistics of other greenhouse gas emissions, such as septic tanks, fire extinguishers and employee commuting. However, Through engaging with certified vendors, adopting environmentally friendly materials and strengthening advocacy, the Company is determined to reduce greenhouse emissions. In the future, the Company will continue its self-management in order to minimize the the emissions of greenhouse gas.	None
	V		4. Waste sorting, recycling and reuse: Used batteries are classified and recycled; kitchens are equipped with oil-water separators to minimize water pollution; used office equipment such as computers, light tubes and toners are sorted and recycled.	None
3. Enforcement of Public Welfare				
(1) Does the company develop its policies and procedures in accordance with laws and International Bill of Human Rights?	V		(1) The Company takes care of employees by: (1) providing Labor Insurance and National Health Insurance coverage ; (2) providing group insurance and free physical examinations; (3) maintaining a pension system that complies with the Company's Employee Retirement Guidelines and the Labor Pension Act; and (4) a activities and benefits for employees.	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?	V		(2) The Company offers an on-line opinion box for employees to raise complaints and report misconducts. The Company and all its subsidiaries also have dedicated phone lines available for outsiders to report employee misconducts. Those who violate against the Company's "Employee Code of Conduct" will subject to disciplinary actions under the Employee Reward and Discipline Policy. Those who violate against government regulations will be subject to legal liabilities where appropriate.	None
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company values employees' safety and their rights to a healthy work environment. Some of the actions taken to ensure this include: 1. Appointment of safety and health officers to conduct regular safety training, fire drills, office lighting inspections (through professional service providers), CO2 measurements and drinking water's turbidity, PH level and E. Coli numbers detection. 2. Provision of group insurance coverage and free physical examination. In addition, all main subsidiaries engage professional nurses and physicians to educate employees on topics such as health promotion and prevention of occupational illness, and disseminate health-related information and organize health seminars from time to time. 3. In accordance to regulation, fire safety equipment maintenance and reporting is authentically executed at each office building. Regular fire safety drills are also organized in order to improve employees' disaster prevention awareness and response capabilities.	None



Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
			4. Strict access control: All headquarters have 24-hour security guard who routinely engage in safety patrol, prevent illegal intrusion and ensure the personal security of employees.	
(4) Does the Company setup a communication channel with employees on a regular basis, as well as reasonably inform employees of any significant changes in operations that may have an impact on them?	V		(4) The Chairman or President would take initiative in notifying employees through email on any major decisions of the Company at the first instance.	None
(5) Does the Company provide its employees with career development and training session?	V		(5) Talents are the foundation of any organization, which is why the Company has long emphasized on the importance of employees' development. In support of this policy, the Human Resource Division offers employees a rich and diverse selection of courses that they may take online, as well as physical workshops and career development programs that would align them with the world's latest financial trends.	None
(6) Does the company establish any consumer protection mechanisms and appealing procedures regarding research development, procurement, production, operation and service?	V		(6) The Company has setup guidelines for customer information confidentiality measures, personal information protection, personal file security plans, and post-service data disposal rules in order to ensure appropriate use and custody of customers' personal information. In addition, in order to protect consumer's right and interest, the Company's subsidiaries, KGI Bank and KGI Securities have formulated “Guidelines for Handling Consumers’ Compliant and Dispute” which clearly detail relevant consumer protection policy and complaint procedures. Moreover, a 24-hour service hotline and email provide	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(7) Does the company advertises and label its goods and services according to relevant regulations and international standards?	V		customers with a simple and diverse access to communicate with the Company. (7) All of the Company's products and services are launched in compliance with relevant regulations and international standards.	None
(8) Does the company evaluate suppliers' environmental and social conducts before commencing business relationships?	V		(8) ~ (9) 1. The Company places great emphasis on environmental, safety and health issues. Therefore, the Company requires all suppliers' to commit to honest behavior and the Company's corporate social responsibility policies. 2. The Company and its subsidiaries have well established procurement regulations, which include selection criteria, assessment and management of suppliers. When selecting a supplier, in addition to comprehensively assessing the supplier's size, professional quality and experience, industry performance, and recommendations, the Company also plan to only consider suppliers that have “received ISO certification or other quality assurance certifications” to ensure that suppliers strictly fulfill the Company's vision of corporate social responsibility. 3. To ensure suppliers' commitment to the Company's corporate social responsibility policies, the Company had specified in the contracts all of the policies that suppliers are bound to follow (including but not limited to the protection of workers' rights, environment, and consumers' interests); these contracts are structured in ways that allow the Company to terminate the service arrangement at any time if suppliers are found to have violated	None
(9) Is the company entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impact to the environment or society?				

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
			the prescribed policies or caused significant impact to the environment or society.	
4. Enhancing Information Disclosure  Has the company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		More detailed disclosures on corporate social responsibilities can be found on the Company's website and annual report. The Company has published "Corporate Social Responsibility Report" on an annual basis since 2011. These reports are disclosed on the Company's website.	None
5. If the company has established CSR principles in accordance with "Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles:  None				
6. Other information material to the understanding of corporate responsibility fulfillments (e.g. the company's policies, measures, and practices toward environmental protection, social engagement, society contribution, social services, social justice, consumers' interests, human rights, safety and health, and other social responsibilities):  See Notes 1-4 above.				
7. If the company's products or corporate social responsibility reports are certified by external institutions, please describe the certification criteria used:  None				

Note 1: Always provide explanations in the summary description column, regardless of whether "Yes" or "No" has been selected.

Note 2: If the company has prepared a CSR report, the summary description may be completed by providing page references to the CSR report instead.

Note 3: Non-TWSE- and non-TPEX-listed banks need not complete the field "Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TWSE/TPEX-Listed Companies."



### 3.4.7 Ethical Corporate Management

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies (Note 2)
	Yes	No	Summary	
1. Establishment of ethical corporate management				
(1) Does the company state its ethical corporate management policies and procedures in its guidelines and external documents, as well as the commitment from its Board to implement the policies?	V		(1) On November 23, 2015, the Board of Directors have passed the Company's "Ethical Corporate Management Best Practice Principles ", and will be proposed for resolution during the 2016 shareholder meeting.	None
(2) Does the company establish policies to prevent unethical conduct with clear statements regarding relevant procedures, guidelines of conduct, punishment for violation, rules of appeal, and the commitment to implement the policies?	V		(2) The Company's "Ethical Corporate Management Best Practice Principles," "Code of Conduct" and "Subsidiary Insiders Discipline" have specifically outlines a list of dishonest behaviors and conflicting interests, and prohibits any offer or accept bribery, and improper Donations or sponsorships. These rules are conveyed to employees through training sessions. Employees who are found to have committed dishonest behaviors will be disciplined according to the Company's policies or regulations.	None
(3) Does the company establish appropriate precautions against high-potential unethical conducts or listed activities stated under Paragraph 2 of Article 7 of the "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies"?	V		(3) According to the Company's "Ethical Corporate Management Best Practice Principles," employees are required to report to the Audit Committee, managers, internal audit officers or other managerial staff where appropriate upon discovery of any violation against business integrity. The Company will maintain confidentiality of informant's identity and the details	None

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies (Note 2)
	Yes	No	Summary	
			reported, while in the meantime take initiative in the investigation. Furthermore, the Company's "Code of Conduct" also requires employees to handle the Company's affairs in the utmost honesty and good faith. Should any employee violate this policy, the relevant departments are required to report to the Internal Audit Department for immediate inspection. Violations that are found to be true will be subject to disciplinary actions in accordance with the Company's Employee Reward and Discipline Policy. Where government regulations are involved, employees may also be subject to legal liabilities.	
2 Implementation of Ethical Business Conduct (1) Does the company evaluate the ethical records of all counterparties? Are there any integrity clauses in the contracts it signs with business partners?	V		(1) The Company evaluates credibility of all major suppliers. The Company would require all major suppliers to commit to the Company's policies. To ensure suppliers' commitment, the Company would specify in the service contract all of the policies that suppliers are bound to follow (including but not limited to the protection of workers' rights, environment, and consumers' interests); If the counterparty is involve in unethical conduct or caused significant impact on the environment or society, the Company may, at any time, terminate or rescind the contract.	None

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies (Note 2)
	Yes	No	Summary	
(2) Does the company have a dedicated unit which promotes corporate ethical management, and reports the implementation to the Board of Director regularly?	V		(2) The Company has assigned various departments to promote corporate ethical management within their respective areas of expertise. For example, Finance and Accounting Departments are responsible for the execution of the accounting policy; whereas the Human Resource Department is responsible for organizing corporate ethical management courses and assisting CSR Committee's Customer Protection Unit to report its implementation status to the Board of Directors.	None
(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(3) In order to prevent potential conflict of interest and facilitate immediate resolution, employees have the obligation to report to their departments and the human resource department any commercial activities they have taken outside the Company in their private capacity. Non-managerial staff has to report to the head of department, who then forwards to the Human Resource Department for filing. Managerial staff is required to report to line managers, who then circulate to Legal Affairs and Human Resource Departments before seeking President's or Chairman's approval. When required by law or under special circumstances, permission must be sought in a managing directors meeting or Board of Directors meeting before employees are allowed to undertake concurrent employment. The Company will carefully evaluate all concurrent employments reported by employees, in order to identify a potential conflict of interest.	None

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies (Note 2)
	Yes	No	Summary	
(4) Has the company established effective accounting and internal control systems for the implementation of corporate ethical management? Are these systems reviewed by internal or external auditors on a regular basis?	V		(4) The Company has established effective accounting policies and internal control systems to ensure business integrity. According to the Company's "Ethical Corporate Management Best Practice Principles," the Internal Audit Department is required to conduct general audits at least once a year, and special audits (finance, risk management, or compliance-related) at least once every six months on the Company and its subsidiaries. The Internal Audit Department also conducts regular checks on subsidiaries with regards to their establishment, execution and compliance of business integrity principles.	None
(5) Does the company organize internal or external training on a regular basis to enforce business integrity?	V		(5) The Company has "Ethical Corporate Management Best Practice Principles," "Code of Conduct" and "Subsidiary Insiders Discipline" in place that requires employees to handle the Company's affairs in the utmost honesty and good faith. These policies have been made accessible on the Company's intranet; any additions and amendments made are notified to all employees via email, whereas internal trainings are organized on a regular basis.	None
3. Status of Whistleblowing system (1) Does the company provide incentives and means for employees to report misconducts? Has the company assigned dedicated	V		(1) The Company encourages employees to take initiative in notifying the Audit Committee, managers, internal audit officers or any supervisor deemed appropriate upon	None



Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies (Note 2)
	Yes	No	Summary	
personnel to investigate the reported misconducts?			discovery of any situation that would constitute a violation against laws or policies. The Company has an opinion box created within the computer network that employees may use to report misconducts. The Company also has dedicated phone lines available for outsiders to report employee misconduct. All reported misconducts are treated with discretion by dedicated personnel.	
(2) Has the company implemented any standard procedures or confidentiality measures for handling reported misconducts?	V		(2) The Company would assign dedicated persons to investigate the reported misconduct. The process and details of which would be kept confidential, while informants and investigators are protected from harm.	None
(3) Has the company provided proper whistleblower protection?	V		(3) The Company has internal and external channels for receiving misconduct reports. All reported cases are treated with discretion and in a manner that protects the informant.	None
4. Enhancing information disclosure Has the Company disclosed its Ethical Corporate Management Best Practice Principles and progress onto its website and MOPS?	V		The Company's Ethical Corporate Management Best Practice Principles and the results of implementation have been posted on the Company's Chinese / English website.	None
5. If the company has established ethical corporate management policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None				

### **3.4.8 Corporate Governance Guidelines and Regulations**

Please view the “Corporate Governance” section, under “Investor Relations” on the home page of the Company’s website. (<http://www.cdibh.com/enhtml/content/24>)

### **3.4.9 Other Information enabling better understanding of the Company’s corporate governance**

Please refer to the “Corporate Governance” section, under the “Investor Relations” on the homepage of CDF’s website: (<http://www.cdibh.com/enhtml/content/24>) or the official website of the Market Observation Post System (<http://mops.twse.com.tw/mops/web/index>; company code 2883).

### **3.4.10 Implementation of Internal Control System**

#### **1. Statement**

##### **Statement on Internal Control System of China Development Financial Holding**

We hereby declare on behalf of China Development Financial Holding Co., Ltd., that, in accordance with the Regulations Governing the Implementation of Internal Control and Audit Systems by Financial Holding Companies and Banking Industry, from January 1, 2015 to December 31, 2015, the Company had an internal control system, performed risk management, and was audited by an impartial and independent internal auditing department, which regularly reports to the Board of Directors and the Audit Committee. After a careful assessment, all units were able to effectively implement internal control and legal compliance tasks during the year. This statement shall be included among the chief contents of the Company's annual report and prospectus, and shall be made public. Any illegalities such as misrepresentations or concealments in the published contents mentioned above will be considered a breach of Articles 20, 32, 171, and 174 of the Securities and Exchange Act and incur legal responsibilities.

To:

Financial Supervisory Commission, R.O.C

Stated by

Chairman: Mu Tsai Chen

President: Paul Yang

General Auditor: Kenneth Huang

Legal Compliance Officer: Brian Huang

Dated: March 14, 2016

2. **Where the competent authority has required the company's internal control policies to be reviewed by a CPA, the CPA review report must be disclosed:**

None

**3.4.11 The penalties imposed for violations of laws or regulations and the major deficiencies of China Development Financial Holding and its subsidiaries during the most recent two years and improvements made**

1. **Prosecution against the Company's statutory responsible person or any employee for crimes committed on the job:**

None

2. **Fines imposed by Financial Supervisory Commission (FSC) for violations of laws and regulations:**

Nature of case and fines amount	Status of the Improvement
<p>FSC Decision No. Jin-Guan-Zheng-Qi-Fa-1030001563 dated February 18, 2014</p> <p>Employee Li of subsidiary - KGI Futures was found to have accepted foreign futures trading instructions outside business premise from non-authorized person, and failed to complete a formal trading form for the transaction. In addition, Li was found to have executed personal transactions ahead of customers' for the same type of futures instrument, and failed to notify customers personally of confirmed intra-day trading of foreign futures.</p> <p>Fines totaling NT\$ 360,000 were imposed.</p>	<p>KGI Futures has since taken enhanced measures to promote legal awareness among employees and conducted intensive trainings to ensure compliance from all employees.</p>
<p>FSC Decision No. Jin-Guan-Zheng-Qi-Fa-1030000230 dated March 26, 2014</p> <p>Employee Lin (head of Institutional Investors Department) of subsidiary - KGI Futures was found to have allowed the newly hired sales to enter the trading counter during business hours and accept customers' trading instructions before the formal registration process was completed. Trading instructions received by the unregistered sales were</p>	<p>KGI Futures has since taken enhanced measures to promote legal awareness among employees and conducted intensive trainings to ensure compliance from all employees.</p>

Nature of case and fines amount	Status of the Improvement
<p>either written and signed by Lin, or verified by Lin and signed off by other sales.</p> <p>Fines totaling NT\$ 240,000 were imposed.</p>	
<p>FSC Decision No. Jin-Guan-Zheng-Qi-Fa-10300482361 and Letter No. Jin-Guan-Zheng-Qi-10300482363 dated January 14, 2015</p> <p>Findings in subsidiary - KGI Futures:</p> <p>In June 2014, Lin, sales of KGI Futures, was found to have engaged outsiders to solicit customers to open futures accounts. Given that Lin had contacted outsiders by using KGI Future's company phone lines, the Company was found responsible for lack of supervision. Both KGI Futures and Lin were found to have violated Paragraph 2, Article 2 and Subparagraph 21, Article 55 of Regulations Governing Futures Commission Merchants, and Paragraph 2, Article 16 of Regulations Governing Responsible Persons and Associated Persons of Futures Commission Merchants.</p> <p>Fines totaling NT\$ 120,000 were imposed.</p>	<p>KGI Futures has since taken enhanced measures to promote legal awareness among employees and conducted intensive trainings to ensure compliance from all employees.</p>
<p>FSC Decision No. Jin-Guan-Zheng-Jiao-Fa-1040050712 dated December 10, 2015</p> <p>On August 24, 2015, board of directors of China Development Financial passed a resolution to buy back the Company's shares, and was later found to have made purchases before submitting a written report to FSC. This constituted a violation against Article 3 of "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies," a law created and authorized under Paragraph 3, Article 28-2 of the "Securities and Exchange Act."</p> <p>Fines totaling NT\$ 240,000 were imposed against the statutory responsible person of China Development Financial Holding.</p>	<p>To prevent future recurrence, China Development Financial has revised its internal policies in accordance with "Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies," which requires all necessary announcements and reports to be made before repurchasing shares.</p>

### 3. Deficiencies reprimanded by the FSC

Nature of case	Status of the Improvement
<p>FSC Letter No. Jin-Guan-Zheng-Tou-1030023404 dated June 11, 2014</p> <p>Findings in subsidiary - Global Securities Finance Co.:</p> <p>During the general inspection conducted by FSC Financial Examination Bureau between January 15 and 24, 2014, Global Securities Finance Co. was found to have refinanced one of its major shareholders (a securities company) for more than 1% of net worth without seeking the board's prior approval. This constituted a violation against Article 59 of Regulations Governing Securities Finance Enterprises and FSC's instructions stated in (2001) Letter No. Tai-Cai-Zheng-(4)-000481 dated February 22, 2001. Global Securities Finance Co. was issued a "correction" pertaining to the above and was allowed discretion over the discipline of its personnel and enhancement of its internal control system.</p>	<p>Global Securities Finance Co. had made the following improvements:</p> <p>This case was the result of an error made by one of the frontline staff in the "Credit Assessment Sheet," where the "level of approval authority" was incorrectly specified, causing the transaction to bypass board resolution. Global Securities Finance Co. had discovered this error on August 13, 2013 (prior to the financial inspection), and subsequently reduced credit limit from NT\$ 100 million to NT\$ 77 million on August 15, 2013 to comply with regulatory requirements. To prevent similar occurrences in the future, Global Securities Finance Co. has been emphasizing the importance of its "Stakeholders Inquiry System" to employees, and introduced a new alert on April 22, 2014, that automatically analyzes data entry and determines whether a customer is a stakeholder or a shareholder with more than 1% ownership interest in Global Securities Finance Co., whether the applied credit limit exceeds guidelines, and the level of authority the application needs to be referred to. All similar occurrences will be circulated to the Compliance Officer in the future.</p> <p>Disciplinary actions had been taken against three employees who were found to be negligent in their duties; the outcome of which had been reported to FSC on June 13, 2014.</p>
<p>FSC Letter No. Jin-Guan-Yin-Guo-10300157660 dated July 11, 2014</p> <p>Subsidiary - Cosmos Bank (now known as KGI Bank) was found to have invested in the shares of MStar Semiconductor Inc., a company in which</p>	<p>KGI Bank has since been reviewing its stakeholders file and inspecting its operating procedures on a regular basis. Furthermore, employees of all departments were given enhanced training on stakeholder regulations.</p>

Nature of case	Status of the Improvement
<p>Independent Director Lin had concurrently served as a director. A correction was issued in accordance with Paragraph 1, Article 61-1 of the Banking Act in relation to this transaction.</p>	<p>Starting from March 2014, all share investments are required to undergo stakeholder checks and more thorough procedures. Each month, KGI Bank would make a list of shares it intends to purchase and check it against the names of directors/supervisors listed on MOPS or the Commerce Industrial Services Portal. These checking procedures are being documented for future reference.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Quan-10300227014 dated August 27, 2014</p> <p>Findings in subsidiary - KGI Securities:</p> <p>During an audit conducted on KGI Securities Jianan Branch between May 13 and 14, 2014, the Securities and Futures Bureau and Taipei Exchange (TPEX) found 5 traders (including Liu) having occupied the trading counter mainly for their own transactions. This constituted a violation against Letter No. Tai-Cai-Zheng-(2) 01031, issued by the former Securities Commission on April 2, 1996, which prohibited securities firms from outsourcing part of their trade counters to proprietary traders.</p> <p>A "correction" was issued in accordance with Article 65 of Securities and Exchange Act, which required KGI Securities to make improvements as planned and supervise trade specialists to refrain from similar conducts. Any repeated violation in the future will be subject to severe penalties.</p>	<p>KGI Securities had made the following improvements:</p> <p>A firm-wide propaganda was made on July 8, 2014, to all sales and traders.</p> <p>From August 1, 2014 onwards, traders or sales who issue trading instructions in person must have their instructions processed by colleagues and controlled by the computer system.</p> <p>An "Insider Trading Control Policy" was created and affected since October 1, 2014, to govern insider transactions.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Tou-1030037477 dated October 13, 2014</p> <p>Findings in subsidiary - KGI SITC:</p> <p>FSC Financial Examination Bureau made the following discoveries on KGI SITC during its general inspection dated June 5 ~ 13, 2014:</p> <p>1. Use of private equity funds to invest in underwritten stocks that were not within the</p>	<p>KGI SITC had made the following improvements:</p> <ol style="list-style-type: none"> <li>1. Funds ABC and XYZ no longer invest in underwritten stocks since the financial inspection.</li> <li>2. From September 1, 2014 onwards, all fund managers are required to explain discrepancies between their investment</li> </ol>

Nature of case	Status of the Improvement
<p>scope and categories specified in the securities investment trust agreement. This constituted a violation against Paragraph 1, Article 54 of Regulations Governing Securities Investment Trust Funds (referred to as Fund Governance Regulation below).</p> <p>2. There were occasions where funds were required to sell their portfolios to meet large redemption requests. However, the number of shares sold was different from the number of shares recorded in the investment analysis report. This constituted a violation against Paragraph 1, Article 4 of the Fund Governance Regulation.</p> <p>3. Withheld share, even the share price had fallen below its mandatory stop-loss threshold on January 2, 2013. This constituted a violation against Paragraph 2; Article 6 of Regulations Governing the Establishment of Internal Control Systems by Service Enterprises in Securities and Futures Markets, for which KGI SITC was instructed to make improvements, conduct self-audits and reports its progress to FSC. Only upon satisfactory review may the subsidiary apply to make new or additional fund offerings in the future.</p> <p>4. Fund manager Liu was concurrently a director of another company, which violated Paragraph 1, Article 7 of Regulations Governing Responsible Persons and Associated Persons of Securities Investment Trust Enterprises. KGI SITC was given the discretion to discipline negligent employees, and was instructed to make improvements toward compliance.</p> <p>An order of correction was issued for this violation.</p>	<p>analyses and actions in the event of a large redemption.</p> <p>3. Employees were reminded to monitor the stop-loss threshold more closely, whereas fund managers and the Trading Department were instructed to execute stop-loss immediately when the criteria are satisfied.</p> <p>4. Fund manager Liu had resigned from all director positions in other companies as of June 30, 2014. Disciplinary action was imposed and later reported to FSC on October 23, 2014.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Quan-1040021630 dated June 5, 2015</p>	<p>KGI Securities had made the following improvements:</p> <p>1. Companies for which the subsidiary plans</p>



Nature of case	Status of the Improvement
<p>Findings in subsidiary - KGI Securities:</p> <p>FSC made the following discoveries when conducting its general inspection on subsidiary - KGI Securities between December 3 and 27, 2014:</p> <ol style="list-style-type: none"> <li>1. During the book building stage in some of the initial public offerings (IPO), the subsidiary obtained declaration of buyers' eligibility from potential subscribers but failed to reject subscription requests raised by issuers' directors and supervisors, and continued to allocate shares to them despite their identities.</li> <li>2. The Proprietary Trading Department was found to have subscribed to shares underwritten by the subsidiary's own Underwriting Department, and the underwritten securities were not placed on the restricted list before relevant information was made public.</li> <li>3. The Proprietary Trading Department was found to have: traded securities outside the price range recommended in the investment decision report; issued trade instructions before completing a formal trade decision report; and where Emerging Stock Market shares were involved, the Capital Markets Department was notified via email to process trade instruction after the deal was made.</li> <li>4. Sales of Xinyi Branch, Kuo was found to have paid subscription deposits on behalf of customers during the book building stage of a share offering.</li> <li>5. When discussing certain agendas that concerned interests of individual directors, the board had failed to address whether these agendas were free of conflicting interests, and allowed the interested directors to participate in the discussion and voting without recuse.</li> </ol> <p>An order of correction was issued for this violation.</p>	<p>to underwrite shares over the next 3 months are now placed on the restricted list, while more robust controls have been taken to prevent subscription from insiders.</p> <ol style="list-style-type: none"> <li>2. To prevent similar mistakes, the subsidiary had introduced enhanced notification practices on top of its existing controls since January 8, 2015.</li> <li>3. The subsidiary had reiterated and demanded all sales/trader personnel to follow internal policies of KGI Securities for all activities concerning the analysis, decision-making, execution, amendment and review of proprietary trading. Furthermore, the computer system was amended on January 5, 2015, to prevent similar occurrences.</li> <li>4. Improvements at the frontline: <ol style="list-style-type: none"> <li>(1) Managers and traders of all branches nationwide are being conveyed on "prohibited conduct."</li> <li>(2) Partner banks are being instructed to reject payments if the name of the payer differs from the name of the subscriber. Exceptions are allowed only if the payer provides satisfactory explanation that is supported by a photocopy of the fund transfer memo.</li> </ol> </li> <li>5. Since June 2013, the subsidiary has taken a more general approach, rather than the material approach, to include directors of both companies into the avoidance list.</li> </ol>

Nature of case	Status of the Improvement
<p>FSC Letter No. Jin-Guan-Zheng-Quan-1040030553 dated August 3, 2015</p> <p>As a participating securities firm of "W.I.S.E. - SSE 50 China Tracker" (referred to as SSE 50 ETF below) distributed by KGI SITC, subsidiary - KGI Securities was found to have violated the following:</p> <p>According to Subparagraph 18, Article 5 of the "Collaboration Agreement" signed with KGI SITC: "The participating securities firm... may trade on the secondary market of Hong Kong... for the purpose of enhancing market liquidity."</p> <p>However, KGI Securities had neglected its duty of care as a prudent manager and failed to build up holding positions of the fund, as required in the agreement, when the Chinese stock market showed significant gains toward the end of 2014. As a result, KGI Securities was unable to mediate supply and demand on January 6, 2015, when SSE 50 ETF was priced at a premium instead of a discount. This constituted a violation against Paragraph 1, Article 5 of Regulations Governing Offshore Funds and Subparagraph 22, Article 37 of Regulations Governing Securities Firms.</p> <p>An order of correction was issued for this violation.</p>	<p>KGI Securities had made the following improvements:</p> <p>KGI Securities' subsidiary - KGI Securities (Hong Kong) Limited was commissioned as the participating securities firm for SSE 50 ETF in Hong Kong on August 21, 2015. KGI Securities had subsequently signed an SSE 50 ETF Subscription and Buyback Agreement with KGI Asia Limited and KGI Securities (Hong Kong) Limited on December 21, 2015, that should greatly reduce the chances of SSE 50 ETF being priced at a significant discount or premium in the local market.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Tou-1040030438 dated August 5, 2015</p> <p>As a distributor of "W.I.S.E. - SSE 50 China Tracker" (referred to as SSE 50 ETF below), KGI SITC was found to have violated the following:</p> <p>1. KGI SITC had neglected its duty of care and failed to supervise its participating securities firm - KGI Securities to build up holding positions of the fund in the Hong Kong market in accordance with the Collaboration Agreement, when the Chinese stock index that was being tracked by SSE 50 ETF made</p>	<p>KGI SITC had made the following improvements:</p> <p>1. Liquidity plan:</p> <p>The participating securities firm - KGI Securities had engaged its own subsidiary - KGI Securities (Hong Kong) Limited to become the participating securities firm for SSE 50 ETF in Hong Kong on August 21, 2015. This new arrangement enabled an easier access for all subscription and redemption requests. On February 15, 2016, KGI Securities became the liquidity</p>

Nature of case	Status of the Improvement
<p>significant gains toward the end of 2014. Eventually, KGI Securities lacked the inventory to mediate investors' demands, causing the SSE 50 ETF to be priced at a 14.55% premium instead of a discount on 2015/1/6. This constituted a violation against Paragraph 1, Article 5 of Regulations Governing Offshore Funds.</p> <p>2. Between January 6 and 15, 2015, the SSE 50 ETF continued to be priced at a premium, reaching as high as 102.63% at one point. Given that the need to build up positions was material to investors' interests, KGI SITC did not disclose this information on Fund Clear during this period, which constituted a violation against Subparagraph 13, Paragraph 1, Article 12 of Regulations Governing Offshore Funds.</p> <p>A warning was issued in light of this violation.</p>	<p>provider for SSE 50 ETF, which enables it to mediate investors' demands in the future.</p> <p>2. In the future, KGI SITC will disclose on Fund Clear any significant increases in pricing premiums that would require the liquidity provider to build up holding positions.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Quan-1040037202 dated October 19, 2015</p> <p>Subsidiary - KGI Securities had performed inadequate credit assessment when accepting customers' instructions to purchase securities. It lacked the necessary internal control to prevent disruption of market stability, whereas its sales were ignorant of the professional care they were expected at work. All of which had violated securities regulations.</p> <p>A warning was issued in light of this violation.</p>	<p>KGI Securities had made the following improvements:</p> <ol style="list-style-type: none"> <li>1. "Notes on Acceptance of Customers' Trading Instructions by International Department" was implemented on January 30, 2016.</li> <li>2. "Notes on Acceptance of Customers' Trading Instructions by Brokerage Department" was implemented on February 23, 2016.</li> <li>3. "Notes on Acceptance of Trading Instructions from Institutional Investors" was implemented on February 24, 2016.</li> </ol>
<p>FSC Letter No. Jin-Guan-Zheng-Tou-1040048995 dated November 20, 2015</p> <p>Subsidiary - KGI SIAC was found to have charged service fees at 15% of customers' profits in the discretionary investment agreements it signed with customers. This constituted a violation against Subparagraph 4, Article 20 of Regulations Governing the Conduct of Discretionary</p>	<p>KGI SIAC had made the following improvements:</p> <ol style="list-style-type: none"> <li>1. FSC had approved the request made by KGI SIAC on July 29, 2015, to cease all discretionary investment services.</li> <li>2. KGI SIAC will ensure compliance with laws and protection of customers' interests should it decide to resume discretionary</li> </ol>

Nature of case	Status of the Improvement
<p>Investment Business by Securities Investment Trust Enterprises and Securities Investment Consulting Enterprises.</p> <p>An order of correction was issued for this violation.</p>	<p>investment services in the future.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Fa-1040038042 dated December 4, 2015</p> <p>Subsidiary - KGI Securities was found to have violated Subparagraph 4, Article 25 of Regulations Governing Securities Firms while serving as the lead underwriter for the new share offering of ABC Company.</p> <p>An order of correction was issued for this violation.</p>	<p>KGI Securities had made the following improvements:</p> <ol style="list-style-type: none"> <li>1. Communicated with employees on some of the important issues concerning "securities underwriting services and case assessments," including the following: <ol style="list-style-type: none"> <li>(1) For issuers that had completed their previous offerings less than one year ago for the purpose of working capital, employees are required to develop further understanding into the purpose of the new offering, the timing of capital shortage, the cause of capital shortage, and the necessity and rationality of the new offering.</li> <li>(2) Employees are required to understand the rationality that issuers adopt to estimate their minimum cash balances, as shown in the cash flow projection of the new offering.</li> <li>(3) Employees are required to understand whether there are any major differences in future R&amp;D expenses, whether the new offering is used to finance new R&amp;D projects, and evaluate the overall necessity of the new offering.</li> </ol> </li> <li>2. All business units have been instructed to take note of the above in future services.</li> </ol>

**4. Penalties imposed by the FSC in accordance with Paragraph 1, Article 54 of the Financial Holding Company Act**

None

- 5. Disclosure of losses exceeding NT\$ 50 million incurred during the year, whether in one event or aggregately over several events, as a result of extraordinary non-recurring incidents (such as fraud, theft, embezzlement, fictitious transactions, forgery of documents and securities, kickbacks, natural disasters, external forces, hackers' attacks, theft and leakage of confidential information, disclosure of customers' details or other material occurrences), or accidents arising due to lack of financial security measures**

None

- 6. Other disclosures mandated by FSC**

None

### **3.4.12 Shareholder meeting(s) and significant board resolutions during the most recent year and up to the date of publication of this annual report**

#### **1. Resolutions of 2015 shareholders meeting (June 12, 2015) and their implementation:**

##### **(1) Matters for Recognition:**

Proposal 1: Acceptance of 2014 business report, financial statements and consolidated financial statements, and relevant books and reports

##### **Resolution:**

This proposal was recognized as proposed. The number of shares represented by the shareholders present at the time of voting was 12,289,632,546, including 5,481,805,668 shares represented by the shareholders exercising voting rights electronically, accounting for 82.81% of the total outstanding shares. The total number of votes casted for the proposal was 10,566,650,112, including 4,178,047,251 votes casted electronically, accounting for 88.25% of the votes. 103,833 votes (among which 103,833 votes were casted electronically) were casted against the proposal, 296,134 shares were invalid votes and 1,406,111,751 shares (among which 1,303,654,584 were electronic votes) were refrained from voting.

**Implementation:** Announced upon resolution of the shareholders meeting

Proposal 2: Acceptance of the 2014 earnings distribution plan

##### **Resolution:**

This proposal was recognized as proposed. The number of shares represented by the shareholders present at the time of voting was 12,289,943,349, including 5,481,805,668 shares represented by the shareholders exercising voting rights electronically, accounting for 82.81% of the total outstanding shares. The total number of votes casted for the proposal was 10,612,452,276, including 4,222,209,873 votes casted electronically, accounting for 88.63% of the votes. 683,852 votes (among which 347,128 votes were casted electronically) were casted against the proposal, 0 shares were invalid votes and 1,360,336,505 shares (among which 1,259,248,667 were electronic votes) were refrained from voting.

**Implementation:** The cash dividends were allocated on July 24, 2015.

##### **(2) Matters for Discussion**

Proposal 1: To approve the proposal of the third issuance of restricted employee stocks to attract and retain professional talents. Please discuss.

##### **Resolution:**

The proposal was approved as proposed. The number of shares represented by the shareholders present at the time of voting was 12,290,056,217, including 5,481,805,668 shares represented by the shareholders exercising voting rights electronically, accounting for 82.81% of the total outstanding shares. The total number of votes casted for the proposal was 9,840,439,019, including 3,451,482,576 votes casted electronically, accounting for 82.18% of

the votes. 631,251,340 votes (among which 631,251,340 votes were casted electronically) were casted against the proposal, 0 shares were invalid votes and 1,501,895,142 shares (among which 1,399,071,752 were electronic votes) were refrained from voting.

**Implementation:** The total restricted employee new shares issued: 4,478,048 common shares and was distributed on a February 4, 2016.

Proposal 2: To approve the proposal of releasing the non-competition restrictions for certain directors of the board (including judicial persons and their representatives). Please discuss.

**Resolution:**

The proposal was approved as proposed. The number of shares represented by the shareholders present at the time of voting was 12,290,058,217, including 5,481,805,668 shares represented by the shareholders exercising voting rights electronically, accounting for 82.81% of the total outstanding shares. The total number of votes casted for the proposal was 9,653,937,039 including 3,265,690,596 votes casted electronically, accounting for 80.63% of the votes. 1,206,373 votes (among which 474,748 votes were casted electronically) were casted against the proposal, 23,408 shares were invalid votes and 2,318,420,681 shares (among which 2,215,640,324 were electronic votes) were refrained from voting.

**Implementation:** Took effect upon resolution of the shareholders meeting.

**2. Major Resolutions of Shareholders' Meeting and Board Meetings**

**31<sup>st</sup> directors' meeting of the 5th board on January 26, 2015**

(1) Proposal: Status report on the execution of treasury stock repurchase in accordance with the resolution of the Board of Directors' meeting).

Resolution: Approved

**32<sup>nd</sup> directors' meeting of the 5th board on February 9, 2015**

(1) Proposal: To retire 188,888,000 ordinary shares (treasury stock; with face value of NT\$ 10 per share) of the Company, totaling NT\$ 1,888,880,000, and to register the change of capital with the competent authority.

Resolution: Approved

**33<sup>rd</sup> directors' meeting of the 5th board on March 2, 2015**

(1) Proposal: Categorical Assignment of commercial banking businesses (including the associated assets and liabilities) of subsidiary - China Development Industrial Bank ("CDIB"), CDIB's leasing subsidiaries and shares of Taiwan Financial Asset Service Corporation to CDF's other subsidiary - KGI Commercial Bank Co., Ltd. ("KGI Bank") in accordance with the Company Act, Business Mergers And Acquisitions Act, and The Financial Institutions Merger Act, as part of the Company's long-term strategy to consolidate

subsidiaries of similar business activities. The categorical assignment shall be priced based on the net worth of the underlying that were categorically assigned to and assumed by KGI Bank. (To be determined separately between the boards of the two parties) (An indicative transaction price has been calculated at NT\$ 38 billion, as shown in Description 4.9). See Description for more detailed terms and explanations regarding the business consolidation. Approval is requested.

Resolution: Approved

【Note: The agenda was later reviewed in the 35th meeting of the 5th board of directors held on April 13, 2015, during which the board had decided to restructure the transaction to conform to Subparagraph 2, Paragraph 1, Article 185 of the Company Act and Paragraph 1, Article 27 of the Business Mergers and Acquisitions Act. Under the restructured deal, subsidiary CDIB would transfer its commercial banking businesses and assets (including all related obligations, liabilities and responsibilities) to CDF's other subsidiary - KGI Bank through "Business Transfer" instead of the previous "Categorical Assignment".】

#### **34<sup>th</sup> directors' meeting of the 5th board on March 23, 2015**

- (1) Proposal: In accordance with Financial Supervisory Commission's mandate, advocate shareholders with relevant regulations regarding financial holdings' shares held by affiliate(s) of the same person or the same affiliated person.

Resolution: Approved; to be reported in the upcoming annual general meeting.

- (2) Proposal: To pass the "Draft Policy for Third Issuance of Employee Restricted Shares," as part of the Company's continuing effort to attract and retain professional talents through the issuance of restricted shares. If approved, this agenda shall be raised for discussion during the Company's 2015 annual general meeting. Approval is requested.

Resolution: Approved; to be raised for discussion in the upcoming annual general meeting.

#### **35<sup>th</sup> directors' meeting of the 5th board on April 13, 2015**

- (1) Proposal: Proposal to revise the resolution previously made during the 33rd meeting of the 5th board held on March 2, 2015, which concerned the categorical assignment of commercial banking businesses (including all related assets and liabilities of subsidiary CDIB), along with shares of CDIB's leasing subsidiary and shares of Taiwan Financial Asset Service Corporation (held by CDIB) to



CDF's other subsidiary - KGI Bank (referred to as the "Deal" below). Under the new proposal, the Deal shall be restructured and executed in the form of a "Business Transfer," as defined in Subparagraph 2, Paragraph 1, Article 185 of the Company Act and Paragraph 1, Article 27 of the Business Mergers And Acquisitions Act, where subsidiary CDIB shall transfer its commercial banking businesses and assets (including all related obligations, liabilities and responsibilities) to subsidiary KGI Bank. A Supplementary Agreement of Business Transfer shall be drafted based upon and in addition to the terms of the existing Categorical Assignment/Assumption Agreements, and signed by Presidents of CDIB and KGI Bank on behalf of their companies. Chairpersons of CDIB and KGI Bank shall be authorized to negotiate and set a record date for the business transfer. Approval is requested.

Resolution: Approved

- (2) Proposal: To release the non-competition restrictions for certain directors of the board (including judicial persons and their representatives). If approved, this agenda shall be raised for discussion during the Company's 2015 annual general meeting.

Resolution: 1. The removal of the restrictions on Director David Chen was passed unanimously by all attending directors except David Chen himself, who had not only recused himself from voting but also refrained from voting on behalf of Director Paul Yang. This agenda have been raised for discussion during the 2015 annual general meeting.

2. The removal of restrictions on Director Paul Yang was passed unanimously by all attending directors; meanwhile, Director David Chen had refrained from voting on behalf of Director Paul Yang. This agenda have been raised for discussion during the 2015 annual general meeting.

3. The removal of restrictions on Director Hsing-Hsiang Ou was passed unanimously by all attending directors except Hsing-Hsiang Ou himself. This agenda have been raised for discussion during the 2015 annual general meeting.

### **36<sup>th</sup> directors' meeting of the 5th board on April 27, 2015**

- (1) Proposal: Status report on the 1<sup>st</sup> issuance of 2014 unsecured ordinary corporate bonds: In order to retire the Company's bonds at maturity, the Company has completed the first issuance of 2014 Unsecured Ordinary Corporate Bonds offering on March 30, 2015 totaling NT\$6 billion. If approved, the agenda will be reported during the 2015 annual general meeting.

Resolution: Approved.

- (2) Proposal : Terms and conditions regarding the business transfer between CDIB and KGI Bank along with the progress of business integration, settlement status, and other relevant issues. If approved, the agenda will be reported during the 2015 annual general meeting.

Resolution: Approved.

- (3) Proposal: Presentation of the Company's 2014 business report, financial statements, and consolidated financial statements. If approved, these statements will be submitted to the Audit Committee for review and raised for acknowledgment during the Company's 2015 annual general meeting.

Resolution: Approved; submitted to the Audit Committee for review and raised for acknowledgment during the Company's 2015 annual general meeting.

- (4) Proposal: Appropriation of the Company's 2014 earnings. If approved, the agenda will be submitted to the Audit Committee for review and raised for acknowledgment during the 2015 annual general meeting.

Resolution: Approved; submitted to the Audit Committee for review and raised for acknowledgment during the Company's 2015 annual general meeting.

#### **37<sup>th</sup> directors' meeting of the 5th board on May 18, 2015**

- (1) Proposal: Report on the settlement of the business transfer between the Company's subsidiaries CDIB and KGI Bank, as detailed in the Description. The terms, settlement, and consolidation progress of this business transfer will be reported during the Company's 2015 annual general meeting.

Resolution: Approved.

#### **43<sup>rd</sup> directors' meeting of the 5th board on August 24, 2015**

- (1) Proposal: Proposal to repurchase the Company's shares for the purpose of maintaining credit status and shareholders' equity. The proposed repurchase plan is up to 200,000,000 shares or NT\$ 2,000,000,000 at NT\$ 10 per share, which will be fully retired upon completion. According to Article 28-2 of the Securities and Exchange Act, ordinary share buybacks require approval from more than two-thirds of directors present in a board meeting attended by more than half of the Company's directors. Approval is requested if possible.

Resolution: Approved.

#### **45<sup>th</sup> directors' meeting of the 5th board on October 26, 2015**

- (1) Proposal: Status report on the 1st issuance of 2015 unsecured ordinary corporate bonds: In order to retire the Company's bonds at maturity, the Company has

completed the first issuance of 2015 unsecured 5-year Ordinary Corporate Bonds offering on September 15, 2015 totaling NT\$2 billion. If approved, the agenda will be reported during the Company's 2016 annual general meeting.

Resolution: Approved; and raised for discussion during 2016 annual general meeting.

- (2) Proposal: Status report on the execution of share repurchase for the purpose of maintaining credit status and shareholders' equity.

Resolution: Approved; the status report on the execution and the retirement of repurchased shares will be reported during the Company's 2016 annual general meeting.

#### **47<sup>th</sup> directors' meeting of the 5th board on November 23, 2015**

- (1) Proposal: Proposal to retire 53,677,000 ordinary shares (treasury stock; with face value of NT\$ 10 per share) of the Company, totaling NT\$ 536,770,000, and to register the change of capital with the competent authority.

Resolution: Approved.

- (2) Proposal: Proposal of draft copy and explanation notes to "Ethical Corporate Management Best Practice Principles" (the "Principles"). If approved, this agenda will be reported during the 2016 annual general meeting, as required in Article 24 of the Principles. Approval is requested.

Resolution: Approved; this agenda will be reported during the Company's 2016 annual general meeting.

- (3) Proposal: Proposal of draft copy and explanation notes to "Code of Ethical Conduct" (the "Code"). If approved, this agenda will be reported during the 2016 annual general meeting, as required in Article 14 of the Code. Approval is requested.

Resolution: Approved; this agenda will be reported during the Company's 2016 annual general meeting.

#### **48<sup>th</sup> directors' meeting of the 5th board on December 28, 2015**

- (1) Proposal: Proposal of draft amendment and explanation notes to "China Development Financial Holding Corp Articles of Incorporation." If approved, this agenda will be raised for discussion during the Company's 2016 annual general meeting. Approval is requested.

Resolution: Approved; this agenda will be reported during the Company's 2016 annual general meeting.

**3.4.13 Major Issues of Record or Written Statements Made by Any Director Dissenting to Important Resolutions Passed by the Board of Directors**

None

**3.4.14 Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, President and Heads of Finance, Accounting, and Auditing) in the most recent year up to the publication date of this annual report**

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
CFO	Eddie Chen	103.12.01	104.09.30	Resigned

### 3.5 Information Regarding the Company's Audit Fee and Independence

#### Audit Fee

Accounting Firm	Name of CPA	Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Yi-Chun Wu	2015.01.01~2015.12.31	
	Cheng-Hung Kuo		

Unit: NT\$'000

Fee Range \ Fee Items		Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000	-	-	-
2	NT\$2,000,001 ~ NT\$4,000,000	-	2,192	2,192
3	NT\$4,000,001 ~ NT\$6,000,000	5,605	-	5,605
4	NT\$6,000,001 ~ NT\$8,000,000	-	-	-
5	NT\$8,000,001 ~ NT\$10,000,000	-	-	-
6	Over NT\$100,000,000	-	-	-

**3.5.1 Non-audit fee should be distinguished by service item. If the "Others" item amounts to more than 25% of total non-audit fees, a detailed breakdown must be provided in the Remarks column.**

Unit: NT\$'000

Accounting Firm	Name of CPA	Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
			System of Design	Company Registration	Human Resource	Others (Note )	Subtotal		
Deloitte & Touche	Yi-Chun Wu	5,605	-	-	-	2,192	2,192	2015.01.01~2015.12.31	(Note )
	Cheng-Hung Kuo								

Note: Other non-audit fees include those for reviewing the checklists and basic information tables intended for capital increase applications and tax-related cases.

**3.5.2 If a change of CPA or accounting firm has taken place during the year, please divide the audit period and disclose audit and non-audit fees in chronological order. Please also state the reason for such changes in the Remarks column.**

None

**3.5.3 If audit fee is reduced by 15% or more from the previous year, the amount, percentage and reason for reduction must be disclosed:**

None

### **3.6 Replacement of CPA**

None

### **3.7 Audit Independence**

**The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2015:**

None

**3.8 Facts about the director, manager, or a same person or a same affiliated enterprise having held the equity of a same financial holding corporation with voting power exceeding the specified ratio which should be declared the facts of equity transfer and change in equity pledge under Article 11 of the Managerial Regulations**

**3.8.1 Changes in Shareholding of Directors, Managers and Major Shareholders**

Unit: Shares

Title	Name	2015		As of February 29, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Kai Don Investment Co., Ltd.	0	0	0	0
	Representative Mu-Tsai Chen	0	0	0	0
Managing Director/Vice Chairman	Chi Jie Investment Co., Ltd.	0	0	0	0
	Representative Chia-Juch Chang	0	0	0	0
Independent Director / Managing Director	Ching-Yen Tsay	0	0	0	0
Director	GPPC Chemical Corp.	0	0	0	0
	Representative David Chen	(225,000)	0	0	0
Director	Chi Jie Investment Co., Ltd.	0	0	0	0
	Representative Mark Wei	(70,000)	0	(50,000)	0
Director	Kai Don Investment Co., Ltd.	0	0	0	0
	Representative Paul Yang	1,923,076	9,300,000	5,308,054	2,700,000
Director	Shin Wen Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	0	0	0	0
	Representative How Yong Lee	0	0	0	0
Director	Shin Wen Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	0	0	0	0
	Representative Long-I Liao	0	0	0	0

Title	Name	2015		As of February 29, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Bank of Taiwan Co., Ltd. (Major shareholders with over 1% shareholding.)	0	0	0	0
	Representative Shing-Shiang Ou	0	0	0	0
Independent Director	Hue-Sun Teng	0	0	0	0
Independent Director	Gilbert T.C. Bao	0	0	0	0
President	Paul Yang	1,923,076	9,300,000	5,308,054	2,700,000
Executive VP	Eddie Wang	532,830	0	980,196	0
Executive VP	Daw-Yi Hsu	(5,507,659)	0	28,718	0
Executive VP	Lawrence Liu	131,946	0	167,818	0
Executive VP	Reddy Wong	(401,173)	(2,245,279)	1,246,667	0
Executive VP	Bing-Huang Shih	0	0	0	0
Executive VP	Janet Sheng	35,665	0	8,945	0
Executive VP	Michael Peng	(14,000)	0	10,000	0
Executive VP	Julian Yen	0	0	0	0
Executive VP	Eddy Chang	70,799	0	156,148	0
Executive VP	Beatrice Chou	103,286	0	0	0
General Auditor	Kenneth Huang	(50,000)	0	0	0
Executive VP	James Meng	0	0	0	0
Executive VP	David Kuo	120,484	0	0	0
Executive VP	Vincent Hung	(30,000)	0	0	0
Executive VP	Chih-Yu Chou	106,789	0	20,000	0
Executive VP	Hans Tzou	0	0	0	0
Executive VP	Jane Lai	91,245	0	0	0
Executive VP	Brian Huang	0	0	0	0
Executive VP	Andy Lin	0	0	63,291	0
Executive VP	Kiki Shih	0	0	0	0
Executive VP	Frances Tsai	0	0	0	0
Executive VP	Guang-Yue Yeh	0	0	0	0



Title	Name	2015		As of February 29, 2016	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive VP	Isabel Liu	0	0	0	0
Executive VP	Teresa Li	0	0	0	0
Executive VP	I-Wei Hsieh	0	0	0	0
Executive VP	Ming Lin	(61,000)	0	0	0
Executive VP	Jane Lai	150,000	0	0	0
Executive VP	Jenny Chiang	(36,000)	0	0	0
SVP	Amy Shan	(60,000)	0	0	0
SVP	Pi-Fa Yang	0	0	0	0
SVP	Lecko Lai	0	0	0	0
SVP	Steven Ching	0	0	0	0
SVP	Michael Chang	0	0	0	0
SVP	Marisol Wang	0	0	0	0
SVP	Christy Lin	0	0	0	0
SVP	Shu-Ling Yang	(305,989)	0	0	0
SVP	Adrienne Chiu	(315,000)	0	0	0
SVP	Abby Chen	0	0	0	0
SVP	Chris Sun	0	0	0	0
SVP	Milly Liu	14,990	0	0	0
SVP	Sandra Yao	0	0	0	0
SVP	Sharol Lin	71,487	0	0	0
SVP	Joyce Lo	0	0	0	0
SVP	Vincent Hsiao	(214,485)	0	0	0
SVP	Lian-Yin Li	118,795	0	0	0
SVP	James Chou	0	0	0	0
SVP	Ellen Chang	(60,000)	0	0	0
SVP	Alex Hung	0	0	0	0

Note 1: Any of the aforementioned personnel who fill up this Table if holding over 1% of the total shares of the financial holding corporation shall be remarked as a major shareholder and shall respectively enumerate such fact.

Note 2: In the event that the opposite party of share transfer or share pledge is a related party, please additionally fill up the following table.

### 3.8.2 Shares Trading with Related Parties

March 18, 2016

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Transaction Price (NT\$)
None	None	None	None	None	None	None

### 3.8.3 Shares Pledge with Related Parties

March 18, 2016

Name	Reason for Transfer	Date of Transaction	Transferee	Relationship between Transferee and Directors, Supervisors, Managers and Major Shareholders	Shares	Shares holding %	Shares Pledged %	Pledged Amount
None	None	None	None	None	None	None	None	None

### 3.9 Relationship among the Top Ten Shareholders

March 18, 2016

Name	Current Shareholding		Spouse's/minor's Shareholding		Shareholding by Nominee Arrangement		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Shares	%	Shares	%		Shares	%	Shares	
Bank of Taiwan Co., Ltd. (Note)	205,999,742	1.36	0	0	0	0	None	None	
Representative : Jih-Chu Lee	0	0	0	0	0	0	None	None	
KGI Securities	302,585,796	2.00	0	0	0	0	None	None	
Representative : Daw-Yi Hsu	428,359	0.00	5,600,000	0.04	0	0	None	None	
Government of Singapore	320,060,426	2.12	0	0	0	0	None	None	
China Life Insurance Co., Ltd.	562,468,259	3.72	0	0	0	0	None	None	
Representative : Alan Wang	0	0	0	0	0	0	None	None	
Cathay Life Insurance Co., Ltd.	369,795,000	2.45	0	0	0	0	None	None	
Representative : Hong-Tu Tsai	0	0	0	0	0	0	None	None	
Vanguard Emerging Markets Stock Index Fund	226,417,649	1.50	0	0	0	0	None	None	
Dimensional Emerging Markets Value Fund	155,558,734	1.03	0	0	0	0	None	None	
Shin Wen Investment Co., Ltd	650,252,192	4.30	0	0	0	0	Jing Kwan Investment Co., Ltd.	With the same person as the representative; Shin Wen Investment Co., Ltd. is the supervisor of Jing Kwan Investment Co., Ltd.	
Representative : Chun-Tai Wu	2,566,831	0.02	0	0	0	0			
Jing Kwan Investment Co., Ltd.	416,881,377	2.76	0	0	0	0	Shin Wen Investment Co., Ltd	With the same person as the representative; Shin Wen Investment Co., Ltd. is the supervisor of Jing Kwan Investment Co., Ltd.	
Representative : Chun-Tai Wu	2,566,831	0.02	0	0	0	0			
Fubon Life Insurance Co., Ltd.	456,500,000	3.02	0	0	0	0	None	None	
Representative : Pen-Yuan Cheng	0	0	0	0	0	0	None	None	

Note: Shares held by Bank of Taiwan Co., Ltd. do not include shares held by the financial department of Bank of Taiwan.

### 3.10 Ownership of Shares in Affiliated Enterprises

December 31, 2015

Unit: shares/ %

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
China Development Industrial Bank	2,060,399,410	100.00	0	0.00	2,060,399,410	100.00
KGI Securities Co., Ltd.	3,798,812,320	100.00	0	0.00	3,798,812,320	100.00
KGI Bank	4,606,162,291	100.00	0	0.00	4,606,162,291	100.00
Capital Securities Corporation	123,811,510	5.34	12,137,528	0.52	135,949,038	5.86
CDIB Venture Capital Corporation	0	0.00	822,790,915	100.00	822,790,915	100.00
China Development Asset Management Corporation	0	0.00	400,000,000	100.00	400,000,000	100.00
CDIB Capital Management Corporation	0	0.00	73,093,889	100.00	73,093,889	100.00
CDIB Capital Investment I Limited	0	0.00	132,800,000	100.00	132,800,000	100.00
CDIB Capital International Corporation	0	0.00	4,700,000	100.00	4,700,000	100.00
CDIB Capital Investment II Limited	0	0.00	80,000,000	100.00	80,000,000	100.00
CDIB Global Markets II Limited	0	0.00	200,000	100.00	200,000	100.00
CDIB Global Markets I Limited	0	0.00	76,222,871	100.00	76,222,871	100.00
CDIB Global Markets III Limited	0	0.00	75,451,771	100.00	75,451,771	100.00
Richpoint Company Limited	0	0.00	229,751,070	100.00	229,751,070	100.00
KGI Venture Capital Co., Ltd.	0	0.00	60,000,000	100.00	60,000,000	100.00
KGI Securities Investment Advisory Co., Ltd.	0	0.00	15,000,000	100.00	15,000,000	100.00
KGI Insurance Brokers Co., Ltd.	0	0.00	300,000	100.00	300,000	100.00
Cosmos Insurance Brokers Co., Ltd.	0	0.00	1,730,000	100.00	1,730,000	100.00
CDIB Management Consulting Corporation	0	0.00	153,171,873	100.00	153,171,873	100.00
KGI Securities Investment Trust Co., Ltd.	0	0.00	29,998,147	99.99	29,998,147	99.99
KGI Futures Co., Ltd.	0	0.00	85,744,086	99.61	85,744,086	99.61
United Development Corporation	0	0.00	2,599,394	50.00	2,599,394	50.00

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
CDIB Biotech USA Investment Co., Ltd.	0	0.00	3,060,000	50.00	3,060,000	50.00
Tuntex Gas Corporation	0	0.00	104,066,400	47.30	104,066,400	47.30
CDIB CME Found Ltd.	0	0.00	59,700,000	39.80	59,700,000	39.80
CDIB Biomedical Venture Capital Corporation	0	0.00	60,000,000	34.29	60,000,000	34.29
CDIB & Partners Investment Holding Corporation	0	0.00	367,200,000	33.66	367,200,000	33.66
CDIB Bioscience Venture Management (BVI), Inc.	0	0.00	112,500	28.04	112,500	28.04
Global Securities Finance Corporation	0	0.00	87,958,558	21.99	87,958,558	21.99
CDIB Bioscience Ventures I, Inc.	0	0.00	6,674,181	21.20	6,674,181	21.20
Yih Dah Co., Ltd.	0	0.00	13,746,864	19.89	13,746,864	19.89
Belta (Cayman) Holding Company Ltd. - Corporate Bond	0	0.00	35,781	19.26	35,781	19.26
Awise Fiber Technology Co., Ltd.	0	0.00	3,500,000	19.14	3,500,000	19.14
STL Technology Co., Ltd.	0	0.00	12,457,934	17.70	12,457,934	17.70
Insrea Game Center Corp.	0	0.00	3,000,000	17.65	3,000,000	17.65
LeFram Technology Corp.	0	0.00	7,484,454	17.48	7,484,454	17.48
Sun Q Solar Corporation	0	0.00	19,000,000	17.26	19,000,000	17.26
Luminous Town Electric Co., Ltd.	0	0.00	10,699,209	16.01	10,699,209	16.01
Gold Peak Industries (Taiwan) Ltd.	0	0.00	30,626,980	15.04	30,626,980	15.04
Dabomb Protein Corp.	0	0.00	3,229,200	14.50	3,229,200	14.50
Healthstream Taiwan Inc.	0	0.00	4,774,523	13.96	4,774,523	13.96
Top Green Energy Technologies Inc.	0	0.00	31,233,333	13.88	31,233,333	13.88
Elit Fine Ceramics Co., Ltd.	0	0.00	5,000,000	13.70	5,000,000	13.70
Entery Industrial Co., Ltd.	0	0.00	13,940,000	13.60	13,940,000	13.60
Copartner Tech. Corp.	0	0.00	11,024,340	12.97	11,024,340	12.97

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
JHL Biotech Inc.	0	0.00	23,915,844	12.65	23,915,844	12.65
Riselink Venture Capital Corp.	0	0.00	9,108,855	12.50	9,108,855	12.50
Reliance Securities Investment Trust Co., Ltd.	0	0.00	3,840,175	12.31	3,840,175	12.31
Eastern Power and Electric Company Limited	0	0.00	3,201,019	12.00	3,201,019	12.00
EVA Technologies Co., Ltd.	0	0.00	6,120,399	11.87	6,120,399	11.87
Aonvision Technology Corp.	0	0.00	1,803,000	11.71	1,803,000	11.71
EChem Hightech Co., Ltd.	0	0.00	2,047,913	11.69	2,047,913	11.69
Kuangli Photoelectric Technology Co., Ltd.	0	0.00	5,224,326	11.45	5,224,326	11.45
The Asia Java Fund PTE. Ltd.	0	0.00	2,111	11.34	2,111	11.34
Lightel Technologies, Inc.	0	0.00	3,000,000	11.27	3,000,000	11.27
Yenyo Technology Co., Ltd.	0	0.00	4,500,000	11.15	4,500,000	11.15
Chain Yarn Co., Ltd.	0	0.00	16,671,977	10.85	16,671,977	10.85
Evervision Electronics Co., Ltd.	0	0.00	1,999,273	10.84	1,999,273	10.84
Solar Fine Chemical Co., Ltd.	0	0.00	4,828,064	10.83	4,828,064	10.83
Logitech Inc.	0	0.00	2,965,248	10.69	2,965,248	10.69
Mosart Semiconductor Corp.	0	0.00	2,741,208	10.60	2,741,208	10.60
MEC IMEX INC.	0	0.00	4,802,000	10.52	4,802,000	10.52
Hotron Precision Electronic Industrial Co., Ltd.	0	0.00	6,631,324	10.45	6,631,324	10.45
Jochu Technology Co., Ltd.	0	0.00	8,501,390	10.21	8,501,390	10.21
Taihan Precision Technology Co., Ltd.	0	0.00	6,398,545	10.20	6,398,545	10.20
Kuo Ching Chemical Co., Ltd.	0	0.00	9,249,709	10.19	9,249,709	10.19
Motive Power Industry Co., Ltd.	0	0.00	10,000,000	10.00	10,000,000	10.00

Note 1: Investees of China Development Financial Holding Co., Ltd. and the subsidiaries.

Note 2: The investments made pursuant to Article 36 of Financial Holding Company Act.

## IV. Capital Overview

### 4.1 Capital and Shares

#### 4.1.1 Source of Capital

##### A. Issued Shares

March 18, 2016

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark		
		Shares	Amount (NT\$'000)	Shares	Amount (NT\$'000)	Sources of Capital	Capital Increased by Assets Other than Cash	Other
January 2014	10	20,000,000,000	200,000,000,000	15,036,966,640	150,369,666,400	New restricted employee shares from equity raising.	None	Decree No.1020026295 issued by FSC dated July 12th, 2013
September 2014	10	20,000,000,000	200,000,000,000	15,343,113,310	153,431,133,100	Capital raising via new share issuance as quid pro quo with Cosmos Bank's share transfer.	None	Decree No.1030011717 0 issued by FSC dated July 29th, 2013
December 2014	10	20,000,000,000	200,000,000,000	15,343,849,307	153,438,493,070	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010
February 2015	10	20,000,000,000	200,000,000,000	15,349,549,047	153,495,490,470	New restricted employee shares from equity raising.	None	Decree No.1030026288 issued by FSC dated July 17th, 2014
March 2015	10	20,000,000,000	200,000,000,000	15,353,318,276	153,533,182,760	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010
May 2015	10	20,000,000,000	200,000,000,000	15,164,430,276	151,644,302,760	Capital deduction via decrease in treasury stocks.	None	Decree No.1040009405 0 issued by FSC dated May 15th, 2015
July 2015	10	20,000,000,000	200,000,000,000	15,164,455,276	151,644,552,760	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010
October 2015	10	20,000,000,000	200,000,000,000	15,166,084,122	151,660,841,220	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010
December 2015	10	20,000,000,000	200,000,000,000	15,112,407,122	151,124,071,220	Capital deduction via decrease in treasury stocks.	None	Decree No. 10400299100 issued by FSC dated December 14th, 2015
February 2016	10	20,000,000,000	200,000,000,000	15,116,885,170	151,168,851,700 (Note)	New restricted employee shares from equity raising.	None	Decree No. 1040033216 issued by FSC dated August 31th, 2015

Note: Not included new shares of Employee Stock Option, total 137,038 shares, with total value of NT\$ 1,370,380

## B. Type of Stock

March 18, 2016

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	15,116,885,170 <sup>(Note)</sup>	4,883,114,830	20,000,000,000	Listed Stocks
Preferred Shares	0	0	0	

Note: Not included new shares of Employee Stock Option, total 137,038 shares, with total value of NT\$ 1,370,380

## C. Information for Shelf Registration

March 18, 2016

Securities Type	Preparing to Issue Amount		Issued Amount		Purpose and Effect for Issued Shares	Issue Period for Unissued Shares	Remarks
	Total Shares	Authorized Amount (NT\$'000)	Shares	Price (NT\$)			
none	none	none	none	none	none	none	none

### 4.1.2 Status of Shareholders

March 18, 2016

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	9	24	970	540,516	1,172	542,691
Shareholding (shares)	1,625	2,224,651,291	2,786,599,975	6,509,336,720	3,596,432,597	15,117,022,208
Percentage	0.00	14.72	18.44	43.05	23.79	100.00



### 4.1.3 Shareholding Distribution Status

#### A. Common Shares

March 18, 2016

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	186,446	38,469,143	0.25
1,000 ~ 5,000	171,158	421,681,614	2.79
5,001 ~ 10,000	66,232	481,366,191	3.18
10,001 ~ 15,000	36,304	433,981,215	2.87
15,001 ~ 20,000	17,900	315,816,038	2.09
20,001 ~ 30,000	22,922	556,240,818	3.68
30,001 ~ 50,000	18,335	704,146,597	4.65
50,001 ~ 100,000	13,339	921,141,703	6.09
100,001 ~ 200,000	5,962	809,400,181	5.35
200,001 ~ 400,000	2,344	640,426,533	4.24
400,001 ~ 600,000	652	315,646,201	2.09
600,001 ~ 800,000	254	176,592,153	1.17
800,001 ~ 1,000,000	174	156,731,402	1.04
1,000,001 or over	669	9,145,382,419	60.51
Total	542,691	15,117,022,208	100.00

#### B. Preferred Shares

March 18, 2016

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
Total	None		

### 4.1.4 List of Major Shareholders

March 18, 2016

Shareholder's Name	Shareholding	
	Shares	Percentage
Bank of Taiwan Co., Ltd. (Note)	205,999,742	1.36
KGI Securities Co., Ltd.	302,585,796	2.00
Government of Singapore	320,060,426	2.12
China Life Insurance Co., Ltd.	562,468,259	3.72
Cathay Life Insurance Co., Ltd.	369,795,000	2.45
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	226,417,649	1.50
Dimensional Emerging Markets Value Fund	155,558,734	1.03
Shin Wen Investment Co., Ltd.	650,252,192	4.30
Jing Kwan Investment Co., Ltd.	416,881,377	2.76
Fubon Life Insurance Co., Ltd.	456,500,000	3.02

Note: Bank of Taiwan Co., Ltd. shareholdings does not include Bank of Taiwan Treasury Department holdings.

#### 4.1.5 Market Price, Net Worth, Earnings, and Dividends per Share

Unit: NT\$

Items			2014(Note 10)	2015	Year to date (as of February 29, 2016)
Market Price per Share (Note 1)	Highest		10.50	13.30	8.24
	Lowest		8.30	7.72	6.94
	Average		9.39	10.18	7.69
Net Worth per Share (Note 2)	Before Distribution		11.41	11.18	-
	After Distribution		10.80	(Note 9)	-
Earnings per Share	Weighted Average number of Shares		14,806,771,095	14,822,514,384	14,757,051,833
	EPS (Note 3)	Before Adjustment	0.73	0.58	-
		After Adjustment	0.73	0.58	-
Dividends per Share	Cash Dividends		0.60	0.50(Note 9)	-
	Stock Dividends	Dividends from Retained Earnings	-	-	-
		Dividends from Capital Surplus	-	-	-
	Accumulated Undistributed Dividends (Note 4)		-	-	-
Return on Investment	Price / Earnings Ratio (Note 5)		12.86	17.55	-
	Price / Dividend Ratio (Note 6)		15.65	20.36(Note 9)	-
	Cash Dividend Yield Rate (Note 7)		6.39%	4.91%(Note 9)	-

Note 1: Please list the market share prices, including the highest, lowest and average for the year. Average market share price should be calculated by applying the turnover value and the total turnover volume for the year.

Note 2: Please use the number of the issuing shares in the year end as the base with the distribution decision resolved at the shareholders' meeting held in the following year.

Note 3: For retroactive adjustment made for stock dividends, both before and adjustments earnings per share should be disclosed.

Note 4: For securities issued with terms that entitle the holder to accumulate the unpaid dividend during the current year, for receiving in an earning-generating fiscal year, the accumulated unpaid amount shall also be disclosed.

Note 5: Price/Earnings Ratio = average share market price / earnings per share.

Note 6: Price/Dividend Ratio = average market price / cash dividends per share.

Note 7: Cash Dividend Yield = cash dividends per share / average share market price.

Note 8: Provide information for the current year up till the publication date of this annual report.

Note 9: Distribution for earnings in 2015 had not yet been resolved by the shareholder's meeting.

Note 10: The financial information of 2014 have restated according to the 2013 version of IFRS.

#### **4.1.6 Dividend Policy and Implementation Status**

##### **A. Dividend Policy <sup>(note)</sup>:**

In order to continue the business expansion and to enhance profitability as well as comply with relevant laws and regulations, CDF adopts a residual dividend policy. A stock dividend is paid toward the reserve capital needed for future operations, with the remainder paid in the form of a cash dividend, to account for no less than 10% of the total dividend.

The Company shall pay all taxes, as required by the law and applicable regulations, from the current year's earnings and make a regulatory required deduction for prior years' losses and contributions to legal and special reserves when there are positive earnings shown on the approved financial statements. Residual earnings shall then be added to the starting retained earnings as the distributable base. 30% to 100% of the total can be distributed for dividends and bonuses for the shareholders proposed by the Boards of Directors and approved by a shareholders' meeting.

Note:

Dividend policies set under the Articles of Incorporation. The amendment of Corporate Charter was resolved by the 5<sup>th</sup> term, No. 48 meeting of the Board on December 28, 2015 and will be proposed for approval in the upcoming (2016) shareholders meeting.

##### **B. Implementation:**

Dividend to be paid pending an AGM resolution:

Total cash dividend for common stockholders: NT\$7,487,006,104 (a cash dividend of NT\$0.50 per share)

#### **4.1.7 Impact of the proposed stock dividend on corporate operating performance and EPS**

Not applicable as no stock dividend is proposed at the AGM.

#### **4.1.8 Distribution of Employee's Compensation and Directors' Remuneration**

##### **A. Quota and scope of employee's Compensation and directors' remuneration in the Company's Articles of Incorporation (note)**

If earnings are available for distribution at the end of a fiscal year, no less than 1% of the remaining amount shall be allotted as employee compensation and no more than 1% of the remaining as directors' remuneration. The company's accumulated losses shall have been covered.

The earning is the pretax profit before deducting employee's compensation and directors' remuneration.

The board is also authorized to draft an employee bonus plan with conditions that qualify certain employees to receive a stock bonus.

Note: The employee's compensation and directors' remuneration policies are well defined in the "Articles of Incorporation" of the Company. The amendment has been approved by the 48th meeting of the 5th term Board of the Company held on December 28, 2015 and will be raised for discussion on the upcoming (2016) shareholder meeting.

**B. Accounting treatment for the difference between accrual and actual payment for employee's compensation and directors' remuneration. (note)**

The employee's compensation and directors' remuneration is set aside at the rates no less than 1% and no higher than 1% respectively, of pretax profit before deducting employees' compensation and directors' remuneration. In the event the amount estimated by the Board of Directors is revised substantially before the announcement of annual financial statement, the expense originally reserved will be adjusted. If a different amount is revised after the announcement of annual financial statement, the difference shall be treated as a change in accounting estimates and recognized as gains or losses in next accounting year. In the event a stock bonus is opted for at the AGM, the number of shares to be distributed is calculated by dividing the determined bonus amount by the share par value. The share par value is the closing price one day prior to a shareholders' resolution.

Note: The employee's compensation and directors' remuneration policies are well defined in the "Articles of Incorporation" of the Company. The amendment has been approved by the 48th meeting of the 5th term Board of the Company held on December 28, 2015 and will be raised for discussion on the upcoming (2016) shareholder meeting.

**C. Information regarding employee compensation approved by the Board Meeting**

- (1) Distribution of cash and stock compensation to employees and remuneration of directors. In the event there is found to be a difference between the estimated expense and actual amount of cash and stock compensation to employees and remuneration of directors, disclosure of the exact difference, the reason for the difference and follow-up procedures is required.

A proposal to distribute NT\$87,000,000 in cash compensation to employees and NT\$75,000,000 in remuneration to directors, both identical to the figures stated in the 2015 financial report, is made at the AGM.

- (2) Proposed distribution of employees' stock bonus as a percentage to net profit after tax plus employees' total compensation in the entity or individual financial statement for the current period:

Not applicable

**D. The actual distribution of employees' compensation and directors' remuneration for the previous fiscal year (with an indication of the number, value and stock price of the shares distributed) shall be declared. If there is any discrepancy between the actual distribution and the recognized employees' compensation and directors' remuneration, the discrepancy, its cause, and its status must also be listed:**

The Company's distribution of earnings as employee bonuses and directors' remuneration for 2014 as approved by the shareholders' meeting did not differ from the financial statement in 2014; NT\$102,000,000 was distributed as employee compensation and NT\$75,000,000 as remuneration to directors.

#### **4.1.9 Buyback of Treasury Stock**

February 29, 2016

Treasury stocks: Batch Order	14 <sup>th</sup> Batch	15 <sup>th</sup> Batch
Purpose of buyback	To maintain the Company's credit and shareholders' equity and the shares so purchased are cancelled.	To maintain the Company's credit and shareholders' equity and the shares so purchased are cancelled.
Buyback period	August 25, 2015 – October 23, 2015	January 26, 2016 – March 25, 2016
Price range	8.16~10.00	7.27~10.00
Number of shares bought back	53,677,000 common shares	(Note)
Total value of shares bought back (NT\$'000)	488,138	(Note)
Capital adequacy ratio prior buyback	Record Date : June 30, 2015 CAR : 149.17%	Record Date : June 30, 2015 CAR : 149.17%
Capital adequacy ratio after buyback	Record Date : 104/6/30 CAR : 147.96%	(Note)
Number of shares transferred/cancelled	53,677,000 common shares	(Note)
Accumulated number of company shares held	-	(Note)
Accumulated number of company shares held as a percentage of total outstanding shares (%)	-	(Note)

Note: CDFH has repurchased 143,010,000 shares of common stock with total value of NT\$1.15 billion during the 15<sup>th</sup> share buyback period and shares repurchased are in the process of cancellation.

Through both the 14<sup>th</sup> and 15<sup>th</sup> share buyback, CDFH has repurchased 196,687,000 shares of common stock and the CAR was 145.13% after the 15<sup>th</sup> share buyback.

## 4.2 Corporate Bonds

Corporate Bond Type		2009 Unsecured Corporate Bonds, Phase I	2011 Unsecured Corporate Bonds, Phase I	2011 Unsecured Corporate Bonds, Phase I
Issue date		March 1, 2010	March 7, 2012	March 7, 2012
Denomination		NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location		N/A	N/A	N/A
Issue price		Issue by denomination	Issue by denomination	Issue by denomination
Total price		NT\$1,000,000,000	NT\$5,000,000,000	NT\$1,000,000,000
Coupon rate		2.00%, fixed	1.32%, fixed	1.42%, fixed
Tenor		7 years Maturity: March 1, 2017	5 year Maturity: March 7, 2017	7 years Maturity: March 7, 2019
Guarantee agency		None	None	None
Consignee		Trust Department, Taipei Fubon Bank	Trust Department, Taipei Fubon Bank	Trust Department, Taipei Fubon Bank
Underwriting institution		N/A	N/A	N/A
Certified lawyer		Rich Lin, LCS & Partners	Rich Lin, LCS & Partners	Rich Lin, LCS & Partners
CPA		Deloitte & Touche Wu, Mei-Hui and Yang, Ming-Che	Deloitte & Touche Wu, Mei-Hui and Yang, Ming-Che	Deloitte & Touche Wu, Mei-Hui and Yang, Ming-Che
Repayment method		Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal		NT\$1,000,000,000	NT\$5,000,000,000	NT\$1,000,000,000
Terms of redemption or advance repayment		None	None	None
Restrictive clause		None	None	None
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Rating Co., Ltd. Rating date: March 01, 2010 Credit rating: twAA-	Rating agency: Taiwan Rating Co., Ltd. Rating date: December 06, 2011 Credit rating: twA+	Rating agency: Taiwan Rating Co., Ltd. Rating date: December 06, 2011 Credit rating: twA+
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A	N/A
	Issuance and conversion (exchange or subscription) method	N/A	N/A	N/A
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None	None
Transfer agent		None	None	None
Corporate Bond Type		2013 Unsecured Corporate Bonds, Phase I	2014 Unsecured Corporate Bonds, Phase I	2015 Unsecured Corporate Bonds, Phase I
Issue date		May 23, 2013	March 30, 2015	September 15, 2015

Denomination	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location	N/A	N/A	N/A
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total price	NT\$3,000,000,000	NT\$6,000,000,000	NT\$2,000,000,000
Coupon rate	1.37%, fixed	1.42%, fixed	1.37%, fixed
Tenor	5 years Maturity: May 23, 2018	5 year Maturity: March 30, 2020	5 years Maturity: Sep 15, 2020
Guarantee agency	None	None	None
Consignee	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank
Underwriting institution	N/A	N/A	N/A
Certified lawyer	Rich Lin, LCS & Partners	Rich Lin, LCS & Partners	Rich Lin, LCS & Partners
CPA	Deloitte & Touche Wu, Mei-Hui and Kuo Cheng-Hung	Deloitte & Touche Wu, Mei-Hui and Kuo Cheng-Hung	Deloitte Accounting Firm Wu, Yi-Chun and Kuo Cheng-Hung
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal	NT\$3,000,000,000	NT\$6,000,000,000	NT\$2,000,000,000
Terms of redemption or advance repayment	None	None	None
Restrictive clause	None	None	None
Name of credit rating agency, rating date, rating of corporate bonds	Rating agency: Taiwan Rating Co., Ltd. Rating date: March 28, 2013 Credit rating: twA+	Rating agency: Taiwan Rating Co., Ltd. Rating date: March 16, 2015 Credit rating: twA+	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A
	Issuance and conversion (exchange or subscription) method	N/A	N/A
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None
Transfer agent		None	None

### 4.3 Issuance of Preferred Shares

None

### 4.4 Issuance of Global Depositary Receipts

None

## 4.5 Employee Stock Options

### 4.5.1 Issuance of Employee Stock Options (ESO)

#### A. Issuance of Employee Stock Options and its impact on shareholders' equity

February 29, 2016

Type of Stock Option	1 <sup>st</sup> Tranche, 2014 (Note)	2 <sup>nd</sup> Tranche, 2014 (Note)	2014
Approval date	July 29, 2014	July 29, 2014	December 26, 2013
Issue date	September 15, 2014	September 15, 2014	October 9, 2014
Units issued	30,862,622	11,087,749	44,850,000
Shares of ESO as a percentage of outstanding shares	0.20%	0.07%	0.29%
Duration	September 15, 2014 – May 3, 2021	September 15, 2014 – August 29, 2021	October 9, 2014 – October 8, 2021
Conversion measures	New share issuance	New share issuance	New share issuance
Conditional conversion periods and percentages (%)	September 15, 2014 – May 3, 2021 Shares 100% exercisable	September 15, 2014 – August 29, 2021 Shares 100% exercisable	October 9, 2014 – October 8, 2021 From the issuance day, vesting period of 2 years/3 years/4 years for 25%/50%/100% exercisability respectively
Converted shares	2,917,186 shares	3,378,924 shares	0 share
Exercised amount (NT\$)	28,819,892	25,513,220	0
Number of shares yet to be converted	22,821,566 shares	7,708,510 shares	43,790,000 shares
Adjusted exercise price for those who have yet to exercise their rights (NT\$)	9.49	7.29	9.06
Impact on shareholders' equity	The total new issuance of common stocks as a result of employee share option exercise is 41,950,371 shares, which account for 0.27% of the total outstanding shares. The impact on possible dilution of shareholders' equities is limited.		The total new issuance of common stocks as a result of employee share option exercise is 44,850,000 shares, which account for 0.29% of the total outstanding shares. The impact on possible dilution of shareholders' equities is limited.

Note : On July 29th, 2014, the Financial Supervisory Committee Banking Bureau approved the share swap scheme between the Company and the original Cosmos Bank (renamed KGI Bank). According to the Company and Cosmos Bank's share swap agreement, Cosmos Bank's total outstanding shares of employee stock option in exchange of the Company's employee stock option is reported at 41,950,371 units (30,862,622 units and 11,087,749 units from employee stock option issued on May 3, 2011 and August 29, 2011 respectively)



**B. List of Executives Receiving Employee Stock Options and the Top Ten Employees  
with Stock Options**

February 29, 2016

Title	Name	No. of Stock Options	Stock Options as a Percentage of Shares Issued	Exercised				Unexercised			
				No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$'000)	Converted Shares as a Percentage of Shares Issued	No. of Shares Converted	Strike Price (NT\$)	Amount (NT\$'000)	Converted Shares as a Percentage of Shares Issued
President & CEO	Paul Yang	24,032	0.159			no		24,032	9.49 9.06 7.29	217,314	0.159
Executive Vice President & General Auditor	Eddie Wang										
	Daw-Yi Hsu										
	Lawrence S. Liu										
	Beatrice Chou										
	Bing-Huang Shih										
	Reddy Wong										
	Michael M. H. Peng										
	Jhih-Jian Yan										
	Eddy Chang										
	Janet Sheng										
	Kenneth Huang										
	Chung-Jen Lin										
	James Meng										
	Ming Lin										
	Andy Lin										
	Jenny Chiang										
	Vincent Hung										
	David Kuo										
	Jeremy Ou										
	Jane Lai										
	Guang-Yue Yeh										
	Brian Huang										
	Frances Tsai										
	Jane Lai										
	Jeffrey Huang										
	Hans Tzou										
	Chih Yu Chou										
	Kiki Shih										
	Isabel Liu										
Senior Vice President	Marisol Wang										
	Sharol Lin										
	Adrienne Chiu										
	Alex Hung										
	Chris Sun										
	Ellen Chang										
	Michael Chang										
	Amy Shan										
	Lian-Yin Li										
	Vincent Hsiao										
	Lecko Lai										
	Shu-Ling Yang										
	Pi Fa Yang										
	Christy Lin										
	Steven Ching										
	Milly Liu										
	Sandra Yao										
	Tina Yang										
Vice President	Justin Wu										
	Fanny Lin										
	Chien-Ping Lin										
	Hui-Wen Chang										
	Hui-Lin Yu										
	Patrick Huang										
	Huei-Ping Lo										
	Floyd Wang										
	Hans Chen										
	Wen-Jung Chen										
Top Ten Employees	Wen-Yan Hsu										
	Amy Wang										
	Daniel Wu										
	Sherie Chiu										
	Melanie Nan										
Top Ten Employees	Wendy Wei										
	Connie Tsai										
	Frank Lin										

## 4.5.2 Issuance of New Restricted Employee Shares

### A. Issuance of New Restricted Employee Shares and its impact on shareholders' equity

February 29, 2016

Type of New Restricted Employee Shares	1 <sup>st</sup> Tranche (2013)	1 <sup>st</sup> Tranche (2014)	2 <sup>nd</sup> Tranche (2015)	3 <sup>rd</sup> Tranche (2016)
Date of Effective Registration	July 12, 2013	July 12, 2013	July 17, 2014	August 31, 2015
Issue date	August 26, 2013	January 27, 2014	February 13, 2015	February 4, 2016
Number of New Restricted Employee Shares Issued (000 shares)	4,060	6,083	5,700	4,478
Issued Price (NT\$)	0	0	0	0
New Restricted Employee Shares as a Percentage of Shares Issued	0.03	0.04	0.04	0.03
Vesting Conditions of New Restricted Employee Shares	If an employee remains with the Company for one year since the restricted employee shares issuance day and continues to stay with the Company until all the vesting periods expired, and at the same time there has not been any violations of regulations, company service agreement, integrity and confidentiality agreement, the vesting terms and conditions, restricted employee share offer agreement, company rules, business ethics policy, the below states the grant percentage of each respective vesting period: One year: 40% Two years: 30% Three years: 30%	If an employee remains with the Company for one year since the restricted employee shares issuance day and continues to stay with the Company until all the vesting periods expired, and at the same time there has not been any violations of regulations, company service agreement, integrity and confidentiality agreement, the vesting terms and conditions, restricted employee share offer agreement, company rules, business ethics policy, the below states the grant percentage of each respective vesting period: One year: 40% Two years: 30% Three years: 30%	If an employee remains with the Company for one year since the restricted employee shares issuance day and continues to stay with the Company until all the vesting periods expired, and at the same time there has been neither violations of the Labor Agreement nor received any major penalty by the Company's employee award/penalty policy, the below states the grant percentage for each respective vesting period: One year: 40% Two years: 30% Three years: 30%	If an employee remains with the Company for one year since the restricted employee shares issuance day and continues to stay with the Company until all the vesting periods expired, and at the same time there has been neither violations of the Labor Agreement nor received any major penalty by the Company's employee award/penalty policy, the below states the grant percentage for each respective vesting period: One year: 40% Two years: 30% Three years: 30%
Restricted Rights of New Restricted Employee Shares	After an employee is granted with new shares, before the vesting conditions are met, except for inheritance, the employee is not permitted	After an employee is granted with new shares, before the vesting conditions are met, except for inheritance, the employee is not permitted	After an employee is granted with new shares, before the vesting conditions are met, except for inheritance, the employee is not permitted	After an employee is granted with new shares, before the vesting conditions are met, except for inheritance, the employee is not permitted

Type of New Restricted Employee Shares	1 <sup>st</sup> Tranche (2013)	1 <sup>st</sup> Tranche (2014)	2 <sup>nd</sup> Tranche (2015)	3 <sup>rd</sup> Tranche (2016)
	<p>to sell, pledge, transfer, donate, ask for company repurchase, or dispose shares via any other means.</p> <p>The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options.</p> <p>Before all the conditions are met, except an employee does not hold the right to purchase new shares issued for cash injection from existing shareholders, the right shall be deemed to be equivalent of the Company's common stock shareholders' rights (including but not restricted to cash dividend, stock dividend, capital deduction, additional paid-in capital in cash and stocks, and the rights granted as a result of merger, split, share transfer, which in short are classified as "equities allotment." Equities allotment shall be held and managed under trust custodian before all the vesting conditions are met.</p>	<p>to sell, pledge, transfer, donate, ask for company repurchase, or dispose shares via any other means.</p> <p>The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options.</p> <p>Before all the conditions are met, except an employee does not hold the right to purchase new shares issued for cash injection from existing shareholders, the right shall be deemed to be equivalent of the Company's common stock shareholders' rights (including but not restricted to cash dividend, stock dividend, capital deduction, additional paid-in capital in cash and stocks, and the rights granted as a result of merger, split, share transfer, which in short are classified as "equities allotment." Equities allotment shall be held and managed under trust custodian before all the vesting conditions are met.</p>	<p>to sell, pledge, transfer, donate, ask for company repurchase, or dispose shares via any other means.</p> <p>The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options.</p> <p>Before all the conditions are met, except an employee does not hold the right to purchase new shares issued for cash injection from existing shareholders, the right shall be deemed to be equivalent of the Company's common stock shareholders' rights (including but not restricted to cash dividend, stock dividend, capital deduction, additional paid-in capital in cash and stocks, and the rights granted as a result of merger, split, share transfer, which in short are classified as "equities allotment." Equities allotment shall be held and managed under trust custodian before all the vesting conditions are met.</p>	<p>to sell, pledge, transfer, donate, ask for company repurchase, or dispose shares via any other means.</p> <p>The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options.</p> <p>Before all the conditions are met, except an employee does not hold the right to purchase new shares issued for cash injection from existing shareholders, the right shall be deemed to be equivalent of the Company's common stock shareholders' rights (including but not restricted to cash dividend, stock dividend, capital deduction, additional paid-in capital in cash and stocks, and the rights granted as a result of merger, split, share transfer, which in short are classified as "equities allotment." Equities allotment shall be held and managed under trust custodian before all the vesting conditions are met.</p>
Custody Status of New Restricted Employee Shares	Shares are managed in the form of trust.	Shares are managed in the form of trust.	Shares are managed in the form of trust.	Shares are managed in the form of trust.
Measures to be Taken When Vesting Conditions are not Met	For those whose conditions are not met, the Company has the right to recall and cancel shares without cost, and the distributed equities will be recalled by the Company based on the shares of which conditions are not	For those whose conditions are not met, the Company has the right to recall and cancel shares without cost, and the distributed equities will be recalled by the Company based on the shares of which conditions are not	For those whose conditions are not met, the Company has the right to recall and cancel shares without cost, and the distributed equities will be recalled by the Company based on the shares of which conditions are not	For those whose conditions are not met, the Company has the right to recall and cancel shares without cost, and the distributed equities will be recalled by the Company based on the shares of which conditions are not

Type of New Restricted Employee Shares	1 <sup>st</sup> Tranche (2013)	1 <sup>st</sup> Tranche (2014)	2 <sup>nd</sup> Tranche (2015)	3 <sup>rd</sup> Tranche (2016)
	met and its share distribution proportion. If the recall is in the stock form, it should be written off at the subject year.	met and its share distribution proportion. If the recall is in the stock form, it should be written off at the subject year.	met and its share distribution proportion. If the recall is in the stock form, it should be written off at the subject year.	met and its share distribution proportion. If the recall is in the stock form, it should be written off at the subject year.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back (000 shares)	0	0	0	0
Number of Released New Restricted Employee Shares (000 shares)	2,842	4,258	2,280	0
Number of Unreleased New Restricted Shares (000 shares)	1,218	1,825	3,420	4,478
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.01	0.01	0.02	0.03
Impact on possible dilution of shareholdings	The new issuance of restricted employee shares only account for 0.03% of total outstanding shares, thus there is no material impact on shareholding dilution.	The new issuance of restricted employee shares only account for 0.04% of total outstanding shares, thus there is no material impact on shareholding dilution.	The new issuance of restricted employee shares only account for 0.04% of total outstanding shares, thus there is no material impact on shareholding dilution.	The new issuance of restricted employee shares only account for 0.03% of total outstanding shares, thus there is no material impact on shareholding dilution.

**B. List of Executives Receiving Employee Stock Options and the Top Ten Employees with Stock Options**

February 29, 2016

Title	Name	No. of New Restricted Shares (000 shares)	New Restricted Shares as a Percentage of Shares Issued	Released				Unreleased			
				No. of Shares (000 shares)	Issued Price (NT\$)	Amount (NT\$'000)	Released Restricted Shares as a Percentage of Shares Issued	No. of Shares (000 shares)	Strike Price (NT\$)	Amount (NT\$'000)	Unreleased Restricted Shares as a Percentage of Shares Issued
President & CEO	Paul Yang	20,321	0.14	9,380	0	0	0.07	10,941	0	0	0.07
Executive Vice President	Eddie Wang										
	Daw-Yi Hsu										
	Reddy Wong										
	Lawrence S. Liu										
	Janet Sheng										
	Eddy Chang										
	Andy Lin										
Top Ten Employees	Daniel Wu										
	Sherie Chiu										
	Melanie Nan										

## **4.6 Merger and Acquisitions or Transfers of other Financial Institutions**

### **4.6.1 Merger/Acquisitions or Transfers of Other Financial Institution Carried Out in the Current Year**

None

### **4.6.2 Status of Mergers/Acquisitions or Transfers of Other Financial Institutions in the Past Five Years**

The Company publicly acquired an 81.73% shareholding interest in KGI Securities in June 2012, and completed a conversion of all remaining shares in January 2013 that made KGI Securities a 100%-owned subsidiary of the Company. On June 22, 2013, the Company completed the merger of another securities firm named Grand Cathay Securities Corporation.

The Company engaged Cosmos Bank (now known as "KGI Bank") in a share conversion agreement. The agreement was passed by both parties during their respective extraordinary shareholder meetings held on April 8, 2014, and was executed with the approval of FSC under Letter No. Jin-Guan-Yin-Kong-10300117170 dated July 29, 2014. The two parties settled the share conversion on September 15, 2014, at which time KGI Bank became a 100%-owned subsidiary of the Company.

In an attempt to consolidate commercial banking businesses between subsidiaries CDIB and KGI Bank, the Company made a plan to transfer all commercial banking businesses of CDIB, along with shares of CDIB's leasing subsidiary and CDIB's investments (including all related assets and liabilities), to KGI Bank. This transfer of business would be priced based on the net worth of transferred items as at the record date (an indicative price NT\$ 38 billion had been calculated as of September 30, 2014), for which KGI Bank will settle in cash and make a lump-sum payment to CDIB. Meanwhile, CDIB will retain all businesses, assets and liabilities that are unrelated to commercial banking (mostly comprising of direct investments). (This package deal shall be referred to as the "Business Transfer" below.)

The Business Transfer was passed by CDIB's shareholders (for which the 19th term board of directors had represented and exercised shareholders' authority during the 38th and 40th board meetings held on March 2 and April 13, 2015, respectively), KGI Bank's shareholders (for which the 9th term board of directors had represented and exercised shareholders' authority during the 10th and 12th board meetings held on the same dates), and by the Company's 5th term board of directors (during the 33rd and 35th board meetings held on the same dates). Subsidiaries CDIB and KGI Bank then signed the "General Assumption Agreement" and the "Supplementary Agreement" to finalize the Business Transfer. The deal was later reported to FSC, which gave its in-principle

approval on April 16, 2015, under Letter No. Jin-Guan-Yin-Kong-10400053521 and 10400053520. On April 16, 2015, Chairpersons of CDIB and KGI Bank engaged in a discussion according to Article 5 of the "Supplementary Agreement," and agreed to set the record date of the Business Transfer on May 1, 2015.

**4.6.3 Implementation Status of New Share Issuance in Connection with Mergers and Acquisitions or Transfers of Other Financial Institutions Approved by the Board and Information Regarding Merged or Acquired Institutions**

None

**4.7 Implementation of the Capital Utilization Plans**

For each uncompleted public issue or private placement of securities, and for such issues and placements that were completed in the most recent three years but have not yet fully yielded the planned benefits.

**4.7.1 The Plan**

None

**4.7.2 Implementation**

None

## **V. Operations Overview**

### **5.1 Business Activities**

The scope of business operations and historical tables of revenue and asset breakdown are detailed below.

#### **5.1.1 Business Scope**

**A. According to Article 36 of the Financial Holding Company Act, operations of the company and its subsidiaries shall be limited to investment and management of invested entities, as detailed below.**

##### **◎ China Development Financial Holding**

(1) The company is permitted to invest in:

- financial holding companies;
- banks;
- bills finance companies;
- credit card issuers;
- trust companies;
- insurance companies;
- securities companies;
- futures brokerages;
- venture capital firms;
- foreign financial institutions approved for investment by the competent authority;
- and
- other enterprises determined to be finance related by the competent authority.

(2) Management of the abovementioned enterprises

(3) Other operations approved by the competent authority

##### **◎ KGI Bank**

The bank is permitted to engage in:

- accepting all kinds of deposits;
- extending loans;
- discounting bills and notes;
- investing in securities;
- handling domestic remittance;
- accepting commercial drafts;
- issuing Letters of Credit;



- guaranty
- ng issuance of corporate bonds;
- guarantying domestic transactions;
- acting as collecting and paying agent;
- acting as agent to sell government bonds, treasury notes, corporate bonds and stocks;
- conducting custody and warehousing services;
- handling safe deposit box rental services;
- conducting agency services for operations stated in the bank's business license and other operations approved by the competent authority;
- issuing credit cards;
- selling gold bars/coins and silver coins;
- conducting export/import remittance, forex deposits/loans and guaranteeing of foreign currency payments;
- offering derivatives products approved by the competent authority;
- engaging in the business operations which are specified by the Trust Enterprise Act;
- handling proprietary business of government bonds;
- conducting brokerage, proprietary trading, certification and underwriting of short-term notes;
- issuing cash cards;
- providing trust of money
- providing trust of loans and related security interests;
- providing trust of securities;
- providing trust of real estate;
- providing trust of superficies;
- acting as an agent for issuance, transfer and registration of securities, and distribution of stock dividends, interest and bonuses;
- providing consulting services in connection with the issuance and the collection of securities;
- serving as an attester for the issuance of securities;
- acting as trustee for issuance of bonds and providing agency service for related business;
- handling custody service for investment trust funds;
- offering corporate finance consultation;
- operating trust-type discretionary investment business;
- providing wealth management service;
- issuing bank debentures;
- underwriting in securities;
- financial planning, consulting and counseling for government agencies and

- corporations;
- providing trust of leases;
- acting as an intermediary for the sale and the lease of real estate related to trust businesses;
- providing consultation services in connection with investments, financial management and real estate development;
- operating mandate-type discretionary investment business; and
- processing other businesses which are permitted by the Competent Authority

#### ◎ **KGI Securities**

The brokerage is permitted to engage in:

- brokerage of TWSE-listed securities;
- proprietary trading of TWSE-listed securities;
- brokerage of TPEX-listed securities;
- proprietary trading of TPEX-listed securities;
- securities underwriting;
- securities transfer service;
- margin trading and short sale of securities;
- introducing brokerage of futures trading;
- operating offshore securities units (OSU);
- consigned trading of foreign securities;
- proprietary trading of futures;
- personal fiduciary services;
- securities investment advisory and discretionary investment; and
- other operations approved by the competent authority

#### ◎ **China Development Industrial Bank**

The bank is permitted to engage in:

- investing in securities;
- principal investing in manufacturers, finance related enterprises and venture capital firms;
- financial planning, investment consulting and management counseling for government agencies and corporations; and
- other operations approved by the competent authority.

## B. Revenue Distribution

### ◎ CDFH

Unit : NT\$ '000

Item \ Year	2013		2014(Note)		2015	
	Revenues	%	Revenues	%	Revenues	%
Investment income recognized using the equity method	9,596,663	100	11,499,962	100	9,590,588	99
Others	25,640	—	51,888	—	79,871	1
Total	9,622,303	100	11,551,850	100	9,670,459	100

Source: 2013-2015 audit financial report.

Note: The financial information of 2014 have restated according to the 2013 version of IFRS.

### ◎ CDIB

Unit : NT\$ '000

Item \ Year	2013		2014(Note)		2015	
	Net revenues	%	Net revenues	%	Net revenues	%
Interest profit, net	3,163,680	36	4,194,041	40	1,164,597	20
Noninterest profit and gains, net	5,534,789	64	6,256,011	60	4,730,747	80
Total	8,698,469	100	10,450,052	100	5,895,344	100

Source: 2013-2015 audit financial report.

Note: The financial information of 2014 have restated according to the 2013 version of IFRS.

### ◎ KGIB(Note 1)

Unit : NT\$ '000

Item \ Year	2013		2014(Note 2)		2015(Note 2)	
	Net revenues	%	Net revenues	%	Net revenues	%
Interest profit, net	4,806,573	75	5,857,800	75	7,003,095	68
Noninterest profit and gains, net	1,598,374	25	1,984,118	25	3,346,525	32
Total	6,404,947	100	7,841,918	100	10,349,620	100

Source: 2013-2015 audit financial report.

Note 1: COSMOS Bank became CDFH's wholly owned subsidiary through a share swap during 2014.

COSMOS Bank renamed as KGI Bank from 2015.

Note 2: It included equity to former owner of business combination under common control.

Item \ Year	2013(Note)		2014		2015	
	Revenues	%	Revenues	%	Revenues	%
Brokerage handling fee revenue	3,557,660	35	4,159,722	43	3,530,685	40
Revenue from borrowed securities	481,529	5	282,495	3	274,315	3
Revenue from underwriting business	433,938	4	615,282	6	500,115	6
Gains on disposal of trading securities-net	1,921,114	19	4,023,928	41	987,626	11
Interest income	1,825,163	18	2,360,079	24	2,078,995	24
Dividend income	454,837	4	767,691	8	629,553	7
Gains/(losses) on trading securities measured at fair value through profit or loss-net	1,091,578	10	(244,865)	(3)	(631,868)	(7)
Gains on warrants issued-net	303,564	3	330,873	3	732,335	8
Losses on derivative financial product	(629,754)	(6)	(2,896,168)	(29)	(605,801)	(7)
Others	758,811	8	352,478	4	1,326,850	15
Total	10,198,440	100	9,751,515	100	8,822,805	100

Source: 2013-2015 audit financial report.

Note: KGI Securities merged with Grand Cathay on June 22, 2013. KGI Securities was the survivor company after the merger. The revenues of 2013 included the revenues of KGI Securities and Grand Cathay for year ended December 31, 2013.

### C. New Financial Products and Services in Development

To sustain growth, the Company has been actively utilizing a broad variety of marketing resources to develop new products and facilitate business interactions among subsidiaries. During the product development stage, the Company involves not only marketing and product planning expertise, but also talents from various functions such as operations, customer service, IT, compliance, risk management, and financial management in order to provide opinions from different perspectives and to ensure product success at the highest level of efficiency. Below is an overview of new financial products and services developed by subsidiaries:

## ◎ **KGI Bank**

- ACH digital authorization (eDDA): The system allows users to authorize payments and modify payment authorizations online, which not only saves time but also provides users with added security and convenience.
- HCE (Host Card Emulation): By utilizing an HCE platform, card information can be requested and delivered instantaneously without limitation to any particular carrier. HCE has the potential to broaden mobile payment applications and market share.
- By creating a differentiated digital wallet, KGI Bank aims to provide an integrated payment solution that will solve customers' needs to make payments online and offline. In addition, the digital wallet also enables strategic alliances and O2O (Online to Offline) solutions that will provide customers with even greater convenience.

## ◎ **KGI Securities**

- KGI Securities has devoted significant efforts to the development of new derivatives, and has attained the eligibility to launch interest rate swaps (IRS), interest rate options (IRO), convertible asset swaps (CBAS), structured notes, bond options, equity options, and credit derivatives in recent years. Following deregulations in 2015, KGI Securities became the first in Taiwan to attain the status of offshore securities unit (OSU) and the first to launch foreign currency-denominated, Taiwanese equity-linked derivatives to non-residents through OSU. This derivative has been recognized as an important milestone in the history of Taiwan's OSU development.
- In the bond segment, KGI Securities has been approaching authorities such as TPEX and various securities associations to align trading hours of foreign currency-denominated bonds with international markets in an attempt to provide investors with greater convenience and satisfy their needs toward foreign currency-denominated financial instruments. In addition, KGI Securities has also been successful in persuading the authority to make foreign bonds available not only to local financial institutions, but accessible by professional investors through local securities firms as well; meanwhile, securities firms are given discretion over the types of foreign bond transactions they may accept from customers. This series of changes has enabled local professional investors to settle and hold foreign bonds through Taiwan Depository & Clearing Corporation (TDCC), which greatly reduces transaction costs and facilitates diversity in Taiwan's secondary bond market.
- In addition to underwriting and trading bonds, KGI Securities will also be introducing new derivatives linked with a broad variety of indicators from interest rates, bond prices, credit ratings to equity prices to satisfy investors' needs.

## ◎ **CDIB**

- Grow wealth management services by targeting the Greater China Market. Create investment values through more efficient capital utilization.
- Expand strategic collaborations with external institutions. Exchange customer base for broader service reach.
- Develop a new investment platform that would integrate resources and complement strengths of Taiwanese and Chinese industries. Aim to capitalize on the wave of global mergers and acquisitions initiated by Chinese businesses.

### **5.1.2 Business Plan of the Year**

#### ◎ **China Development Financial**

- Integrate resources within the financial holding group and create synergies
- Expand overseas businesses, particularly the Asia Pacific region
- Cautiously expand business scale; aim to become a regional financial conglomerate

Below are business plans of subsidiaries of the year:

#### **1. KGI Bank**

KGI Bank now possesses viable corporate banking and consumer banking portfolios after receiving commercial banking businesses from CDIB on May 1, 2015. These two banks hold complementary banking licenses that can be utilized to create a new commercial banking brand, which is why the group will be directing its resources to help broaden customer base, identify target customers, create new customer experience, improve operating procedures, and integrate trading platforms. KGI Bank's focus for the upcoming year is to realize the potentials of its one-bank coverage model and provide customers with comprehensive financial services.

##### **— Corporate banking**

- Actively participate in viable syndicated loan opportunities in both local and overseas markets. Maximize the bank's visibility in the market while at the same time maintain the right level of risk control, revenues, asset allocation, and asset quality.
- Develop a comprehensive product line and cross-sell to businesses and their owners. Adopt a "needs-driven" approach and offer financial services from deposits, loans, currencies, import/export credit, derivatives, wealth management, trust, custody to financial advisory.

- Utilize group resources to tap into the network of foreign investment banks, private equity funds, and investment institutions where financial advisory opportunities can be explored.
- Identify target customers by analyzing credit applications and credit ratings. Broaden customer base and anchor relationship with top-quality customers. Explore opportunities in cross-border trade and transaction-based products and services.

#### — **Consumer banking**

- Introduce revolving, installment, and special purpose loans to satisfy customers' needs for financial flexibility. Explore customers in top-performing businesses; apply segment-based pricing strategy and cross-sell to capitalize on opportunities.
- Redesign the credit card portfolio so that target customers are offered products that suit their needs and given the right incentives to spend. Promote acquisition service to a larger number of merchants by utilizing digital technologies as an incentive.
- Offer existing customers the convenience of applying loans online. Optimize the credit grading/scoring model and automate the credit approval process to ensure higher customer satisfaction and credit quality.
- Create Facebook fan pages and interactive platforms where banking privileges can be offered to attract young customers.

#### — **Wealth Management**

- Utilize the group research team to provide customers with regular and ad-hoc forecasts on macroeconomics, global financial markets and trends, as well as recommendations on asset allocation.
- Enrich the bank's product portfolio to include varieties such as dual-currency, OBU, offshore bonds, discretionary investments etc. in addition to funds and insurance. Help customers optimize asset portfolios by offering products in greater depth and breadth.
- Introduce innovative trust services; satisfy customers' needs through professional expertise and differentiated services.
- Develop a wealth management platform with optimized service efficiency in trading and portfolio inquiry. Raise customers' satisfaction and utilization of the system, and ultimately contribute fee income and growth.

#### — **Digital banking**

- Introduce new features to Internet and mobile banking. Develop and promote the use of new technologies such as NFC and HCE (credit card/ATM card over

smartphone); launch packaged solutions for mobile ATM and credit card/electronic card acquisition services ahead of peers.

- Complete various online services permitted by FSC under its Bank 3.0 initiative, and begin electronic payment services. For the local market, the bank will collaborate with the technology industry and introduce a superior system that would give the bank a distinguished advantage over its peers, apart from product features alone. For the foreign market, the bank aims to engage foreign counterparts in business arrangements that would prove mutually beneficial.
- Combine cash management and trade financing solutions, and cross-sell to new industries (e.g. financial leasing, head hunting, commodities, etc.) and customers.
- Optimize trade features in the corporate Internet banking system. Enhance security measures and service customization in order to provide business users with a convenient payment platform and useful digital services associated with their cash collections. Aim to become corporate customers' main banker.

— **Treasury activities**

- Identify trading instruments that feature high liquidity and transparent pricing. Focus on banking book investments; develop holding positions of high cash dividend yields for stable revenues.
- Design and offer new derivatives based on interest/exchange rate movements, commodity trends, and customers' needs.
- Develop proprietary derivative pricing models and risk management capacities, in order to become self-dependent in financial innovation and product structuring.
- Enhance balance sheet management by placing capital into highly liquid assets. Reduce funding costs and improve management over maturity gaps.

## **2. KGI Securities**

- Brokerage: Create a Digital Banking Department to oversee e-commerce and futures information services. Develop an online account opening system (prioritized for cellphone users) that is integrated with the customer account inquiry system. Develop an order processing system supported by risk control modules in Singapore. Establish futures service infrastructures in China, and explore high-frequency futures traders in Taiwan.
- Equity proprietary trading and derivatives: Increase the weight of overseas transactions while diversify portfolio risks and maintain discipline in trade decisions. Continually improve the market making/hedging system and trading strategies. Grow warrant trading as an alternative source of profitability.



- Bonds: Explore distribution channels throughout Asia, and develop a proprietary trading platform with access to the global main interest rate and exchange rate instruments.
- Underwriting: Maintain the company's stable profit quality and leadership position; while at the same time expand into the Greater China market.

### **3. CDIB**

- CDIB will continue to focus on its existing investment strategies and grow its asset management portfolio.
- Adopt an investment strategy that focuses on "Greater China" and "Global" markets. Capture global opportunities through diversified portfolios with balanced risks.
- Develop a new investment platform that would integrate resources and complement strengths of Taiwanese and Chinese industries. Aim to capitalize on the wave of global mergers and acquisitions initiated by Chinese businesses.
- Exercise enhanced management over investors' asset quality, rating and liquidity risks in order to implement risk control and activate exit measures where appropriate.
- Adjust portfolio composition to achieve more efficient use of capital. Enhance investment management and maximize shareholder interests as a value-adding service.
- Combine resources from securities and corporate banking departments to provide customers with the most comprehensive services. Link customer databases across departments to introduce integrated solutions or explore potential needs.

### **5.1.3 Industry Overview**

#### **A. Financial holding industry**

The overbanking and fierce market competition was a result of government open-up policy. Furthermore, the intensive competition has not only damaged the profitability but also increased bad debts. To address this issue, the Taiwan government passed the Financial Institutions Merger Act on December 13, 2000 and the Financial Holding Company Act on July 9, 2001 respectively. Along with 14 already-existing financial holding companies, two new companies, Taiwan Financial Holdings and Taiwan Cooperative Holdings, were established in January 2008 and December 2011, bringing the number of such financial institutions in Taiwan to 16. These 16 financial holding companies dominate the local financial industry, accounting for around 80% of the net worth and gross financial assets of monetary institutions. It is very likely that this figure will continue to rise in the future, as Taiwan's financial conglomerates stay committed to leveraging their cross-selling capabilities and to strengthening their competitiveness through resource consolidation, with a view to enhancing operational efficiency.

With asset prices rebounding and financial markets regaining stability over the past few years, the global economy has once again been able to get back on its feet. Capital demand from individuals and enterprises has also improved. As such, financial holding companies in Taiwan have been aggressively expanding their business horizons through cross-marketing and resource integration. Notably, these companies have shrugged off the negative effects of the recent financial crisis. This is evidenced by consistent upticks in asset value, net worth, capital size, and improving balance sheets. Taiwan's financial sector recorded net profit of NT\$173.39bn and NT\$204.68bn in 2012 and 2013 respectively. In 2014, aggregate profit climbed further to NT\$290.0bn, up more than 40% YoY and representing an all-time high. As for 2015, the net profit reached NT\$303.3bn, represented a modest 5% YoY growth given a high base in 2014.

The world's economic and financial market performance in the upcoming year will largely depend on: mid-term and long-term prospect of the U.S. Economy; impacts of FED's interest rate decisions; outcomes of QE measures adopted in Europe and Japan; reformation of China's financial industry, real estate market, shadow banking system, industry and economic structure; whether emerging markets are able to maintain stability; and whether Taiwanese industries are able to transform and turn the dwindling foreign trade around. All of the above factors are believed to pose challenges to local financial institutions, in addition to the competitive pressure that they are currently experiencing.

Nevertheless, given the ongoing improvements in cross-strait relations and the series of deregulations introduced by the government, corporates and individuals have become more welcoming of new investments and financial solutions. This boost of confidence should provide the financial industry with new opportunities.

## **B. Banking industry**

### **(1) A major financial intermediary**

Overview and development of Taiwan's banking sector: As of the end of December, 2015, there were a total of 6,477 monetary institutions in Taiwan, excluding the Central Bank of the Republic of China (Taiwan) and Chunghwa Post Co., Ltd. (the official postal service), of which 3,484, or 53.8%, were domestic banks. As of end-December, 2015, the total deposits and loans of domestic banks amounted to NT\$29.3tn and NT\$22tn, respectively, or 77.3% and 90.8% of the total deposits and loans held by all monetary institutions. These data indicate that the island's domestic banks have served as a crucial financial intermediary in Taiwan's economy.

### **(2) Declining number of banks and their branches amid continued consolidation of financial institutions in Taiwan**

The number of domestic bank's branches in Taiwan increased significantly after the Ministry of Finance approved the establishment of 16 new banks in 1992, resulting in fierce market competition. Notably, since the enactment of the Financial Holding Company Act in 2001, consolidation within the banking sector has been steady and consistent. Among the more notable cases, United World Chinese Commercial Bank merged with Cathay Commercial Bank (renamed Cathay United Bank), Grand Commercial Bank was acquired by CTBC Bank, E. Sun Bank merged with Kaohsiung Business Bank, Chung Shin Bank merged with Union Bank, United Credit Commercial Bank and Makoto Bank were taken over by Shin Kong Commercial Bank, and Taipei Bank was acquired by Fubon Bank. In 2006, the Ministry of Finance also approved the merger of Taiwan Cooperative Bank and Farmers Bank of China, as well as the acquisition of Taipei Business Bank by Bank SinoPac. In the same year, the restructuring of ICBC Bank and Chiao Tung Bank led to the establishment of Mega Bank. In 2007, Lucky Bank merged with Cathay United Bank, while Hsinchu International Bank was acquired by Standard Chartered Bank. The same year, the Central Trust of China merged with the Bank of Taiwan Co., Ltd., while acquisitions included Enterprise Bank of Hualien by CTBC Bank, Taitung Business Bank by ABN Amro Bank, and Bank of Overseas Chinese by Citibank. Industry consolidation continued in 2008, with Chinese Bank and Bowa Bank being merged, respectively, by HSBC and the operating unit of DBS Bank in Taiwan. In 2012, DBS established a subsidiary bank in Taiwan, followed by ANZ (Taiwan) in 2013. According to the statistics of the Financial Supervisory Commission (FSC), as of end-2015 there were a total of 39 domestic banks in Taiwan, which represents a long-term declining trend.

### **(3) Diversified investment products and services in a more mature financial market**

As Taiwan's financial market becomes more open and diversified, companies can now raise funds in Taiwan and overseas at lower cost by the issuance of common shares,

preferred shares, corporate bonds, convertible bonds and/or depository receipts, in addition to bank loans. The development of the financial market also means that there are more diverse investment products and services available for the public, from bank deposits with fixed interest income fund to investments in the money market fund or bonds with potentially higher return.

**Direct finance as a share of total financing (by outstanding balance)**

Year	2007	2008	2009	2010	2011	2012	2013	2014	Jan 2015
Indirect %	75.75	77.00	76.87	77.69	78.30	78.90	79.35	79.37	79.47
Direct %	24.25	23.00	23.13	22.31	21.70	21.10	20.65	20.63	20.53

Source: Central Bank of the Republic of China

**(4) Bank earnings hit new highs amid moderate economic recovery**

During 90s, due to the fierce market competition, some financial institutions did business with high risk customers in order to maintain growth for profitability. However, triggered by local financial crises, increased default rate had caused bad debts to increase and profitability to decline distinctly.

Started from 2001, supported by the government policies, Taiwanese banks had been aggressively writing off bad debts and it had caused the first ever loss in domestic banking industry in 2002. However, thanks to declining bad debt provisions, as well as promotion of retail banking and fee businesses, most of banks turned profitable again in 2003, with continued earnings upticks also seen in 2004. Yet, in 2005, the sector was hit again by a wave of bad debts from credit card and cash card operations, which dampened profitability substantially. A year later, in 2006, banks were still struggling with bad debt provisions and industry-wide pretax ROE fell to -0.4% for the year. In 2007, despite of aggressively writing-off bad debts and negotiations with borrowers, profitability growth remained weak.

In 2008, banks tightened credit again as financial crisis swept the globe, putting a sizable dent in operating results and earnings (sector ROE was just 2.5% in 2008).

After that, as global economy and financial markets recovered, credit demand also started to pick up in private sector, which helped to bolster earnings of banking industry. The pretax ROE of Taiwan's banks stood at 4.5% in 2009, 9.1% in 2010, 9.3% in 2011, 10.4% in 2012 and 10.3% in 2013 respectively. Incremental improvement has continued, with banking sector pretax profit reaching NT\$320.01bn in 2014, up 24% YoY and marking the fifth straight year of record-high earnings. Pretax ROE rose to 11.7% the same year, with ROA also hitting a historical high of 0.8%. In 2015, CDIB delivered pre-tax earnings totaling NT\$297.3 bn, which represented a 7% decrease from 2014, an ROE of 9.9% and an ROA of 0.7%. This result was largely due to increased volatility of the global financial market coupled with deteriorated asset quality and an upraise in credit

costs across the banking industry. Given the limited growth of GDP and capital needs expected in 2016, the financial market may experience yet another year of volatile or corrective movements, and contribute additional risks to credit and investment activities. Therefore, Earnings growth for the local banking industry should lessen compared to the previous year.

**Domestic bank overall profitability (in terms of pretax earnings)**

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
ROE(%)	(0.43)	2.22	2.47	4.49	9.10	9.33	10.41	10.26	11.65	9.90
ROA(%)	(0.03)	0.14	0.16	0.28	0.58	0.59	0.68	0.68	0.79	0.70

Source: Banking Bureau of the FSC

- (5) Banks improve asset quality and turn conservative on credit policy, leading to sector non-performing loan ratio of 0.24% as of end-November 2015.

In recent years, Taiwanese banks have been aggressive in writing off bad debt, while the credit/cash card crisis in 2005 and the global financial meltdown in 2008 have helped engender a culture of caution in granting credit. As such, the non-performing loan (NPL) ratio of domestic banks has been declining. According to the FSC, the average NPL ratio had fallen to 0.24% as of end-November 2015, from the high of 11.27% in 2001. This is a clear indication of improving asset quality. As at the end of November 2015, CDIB registered a NPL ratio of 0.34%, the overall asset quality is fair.

**Average NPL ratio of Taiwanese banks**

Year	2006	2007	2008	2009	2010	2011	2012	2013	2014	11/2015
NPL* (%)	2.13	1.84	1.54	1.15	0.61	0.43	0.40	0.38	0.25	0.24

Note: \* NPL-is as defined in “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans,” promulgated by the Ministry of Finance on January 6, 2004 and effective as of July 2005 for the purpose of aligning Taiwan’s banking regulations with internationally recognized standards.

Source: Banking Bureau of the FSC

### C. Securities industry

- (1) Intensive brokerage competition, market-driven performance, and long-term industry trends favoring large players

Securities industry is a highly regulated industry; everything from the scope of service, commission rates to invested targets are subject to comply with laws. Furthermore, given the low entry barrier of conventional services such as brokerage, underwriting and bonds, it becomes difficult for securities firms to differentiate in terms of products offering and marketing strategy. In addition to fierce competition, the operations of securities companies are dependent on stock market performance. As such, large players stand a better chance of surviving the competition since securities licenses were first deregulated in 1988. Today, even medium or large-size securities firms are being forced to merge into

financial holding groups or acquire smaller firms to increase market share. As a result, smaller firms are gradually eliminated from competition, merged, or forced to transform into other businesses. A series of major mergers and acquisitions has reduced the number of securities firms from 229 in 1996 to 120 as of end-January, 2016. Brokerage commission remains the primary profit source for most securities firm, and capturing market share through diversification of sales channels has been a common practice. According to Taiwan Securities Association, the securities industry as a whole had exhibited significant deterioration in terms of revenues and profits: As of September 2015, the 77 securities firms that submitted monthly financial statements to TWSE produced aggregate earnings of NT\$15.83 billion, which was 40% less than the corresponding period in 2014; and the average EPS of NT\$ 0.496 was also significantly lower than the NT\$0.818 reported in 2014. These statistics reflect the competitive nature of the securities business. Besides being merged into a financial holding company, securities firms are actively seeking to diversify income sources by expanding into foreign markets and investment banking services.

- (2) Support from financial holding company helps maintain advantages; KGI Securities remains the market leader following acquisition by CDF

Given the reality that "only the strong survive," it is inevitable for local securities firms to explore competitiveness in size and diversity. This reality can be attested in the new era of "bigger means better" firms by the increasing market share of securities brokerage services across all financial holding groups. Whether by merging peers or by integrating financial services with affiliated companies within the same financial group, securities firms are able to benefit from the added competitiveness either way. In January 2013, the Company arranged a share swap that made KGI Securities a 100%-owned subsidiary of China Development Financial. Subsequently, with the acquisition of Grand Cathay Securities Corporation, KGI Securities was able to expand its branch count to more than 100 nationwide and develop a comprehensive revenue portfolio that comprises of brokerage, proprietary trading, underwriting, bonds and derivatives, and attain leadership position in every service category. Apart from Taiwan, KGI Securities also has a comprehensive setup in overseas markets including Hong Kong, Thailand and Singapore. Its overseas presence is already making significant profit contributions, and has provided the company with the global exposure it needs to become a leading regional securities firm.

- (3) Deregulation and professional expertise are keys to long-term growth

The Taiwanese authority has been active in the introduction of stock market incentives and deregulation measures in recently years, and the opening of new financial services and products does indeed favor securities firms. Against this backdrop, the latest challenge to the industry is how securities firms can find the right talents they need to execute new business initiatives and manage financial engineering. A related issue is

whether, in a fast-changing financial market, they have sufficient access to capital and markets to compete with banks, which are cash-rich and have extensive clientele. KGI Securities is a committed player in Asian Pacific region, and has built up outstanding track records with diverse source of income. It has a professional and talented team of managers who dedicate their long-term efforts to risk management and help the company overcome its peers even under the most unpredictable market conditions. These talents will play a key role in the company's goal of becoming an investment banker in Asia Pacific.

#### **D. Venture capital industry**

In early 1980s, in order to help local industry to transform, Taiwan government introduced the "venture capital" system from United States. The first local venture capital company was established in 1984, but the industry took 10 years before finding a profitable model that would enable its growth. As Taiwan emerged to play a major part in the world's IT supply chain in the 1990s, new businesses such as electronics, semiconductors, communication and optoelectronics began to spawn at a fast rate. The wave of new technology businesses coupled with a robust capital market contributed to the rapid growth of Taiwan's venture capital industry. With global economic outlook turning favorable and the local government introducing new deregulations on cross-strait banking policies since 2009, the venture capital industry was able to deliver improved results, averaging an EPS of NT\$0.88 in 2009 and NT\$0.42 in 2010. Since 2011, however, the venture capital industry once again slumped back to an EPS of NT\$0.09 due to gloomy outlooks around the world, and exhibited even slower growth in recent years.

The period between 1995 and 2000 was perhaps the golden age for Taiwan's venture capital industry. During this time, the number of venture capital companies increased from 34 to 170, whereas total share capital had also increased by 5.8 times over the 6-year period, from NT\$18.7 billion to NT\$128.08 billion. This was also the time when local venture capital funds averaged an EPS of NT\$1.7 per year, which was equivalent to turning over 100% of share capital in six years. In just a few years, the venture capital business flourished with the growth of the high-tech industry, and delivered outstanding results in terms of fund size, amount invested, cases invested, and investment performance. In 2000, the venture capital industry started to encounter difficulties finding viable projects, as most of the IT and electronics businesses had already matured whereas semiconductors had progressed into a capital-intensive stage, and biotech and digital content were relatively early in their development, leaving optoelectronics and communication the only businesses that kept the investment going. From 2002 to 2004, financial holding companies and large corporations began setting up their own venture capital subsidiaries, which added 20 new players and NT\$16.8 bn of fresh capital per year. 2005 was the year when the venture capital industry started to liquidate. The amount of

liquidated capital increased since 2006, reaching NT\$21 bn in 2010, NT\$25 bn in 2011, and NT\$11 bn in 2012, respectively. Performance of the venture capital industry has recovered in recent years due to recovery of the local and global economy, improvements of the business environment, new technologies, and mutually beneficial cross-strait relations. According to the 2014 survey conducted by Taiwan Venture Capital Association, the number of venture capital companies had increased in 2013 and 2014 to a total of 232 by October 31, 2014, whereas the amount of invested capital and business performance also turned favorable. In recent years, the government has been actively introducing new incentives to stimulate innovations and direct private capital into industries, thereby helping industries transform and upgrade. It has even set up funds to finance venture capital investments and startup businesses directly. In the meantime, the venture capital industry also saw an upraise of new investment prospects. Apart from technology and communication, businesses such as biotech, pharmaceutical, green energy, culture and creativity, and environmental protection have emerged to become the new favorites. With the government's support and new investment opportunities abound, the venture capital industry should deliver consistent growth over the medium and long run.

## **E. Future trends**

### **(1) Large players become mainstream**

A financial holding company consolidates different types of financial institutions to provide integrated products and services to customers. Because these subsidiaries are operating under a single parent, they share a similar, if not identical corporate culture and background, which helps for integration. The financial holding company is able to adjust capital and resource allocations among subsidiaries in order to achieve optimal profitability. Whereas most of the banking sector consolidation opportunities came from privatization of government banks, the current ongoing financial reforms focused on government banks' consolidation. In light of the rise of large financial holding companies, small and medium financial institutions are also forging strategic alliances.

### **(2) Expanding into the Greater China market**

A broad-based business migration has taken place in Taiwan, with many businesses moving to mainland China in past few decades. As a result, the local financial industry is also expanding overseas, in particular targeting Taiwanese companies in mainland China as prime customers. The signing of the "MOU of Cross-strait Financial Cooperation" in 2009 has not only opened the door of China market for Taiwanese Financial companies but also provided new financing option to overseas Taiwanese enterprises. As cross-strait relations improve, local financial institutions look to capitalize on the significant and increasing number of Taiwanese businesses operating in China, supported by inherent advantages such as a shared linguistic and cultural background and



geographical proximity. Notwithstanding, despite the promising outlook for Taiwanese financial institutions operating in mainland China, high levels of credit and investment risk should never be overlooked. Moreover, as the island's financial players are late entrants to the mainland China market, they shall face significant challenges and obstacles to overcome.

(3) Personal finance as the new business in focus; cross-selling platform as a key tool

In recent years, Taiwan's financial institutions have been focusing more on the consumer finance and wealth management businesses, with private financial holding companies being more proactive in these businesses than government-owned peers. As clients' needs vary, it is then become crucial for financial holding companies to provide timely, diversified products and services to fulfill clients' needs. In order to achieve the goal, segment integration within a financial holding company is needed. Establishing an effective cross-selling platform is a critical factor to the success.

(4) Seeking a more balanced deployment

Typically, a financial holding company has multiple business lines with various levels of sensitivity to economic cycles. As a financial holding company grows in size, it has to fine-tune its operating strategies along the way and build a more balanced business model. Basically, this means expanding the product offering with a view to improving profitability and asset utilization efficiency. This implies a balance between venture capital investing, fixed-income and fee businesses in order to reduce business impact in a volatile macro environment.

#### 5.1.4 Research and Development

The Company conducts research and development mainly via its subsidiaries, including KGI Bank and KGI Securities. New financial products are developed in hope to strengthen the product portfolio, provide diversified services and thereby expand the customer base.

##### ◎ China Development Financial Holding

Unit: NT\$'000

Project	Investment	Schedule
CDF Data Warehousing System	81,500	Mar 2016 - Dec 2016

note : including CDF, KGI Bank and KGI Securities

##### ◎ KGI Bank

- (1) KGI Bank has devoted significant resources to the development of digital banking services and transformation of its business model to accommodate the upraise of digital technologies and the Internet generation. In addition to the existing "mobile payment card" and "QR code payment" services, new innovations including HCE, mobile ATM card, mPOS (mobile Point of Sale) EDC and "all-purpose EDC" were also introduced in 2015. These payment solutions will be more closely integrated in the future to satisfy customers' needs for convenience, security, and mobility.

KGI Bank has also been developing foreign currency, interest rate, equity and commodity-linked derivatives in both standalone and packaged form. The multitude of products offered provides customers with the freedom of customizing their own solutions. During the year, CNY services were launched to complement the bank's product line. They were offered as an enhanced service to existing customers, and utilized for the purpose of exploring potential corporate banking customers as well. In addition to trading CNY instruments with local and foreign financial institutions, the Treasury Department has also been marketing CNY derivatives to Taiwanese businesses and institutional investors.

- (2) R&D results in the last 2 years:

- Introduced online services that conformed with FSC's Bank 3.0 initiative.
- KGI was the first bank in Taiwan to launch mobile ATM service. It enables users (not just the bank's customer) to transfer funds and make payments using mobile ATM cards issued by any local bank.
- KGI was the first bank in Taiwan to be permitted the launch of "All-Purpose (Credit Card/Electronic Card/Smart Pay) Electronic Data Capture (EDC)." The EDC was initially implemented in Kaohsiung at Shinkuchan shopping district, which made it the first shopping district in this nation to accept credit card and electronic card payments. Through strategic alliances, local merchants were offered incentives to

install all-purpose EDCs, which gave shoppers more payment options at their disposal.

- With the development of TSM platform, customers are able to load credit card and ATM card information into their cellphones using OTA (Over The Air) technology, and exchange credit/ATM card information using NFC function built into their cellphones to complete transactions similarly to what they would do with a physical card. This technology can also be used to make fund transfers and payments over the Internet. In addition, the bank was awarded Mobile Payment Excellence of the Year by Financial Information Service Co., Ltd.
- KGI had moved ahead of peers to introduce an mPOS EDC that satisfies merchants' needs for mobile payment solutions while at the same time reduces their setup costs. The EDC provides the bank with information on merchants' cash flow, which can be further analyzed to understand customers' needs and risks, and satisfy them with suitable loan solutions.
- Launched the first batch of functions for stage 3 development of the corporate Internet banking system. These functions gave corporate customers access to online inquiry, transaction services, and the corporate product platform.
- Completed upgrades to the corporate banking key and token for greater transaction security.
- Enabled credit card applications to be submitted entirely over the Internet using mobile devices, which enhanced customer experience and reduced promotional costs.
- Completed a foreign currency options platform and continually expanded the types of structured interest rate notes offered.

### (3) Future R&D plans

- ACH digital authorization (eDDA): The system allows users to authorize payments and modify payment authorizations online, which not only saves time but also provides users with added security and convenience.
- Develop HCE (Host Card Emulation) services to expand the bank's market share in mobile payments.
- By creating a differentiated digital wallet, KGI Bank aims to provide an integrated payment solution that will solve customers' needs to make payments online and offline. In addition, the digital wallet also enables strategic alliances and O2O solutions that will provide customers with even greater convenience.
- Integrated the front-end trading system with the mid/back-office system to create a unified transaction portal. In order to build up straight-through trading platform, a pre-deal checking mechanism and a procedural interface between automated

processes and the mid/back office will be established.

- Developed quotation and management capabilities for packaged interest rate and foreign currency instruments.
- Created new IT infrastructure to support business innovation, digital distribution and expanded commercial applications.

Estimated R&D costs and progress:

Unit: NT\$'000

Project	Investment	Schedule
KGI Wallet	2,000	Feb 2016 - Nov 2016
Integrated collection/payment platform	4,000	Jan 2016 - Apr 2016
Mortgage Assessment System	13,000	Mar 2016 - Dec 2016
Multi-tier Interest Accrual	7,000	Jul 2016 - Nov 2016
E-Trading Platform	10,000	Jan 2016 - Dec 2016

## ◎ KGI Securities

- (1) KGI Securities has developed its derivatives business by making significant investments of NT\$99.7million in 2014 and NT\$104.3 million in 2015 respectively and by obtaining licenses for the operation of new businesses including interest rate swaps (IRS), interest rate options (IRO), convertible bond asset swaps (CBAS), structured notes, bond options, equity options and credit derivatives. In 2015, having added newly deregulated products at its OSU along with relaxed regulations, the company put itself ahead of peers and becomes the first brokerage in Taiwan to have the OSU offer non-residents foreign currency-denominated TAIEX-linked derivatives services. This represents a milestone for Taiwanese securities firms in the development of OSU foreign currency-denominated derivatives services.

In the fixed income segment, along with the TPEX, relevant authorities and Taiwan Securities Association, KGI Securities has pushed for the deregulation of foreign currency-denominated bonds available on international markets during the negotiated trading hours of local securities firms, prompted by demand from domestic investors. In addition, as the company has continually sought to improve the settlement mechanism for foreign and international bonds in discussions with the authorities, it is expected that professional investors will see the cost of trading such bonds decline substantially and that the domestic secondary market will achieve a degree of diversification. Aside from exploring bond issues and trading, KGI Securities will also continue developing derivatives linked to benchmark interest rates, bonds, credit targets and equity, and further to the forex index, in response to investors' needs.

- (2) Achievements in research in the past two years and further plans

- KGI Securities leads peers in the equity derivatives business. In 2015, the company issued 2,910 warrants with the total amount of NT\$27bn, facilitating one-stop shopping of a diverse range of warrants, despite market volatility. It has moreover adopted a stable warrant market making strategy that upgrades the existing warrant market making system with higher liquidity and price linkage, giving clients a superior warrant investment experience.
- In the OTC derivatives segment, KGI Securities has developed various instruments on the back of its solid financial engineering capability. These innovations have helped the company gain a competitive advantage in cutting-edge financial products and secured its leading position in the OTC derivatives market. For instance, KGI Securities issued more structured products in 2015 than any other local peer. Its comprehensive, diverse product portfolio helps build customer confidence. The company has also made headway in the asset swap business, ranking second in notional amount outstanding in 2015. Meanwhile, in the equity options segment, KGI Securities boasts the biggest share of the Taiwan market. Going forward, the company will continue to provide full range of professional services with a view to achieving a win-win situation for investors and shareholders alike.
- In the fixed income segment, KGI Securities' short-term principal-guaranteed interest-rate linked products continue improving in flexibility, which fit the needs of diverse clients. The 100% principal-guaranteed derivatives facilitate an expanded denomination selection in US dollars and Renminbi.

Estimated spending and schedule:

Unit: NT\$'000

Project	Investment	Schedule
Securities Digital Access	7,000	Jan 2016 – Dec 2016
E-trade & Mobile-trade platform	5,877	Jan 2016 – Dec 2016
Future DMA Gateway Development	9,339	Jan 2016 - Dec 2018

## **5.1.5 Short and Long Term Business Development Plans**

### **A. Short-term business plans**

Please refer section 5.1.2 “Business plan for the year.”

### **B. Long-term business plans**

#### **◎ China Development Financial**

On May 1, 2015, the Company transferred corporate banking and treasury businesses from subsidiary - China Development Industrial Bank to KGI Bank. This transfer provided the group with exposure to three core business activities: commercial banking, securities, and venture capital, which enables it to introduce the most complete lineup of financial services and products. In the commercial banking segment, the Company will focus on optimizing products, services and customer management, and try to utilize digital platforms and cross-selling to increase revenue contributions from wealth management. For the securities segment, the Company will aim to maintain its market competitiveness, explore overseas opportunities, optimize capital allocation, increase fee revenues, and diversify trading gains for better earnings stability. For the venture capital segment, the Company will aim to attract world-renowned investment institutions to invest in sponsored PE/VC funds and thus to reduce its capital commitments, and re-deploy this capital to support other businesses development of the financial group. In the future, China Development Financial will aim to provide customers with all-round financial services and take step towards becoming "the most distinguished financial group among the world's Chinese-speaking population."

#### **◎ KGI Bank**

##### **(1) Corporate banking**

- Offer advisory and custom-tailored solutions to Asian Pacific customers with regards to their special financing requirements such as cross-border M&A, leveraged buyout, and growth capital. Establish the bank's role as a corporate transaction consultant and generate non-asset based income. In addition to financing capital expenditures and working capitals in the form of syndicated loans, the bank also provides project financing for local businesses and plans to venture into international markets through differentiated services
- Build a comprehensive corporate customer service network that appeals to upstream, mid-stream and downstream industry participants. Introduce commercial banking credit schemes that are tailored to target customers and focused on transaction-backed financing. Aim to increase revenues from sources that do not require risky assets;

anchor customer relations and market a broader variety of banking solutions such as trade financing, factoring, TMU, cash management, wealth management, and corporate Internet banking for higher penetration and market share.

- For financial consultation services, the bank will try to integrate its service channels in order to provide customers with more constructive solutions, and increase fee income through closer relationship. For leveraged buyouts, the bank will engage overseas customers and private equity funds more closely to acquire high-profile cases.
- Deliver featured corporate banking services across borders through overseas branches.

## (2) Consumer banking

- Develop the capacity to perform Big Data analysis, and utilize this technique to improve existing procedures and optimize asset quality. Combine information gathered from Internet, e-commerce and social networks to explore potential customers.
- Combine the bank's consumer banking experience with the group's presence in China to develop quality consumer banking products and services for Taiwanese and Chinese customers.
- Continue working with electronic card issuers and group customers for the launch of co-brand cards, and provide customers with greater privileges to spend. Apply segment marketing based on customers' needs. Integrate marketing efforts with the bank's product line and raise customers' contribution.
- Form strategic alliances with Taiwanese businesses in China; explore Chinese consumer banking opportunities by utilizing the latest communication technology and capturing the spending habits of new generations.

## (3) Wealth Management

- Expand the bank's customer base through the use of localized focus, virtual channels, and social networking. Anchor relationships with VIPs through financial advisors and customer service centers.
- Enrich the bank's wealth management product line particularly with foreign currency-linked and leveraged instruments. Satisfy customers' needs through enhanced asset management and use of the new wealth management platform.
- Continually improve software, hardware, service procedures and flow at local branches to ensure satisfactory experience.
- Promote wealth management and private banking services; develop the bank's brand new image and market position in wealth management.

#### (4) Digital banking

- Design cross-border products that complement the bank's overseas branch expansion plan. Offer cross-border payment/collection services to corporate customers through digital banking, which helps reduce funding costs and ensures higher operating efficiency. Aim to become the main banker in the cross-border dealings of Taiwanese businesses.
- Actively participate in new e-commerce opportunities and explore new means to serve customers. Collaborate with local/foreign financial institutions or third party payment operators to develop cross-border transaction and O2O (Online to Offline) services, thereby provide customers with broader means to pay.
- Develop new financial applications for target customers, and provide them with differentiated electronic payment solutions and value-adding services. Explore opportunities in mobile e-commerce, and aim to create a clustering and magnet effect among customers.

#### (5) Treasury activities

- Actively subscribe to shares and convertible bonds in the primary market. Generate revenues by engaging in convertible bond asset swap transactions. Build up holding positions in shares that offer high cash dividend yields or long-term value gains.
- Secure revenue streams by broadening the types of fixed income products traded. Develop new structured products that feature a combination of new interest rate and currency rate instruments.
- Aim to become a swap bank for international bonds. Develop an electronic trading platform that enhances the efficiency and convenience of foreign currency transactions.
- Explore regional banking peers and corporate customers, particularly within China and Southeast Asia. Expand overseas branch presence to broaden customer and service reach.

### ◎ **KGI Securities**

#### (1) Domestic: Maximize shareholders' equity

- Explore suitable M&A opportunities local and abroad to expand the company's distribution/product development capabilities.
- Explore stable sources of profitability; integrate product platforms and enhance distribution.
- Improve subsidiaries' operations and profitability in line with group strategies.



(2) Overseas: Integrate resources to create regional synergies

- Focus on improving profitability within regional markets.
- Utilize group resources to maximize the effect of new product launches.
- Adjust customer base and explore investment banking opportunities.
- Enhance the effectiveness of group resource allocation.

◎ **CDIB (venture capital)**

(1) Grow asset management services; target Asia Pacific for region development.

(2) Establish CDIB's stature as an Asia Pacific equity investment manager headquartered in Taiwan.

## **5.2 Cross-Selling and Joint Marketing**

The Company's main subsidiaries cover three core business activities: commercial banking, securities and venture capital, which enable the Company to introduce customers with a comprehensive selection of financial products and services.

In order to provide customers with more comprehensive financial products and services, and then to improve operational synergy, the Company's subsidiaries: KGI Bank, KGI Securities and KGI Future have obtained the approval from competent authority for engaging in cross-selling activities. Through cross-selling approach, bank subsidiary can rapidly expand customer base and all subsidiaries can effectively extending their business scales and create more commercial opportunities. The Company's cross-selling activities are carried out in accordance with the Article 43 of Financial Holding Company Act, "Guidelines for Cross Marketing among Subsidiaries of Financial Holding Companies", and the Personal Information Protection Act. Therefore, while exercising the cross-selling activities, the Company and its subsidiaries will make sure customers' right and interest are well protected.

## 5.3 Market and Sales Overview

### ◎ China Development Financial Holding (CDF)

As of end-2015, there were a total of 16 financial holding companies in Taiwan, with a respective gross asset and equity value of NT\$45.5tn and NT\$3.1tn, according to data on the Financial Supervisory Commission (FSC) website. While these 16 companies have dominated Taiwan's financial industry in recent years, we note that the local financial market has become increasingly fragile following the outbreak of the global financial crisis in 2008 and the subsequent euro debt overhang. The global economy still faces high levels of uncertainty, and new laws and regulations across the world have made it more difficult for financial institutions to manage daily operations. Despite of negative impact coupled with global economy, Taiwan's financial holding companies have however benefited from the deregulation of investment in the China market in recent years. In light of the economic and financial market boom in China, which offers enormous growth potential and business opportunities, Taiwanese financial holding companies are accelerating deployment across the Taiwan Strait, and will likely continue to leverage the resources available to them in order to create synergies from business integration with the ultimate aim of strengthening their competitiveness.

The three major subsidiaries of CDF are KGI Bank, KGI Securities and China Development Industrial Bank (CDIB). After many years of operation, CDIB and KGI Securities have become the respective leaders in Taiwan's investment banking and capital markets. The acquisition of Cosmos Bank, now re-named KGI Bank, completed the operating framework of CDF, which is founded on three major operational pillars of commercial banking, securities brokerage and venture capital. CDF is well positioned to deliver significant growth in the future, as it seeks to capture the synergies of business integration by capitalizing on its strengths in venture capital (CDIB), commercial banking (KGI Bank) and securities brokerage (KGI Securities), allowing it to address a sizeable client base.

### ◎ KGI Bank

#### 1. Main products and markets

KGI Bank was formerly known as Cosmos Bank. Its main business activities included deposits, wealth management, consumer banking, corporate banking, inter-bank lending, and foreign currencies. KGI Bank has continually introduced new innovations to mobile payment, cash card, personal credit, housing loan, and wealth management services. In addition to be the first bank in Taiwan to launch mobile payment service, it also has the highest market share on cash card business in Taiwan. As of the end of 2015, KGI Bank had 51 branches nationwide. Cosmos Bank first commenced business in February 1992. It operated as a commercial bank providing quality financial services to industries, corporates and public. Cosmos Bank was acquired by China Development Financial on September 15,

2014 and renames as KGI Bank. In terms of future business development, KGI Bank will leverage on its existing strengths while drawing financial support from its parent company, China Development Financial, and capturing resources from the group's subsidiaries for cross-selling and maximize capital efficiency to increase market competitiveness. Moreover, the bank aims to become a powerful regional player to provide overseas clients with professional and comprehensive financial services.

## **2. Market Overview**

Since the deregulation of banking licenses in 1992, Taiwan's banking industry has been oversupplied. Not only were the state-owned banks trying to privatize, some credit cooperative associations also sought their ways to become commercial banks, while foreign banks, too, were eager to set up branches in Taiwan. As a result, the number of banks in Taiwan had doubled from 25 in the 1990s to 53 in the 2000s, while market condition changed from oligopoly to nearly perfectly competitive market. This excessive supply poses challenges to bankers even till this day. Furthermore, the government's stringent supervision combined with a lack of innovation within the banking industry allowed very little room for banks to differentiate and distinguish themselves apart. As a result, banks resorted to price-cutting as the only means of competition, which greatly reduced profitability of the entire industry. Striving to maintain growth under the overly competitive environment, financial institutions were compelled to extend their services to edge customers, which led to the occurrence of a local financial crisis in 1998 followed by the dual card crisis in 2005. This over-extension of credit also exacerbated the impact of the 2008 worldwide financial crisis to a certain extent. Fortunately, the authority was able to respond to the series of crises with economic stimulants and banking policy reforms that helped stabilize the banking system and reduce non-performing loans. As financial markets stabilized and the global economy recovered in recent years, mergers were seen in the local banking industry, reducing the number of banks down to 39 by the end of 2015. It was then when Taiwan's banking industry started to show improvements in terms of capital structure and profitability.

Nevertheless, the potential of Taiwan's banking industry remains largely limited by the scale of domestic market and the over-banking situation. To break free of this limitation, banks have been trying to expand into China and Asian markets, particularly when the latter has just been deregulated recently. In the future, the bank will continue its effort on cultivating local markets where it has presence and systematically training global financial talents to support overseas expansion plan. Moreover, in order to fulfill the need for overseas expansion, the bank will also seek for overseas partnership and aim to become a global financial player.

### **3. Future supply-demand dynamics and growth potential**

#### **(1) Supply and demand**

2015 had been a year of slow recovery for the global economy. It was also the year when central banks around the world started to go different directions with their monetary policies, after unanimously adopting an expansionary policy since the last financial crisis. While the U.S. raised its interest rate for the first time since 2006 in December, Europe, Japan and China had decided to continue their easing policies. As oil prices reaches the 7-year low and geopolitical conflicts remain, the global financial market should continue to exhibit high volatility in 2016. As for the domestic market, investors have grown conservative due to concerns toward the global outlook, uncertainties associated with the new government, and fear of further exit of foreign capital. Declining real estate transactions has caused the fierce competitiveness of the consumer loan market and banks are starting to target at personal finance which had further cut down the products margins. Meanwhile, the corporate finance segment is also faced with marginal spreads due to intensive price competition, and the intensity seems to rise, rather than dissipate, with more cross-strait deregulations underway. However, as the population ages, people will start paying attention to financial security, which should present growth opportunities in nursing trusts and benefit trusts.

#### **(2) Growth**

In future, digital banking is the growth driver of banking industry. Mobile payment services have grown around the world in recent years mainly because of growing demands and the gradual improvement of environment. Governments worldwide were generally supportive of this development, and mobile payment technologies began to evolve during this time, which simplified the payment process and shortened the time taken, making mobile payment solutions more acceptable to users. Globally, existing service providers can be seen expanding into new territories in the effort to expand their customer base and the new comers brought innovative solutions in order to capture business opportunities. According to a study by Gartner, the mobile payment services worldwide is expected to grow 67% from USD\$ 431.1 billion in 2015 to USD\$ 721.4 billion by 2017. In Taiwan, growing popularity of smartphones has also contributed to the growth of online payment services. As mobile banking services become a strong competitive advantage, companies with extensive distribution channels such as telecommunication carriers, retail chains and e-commerce operators all try to provide digital banking services which have helped the business to grow exponentially. Moreover, FSC passed "The Act Governing Electronic Payment Institutions" in 2015, which shall further change the consumer behavior and payment hobby in Taiwan.

#### **4. Positives and negatives of future development**

##### **(1) Advantages**

- A. Government's continue effort on deregulating financial services shall open up more business opportunities.
- B. The solid foundation in private equity fund and investment banking shall provide the bank with the potential to offer high margin leveraged buyout and structure financing solutions that are different from other commercial banks.
- C. Through the consolidation of the financial group resources, the bank is able to support cooperates clients and help the development of local industries which has earned itself a solid loyal customers base, extensive relationships, and a trustworthy brand.
- D. Through cross-selling within the financial group, the bank is able to increase exposure and sales of its trust services.
- E. The extensive marketing and risk management experience in consumer banking segment shall help to explore new markets.
- F. The leading innovative products of direct investments, securities, leasing, and financial advisory provide clients with comprehensive financial services.
- G. KGI Bank has launched the market leading mobile payment services such as the X Card, HCE, and mobile debit card. In addition, KGI Bank was also the first to introduce an all-purpose EDC that works with ATM cards, credit cards and electronic cards. It is definitely a testament of company's innovative capabilities.
- H. China's recent proposed Asian Investment Bank and The Belt and Road policy are expected to attract foreign capital and cause a shift of global market focus. Meanwhile, Japan will also speed up its overseas investments. The bank possesses the versatility to undertake all kinds of cases regardless of the external environment or the economy, and therefore is less prone to market changes.

##### **(2) Threats**

- A. Profit margin was declining due to: the fierce competition of local financial market; rapid speed of replication on new products; and severe price war.
- B. Tightening supervision and regulation on dual cards business: In addition to capping revolving interest rate at 15%, the government also requires banks to offer long-time revolvers the option to repay their balances in the form of low-interest installments. Both policies have limited the customer base and reduced profits.
- C. Strict regulation on public tender offers and anti-M&A activities: FSC is working with the Ministry of Economic Affairs to refine relevant regulations which may cause more stringent control for banks when conducting financial advisory services.

- D. Less stronghold on domestic branches and overseas presence: As it will be difficult in satisfying customers with needs of cross-border financial services, the overseas profits growth is therefore limited.
- E. Low customer count: low penetration and market share.
- F. Intensive competition as a result of deregulation: The “Payment Processing Institutions Act” allows non-financial institutions to engage in electronic payment services which open a door to an immense number of competitors. Therefore, banks need to commit significant resources and capital in order to succeed.
- G. Deregulation and globalization of the banking industry caused intensified competition: With the creation of a Free Economic Pilot Zone, the government is seeking to relax restrictions and open the local market to international financial institutions. Therefore, the local players will inevitably face increasing competitive pressure from foreign peers.

### **(3) Responsive strategies**

- A. Continually developing of high-margin consumer banking services; diversifying of products and distribution to meet customers' needs for rapid and convenient services.
- B. Actively promoting mPOS service by emphasizing its convenience and cost advantage over ordinary EDCs, in order to attract new clients and further expand the Bank's business.
- C. Growing deposit and loan business to build up a sizable balance sheet and customer base. Enhance relationship with high quality customers while at the same time explore new clients.
- D. Processing next-generation O2O solution development to maintain the bank's innovative image.
- E. Selecting strategic partner for electronic payment technology and marketing; establishing cross-industry alliances to enhance the speed of product development and breadth of services.
- F. Demonstrating the synergy of cross-selling to provide customers with tailor-made and compound high-quality financial services.
- G. Nurturing quality talents and providing appropriate training to employees to enhance professional capability and competitiveness.
- H. Exploring internet banking products and seeking cooperation opportunities with distributors; expanding customer base to optimize asset structure and increase profits.
- I. Recruiting employees with financial innovation capabilities to assist the bank in new business development. Working in line with FSC policies and expanding services to Asian markets.

## ◎ KGI Securities

### 1. Major products and markets

As KGI Securities mainly focuses on the Taiwan securities brokerage market, the overview below will confine itself solely to this area.

### 2. Market overview

The securities brokerage market in Taiwan developed rapidly after the first securities firm was established in 1988. In no time, the market was crowded with numerous identikit operators, resulting in intensely competitive, saturated market conditions where few players were unable to realize healthy profits. Many firms chose to expand and strengthen their competitiveness through merger and acquisition. As a result, the number of securities firms had declined from 229 as of December 31, 1996 to 120 as of January 31, 2016 while the number of securities firms' operating outlets expanded from 420 to 966 in the same period which indicating that competition has been so fierce that only the biggest players stand a chance of getting ahead in the business.

Going forward, securities firms will have to diversify their business scope and reach out to global markets, providing one-stop shopping of brokerage, dealing, underwriting, bond, derivatives and shareholder services, designed to meet the ever-changing investment needs of institutional and individual clients. Highly qualified professionals and integrated operating resources are also needed in order to provide high value added services to clients. In 2015, the TAIEX embarked on a strong uptrend which started in October 2014 and climbed to its peak at 10,014 points in April 2015 before falling for the rest of the year. The fall was especially rapid between June and August, lost 28% as a result of series of bad news: the U.S. rate hike, strengthening USD, collapse of commodity prices, capital exile of emerging markets, Asian currency depreciation race, unexpected weakening of RMB, stagnant growth in smartphone sales, upraise of China's electronics industry, and excess inventory of semiconductor industry. The stock market rebounded from late August until early November, and peaked at the time when cross-strait summit held in Singapore before making yet another correction in response to FED's decision to raise interest rates in December. Overall, 2015 was overburdened with concerns toward a slow global economy, deteriorated exports, exit of U.S. QE measures, and future rate hikes that would end the expansionary policy and begin the tightening of money supply. TAIEX closed at a 10.4% loss for the year with trading volume declined by 3% (or 8% when excluding foreign investors); both figures were unfavorable to the business of securities firms.

The daily turnover of the TAIEX decreased by 3%, or NT\$3bn, from NT\$118.5bn (TWSE NT\$92.9bn + OTC NT\$25.6bn) in 2014 to NT\$115.5bn (TWSE NT\$92.2bn + OTC NT\$23.3bn) in 2015, according to Taiwan Securities Association (TSA) statistics. In terms of operating performance, of the 77 securities companies covered by the TSA and that report to the Taiwan Stock Exchange (TWSE), 48 were profitable in 2015 and 29 were

loss-making, with average EPS at NT\$0.821, down from NT\$0.988 in 2014. In a more detailed breakdown, integrated securities firms posted average EPS of NT\$0.809, versus the NT\$1.165 of pure brokerages. Foreign securities firms delivered EPS of NT\$2.261 on average, outperforming Taiwanese peers with NT\$0.734. Local integrated firms reported average EPS of NT\$0.749, also higher than the NT\$0.189 of local brokerages. However, foreign securities firms outperformed integrated peers with EPS of NT\$4.303, versus the latter's NT\$1.929.

As for the profitability of individual securities firms, Credit Suisse posted the highest EPS in 2015, followed by Goldman Sachs and UBS. Due to their relatively small scales and having access to global research resources, foreign securities firms enjoy higher profitability than local players in serving institutional clients. However, in terms of absolute net profit value, the top three local securities firms in Taiwan, Yuanta Securities, KGI Securities and Masterlink Securities, were the best performers in 2015. While brokerage fees are still a major source of income for securities firms, it has dried up somewhat in recent years as the local market becomes saturated, commission rates have cut down significantly as peer competition and online trading (via Internet and mobile device) has become increasingly prevalent. Moreover, as brokerage fees income is highly correlated to stock market performance, securities industry therefore has high revenue volatility.

### **3. Future supply-demand dynamics and growth potential**

#### **(1) Supply side**

The government has undertaken many deregulation measures in recent years to bring about structural improvements in Taiwan's securities market, creating a more favorable environment for brokerages. Some of the more significant measures are: (1) permitting the exclusion of net margin purchases and short sales from the calculation of outstanding margin balance and securities loan balance; (2) raising the maximum margin purchase leverage ratio to 60% for GTSM-listed securities; (3) raising the limit of margin loan and short positions for individual investors and stocks; and (4) raising the ceiling on short sales for hedging purposes by a brokerage firm to NT\$120mn per stock. As a result, in 2014, TAIEX daily turnover realized the strongest YoY growth since 2012, representing a much-needed boost for all securities players.

The government introduced several deregulations in 2015, including an enhanced 2.0 version of FSC's stock market incentives program in December 2015. However, Taiwan's stock market still closed at a loss with declining trading volume at the end of 2015 due to undesirable circumstances around the world, leaving little room for optimism in 2016.



## **(2) Demand side**

Taiwan's stock market closed at a loss with reduced trade volume in 2015. Outlook for 2016 remains gloomy given the slow global recovery coupled with weakened oil price, slowdown of the Chinese economy, weakened RMB, and undesirable profit growth from Taiwanese industries.

## **(3) Growth potential**

As described above, the potential of Taiwan's stock market are somewhat limited in the upcoming year because of the prevailing circumstances.

# **4. Positives and negatives for future development**

## **(1) Positives**

- A. Completion of the cross-strait service and trade agreement would bring cross-strait relations to a new milestone.
- B. The Greater China Market still exhibits rapid growth potentials and business opportunities.
- C. The company has secured a strong foothold in the domestic market, and attained leadership status in every service category.

## **(2) Negatives**

- A. Market over-crowded with identikit operators, which has led to fierce price competition and declining profits.
- B. Global competition in the financial services industry, with Taiwanese players having to counter the huge scale of Chinese peers and the enormous resources of other international competitors.
- C. Cross-strait investment deregulation lagging behind the pace of development in China's securities market, with Taiwanese firms losing advantages.

## **(3) Strategies for tackling the challenges ahead**

- A. KGI Securities has long ventured into foreign territories and produced favorable results in Asian Pacific markets that serve as a diversified source of income. In the future, the company will continue to grow its businesses in Asia Pacific and respond to competition from Chinese and global peers by offering differentiated services.
- B. KGI Hong Kong is scheduled to be listed in Hong Kong Stock Exchange. It will become the company's frontline response to the increasing competition in the Greater China market.

- C. The company plans to acquire a securities firm in Indonesia and enhance operations in Singapore, then take step towards acquiring securities businesses throughout Southeast Asia.
- D. Anticipate changes in the government's financial policies and market trends; capitalize on deregulation opportunities by introducing suitable services and products.

## © **China Development Industrial Bank (CDIB)**

### **1. Major products and markets**

While CDIB is mainly engaged in principal investment in Taiwan, it also has operating units in the US, Hong Kong and South Korea. In the early 1980s, the Taiwan government introduced the venture capital system from the US to facilitate industrial upgrading, and in 1984 the first venture capital firm was established in Taiwan. However, the effect on industrial upgrading was negligible during the initial stages. It wasn't until ten years later, after a prolonged period of trial and error, that the island's venture capital industry started to grow. In 1991, the local tech industry started to take off, with a burgeoning supply of startup companies in the IT, semiconductor, communications and optoelectronics sectors.

Since then, Taiwan has played a pivotal role in the global tech supply chain. The emergence of the tech industry and stable development of the capital market provided the key elements required to drive solid growth of Taiwan's venture capital industry. Since 2009, venture capital firms have seen improving operations amid stable recovery of the global economy, along with a more favorable industry environment and gradual deregulation of cross-strait investment restrictions. The industry recorded an average EPS of NT\$0.88 in 2009 and NT\$0.42, in 2010, respectively. However, this figure fell to NT\$0.09 in 2011 as a result of weak economy across the globe. However, as affected by the slow global economic growth in recent years, the operating growth and earnings of the venture capital industry has been weak.

### **2. Future supply-demand dynamics**

Year 1995 to 2000 was the golden age of Taiwan's venture capital industry, during which the number of venture capital firms surged from 34 to 170, with capital expanding from NT\$18.7bn to over NT\$128bn, up 580%. At that time, a venture capital firm could, on average, generate an annual EPS of about NT\$1.7, which means investors were able to recoup their paid-in capital in just six years. In a matter of years, rapid growth propelled the venture capital industry to record-high levels in terms of size of funds, investment value, number of investments and operating performance. The dizzying rate of growth was driven by the rise of Taiwan's tech industry.

However, since this rapid growth phase, the venture capital industry has weakened significantly as the IT and semiconductor sectors have become mature, while newer

industries like biotech and digital content continue early-stage development. Thus, with the exception of a few optoelectronics and communications companies, it has become increasingly difficult for venture capital firms to seek out and engage quality startups, as they could so easily do before 2000. Moreover, financial holding companies and private enterprises have sought a piece of the pie, the result being that an average of just 20 new venture capital firms, with aggregate capital of NT\$16.8bn, set up operations in Taiwan every year between 2002-04. This cut-throat competition resulted in the liquidation of a number of venture capital firms, with 2005 being a particularly severe year. In 2006, many venture capital enterprises started to reduce capital, with the reduction value reaching NT\$21.0bn, NT\$25.0bn and NT\$11.0bn in 2010, 2011 and 2012, respectively.

Fortunately, in recent years, market conditions have seen considerable improvement, evidenced by the increasing number of new venture capital companies during 2013-14. This is attributable to global economic recovery, launches of various new tech products and the deregulation of cross-strait financial investment restrictions. According to Taiwan Venture Capital Association, on October 31, 2014, the number of venture capital firms reached 232, and total investment value also increased. In recent years, Taiwan government has become highly proactive in encouraging private capital and resource to inject into industries in order to help sunset industry's transformation and sunrise industry's upgrading. A special government fund has been set up to support venture capital firms and a swathe of new startups; In addition to technology and information industries, venture capital will also look to invest in sectors spanning biotech, pharmaceuticals, cloud computing, green energy, culture and creativity and environmental protection. Overall, as benefited from government's support and new investment theme, venture capital industry is expected to show impressive growth potential over the medium and long term.

### **3. Operating targets**

#### **(1) Pursuing business growth**

CDIB is committed to enhance its competitiveness through the development of groundbreaking, innovative venture capital products. With a focus on Asian markets, CDIB aims to expand its addressable market from Taiwan to other countries in Asia, providing clients with cutting-edge financial services with a view to maximizing returns for shareholders.

#### **(2) Improving earnings**

With cross-strait investment deregulation likely to continue and the global economic rebound on a steady track, market sentiment and investment opportunities are seeing tangible recovery, providing robust growth momentum for the entire venture capital industry.

## **4. Positives and negatives of future development**

### **(1) Positives**

#### **A. Healthy financials**

Compared to peers, CDIB has much stronger solvency and a higher capital adequacy ratio and per-share book value, indicating superior asset quality and the ability to maintain stable operations.

#### **B. Extensive industry experience and broad-based client network**

As a venture capital operator, CDIB is committed to nurturing nascent, up-and-coming industries. As such, and with a focus on principal investment, the bank has consistently contributed to industrial upgrading in Taiwan. By building up partnerships both at home and abroad, CDIB is able not just to keep abreast of, but also to capture the business opportunities of the very latest industry trends. In this regard, CDIB provides medium- and long-term financing to clients, who constitute an extensive network that spans almost every industry in Taiwan. The company will continue to fulfill its advisory duties to existing, established clients going forward, while seeking out youthful enterprises that are engaging newer industry trends. CDIB is confident that its long-developed industry analytical know-how and decades of experience in financial planning will hold it in good stead.

#### **C. Increasing global exposure**

Under liberalization of the global capital market, CDIB's strategy is to establish more operating units overseas to engage in principal investment, merger and acquisition. The company will also set out to forge strategic alliances with foreign enterprises and to conduct co-investments in order to broaden its financial service network in the Asia-Pacific region. Based on its regional and global exposure, CDIB aims to serve as a dependable financial partner for all its clients, wherever they may be, with the ultimate goal of playing a key role in transforming CDF into the leading financial institution in the Chinese-speaking world.

### **(2) Negatives**

#### **A. Focus on corporate banking implies susceptibility to intensifying competition**

As an industrial bank, CDIB has long been focused on principal investment and corporate banking (e.g. medium- and long-term credit). However, as many financial holding companies in Taiwan have by now established their own venture capital subsidiaries, standalone industrial banks are facing intensified competition from so-called 'financial department stores', reflecting financial institutions that integrate different business segments for operational expansion. Lacking the buffer of retail banking, and facing fierce competition in the principal investment market, CDIB's leading market position and inherent advantages are quite likely to be

challenged further down the road.

- B. Over-reliance on disposal gains as income source; higher fees and recurring investment income needed to balance the profit structure

CDIB's revenue primarily comes from the disposal of principal investments. During the bull cycle of stock market, CDIB is able to deliver robust returns; but in times of global economic weakness the stock market loses momentum, thereby capping disposal gains for CDIB. As its capital continues to expand, CDIB needs to modify its earning structure by reducing its over-reliance on disposal gains in order to provide steady investment returns which fulfill shareholders' expectation.

### **(3) Strategies for tackling the challenges ahead**

- A. CDIB will leverage its rich experience in direct investment, accumulated in Taiwan more than five decades, and gradually expand its presence in the Greater China area, as well as other major markets.
- B. CDIB will introduce the concept of international fund management to develop the fund management business, which is expected to provide stable fee income and help diversify income sources, and hence help balance the profit structure.
- C. CDIB will expand the scope and depth of customer services to diversify revenue sources.

## 5.4 Employee Profile

### 5.4.1 Employee profile (population, years of service, age and highest educational attainment) for the last two years and before the printing date of the Report

Year		2014	2015	As of February 29, 2016 (Note 1)
Numbers of Employee	China Development Financial	89	101	140
	CDIB	592	224	164
	KGIS	3,399	3,364	3,352
	KGIB	1,526	2,193	2,215
	Total (Note 2)	5,606	5,882	5,871
Average Age		41.23	41.41	41.23
Average Years of Service		8.51	8.49	8.61
Education	Ph.D.	0.2	0.3%	0.3%
	Master	18.2%	19.5%	19.5%
	Bachelor's Degree	69.9%	69.6%	69.6%
	Senior High School (& below)	11.7%	10.6%	10.6%
Certification and Qualification	CFA	4	2	1
	CPA(domestic)	17	24	27
	CPA(overseas)	0	1	1
	CISA	0	1	1
	CVA	1	1	1
	FRM	12	24	25
	Attorney at law, R.O.C.	5	8	9
	Attorney at law, USA	2	3	3
	Internal auditor	14	18	18
	Certified Financial Service Auditor	1	1	1

Year		2014	2015	As of February 29, 2016 (Note 1)
Certification and Qualification	Certified Public Bookkeeper (for Specialized Professionals and Technicians)	1	2	2
	Proficiency test for foreign exchange transaction	73	72	72
	Proficiency test for corporate basic internal control	57	64	66
	Investment trust and consulting laws exam	923	1,024	1,029
	Investment trust and consulting specialist exam	921	938	936
	Proficiency test for Stock Affairs Specialist	83	83	83
	Proficiency test for junior foreign exchange personnel	413	455	458
	Proficiency test for junior credit personnel	613	672	676
	Proficiency test for advanced credit personnel	42	48	48
	Proficiency test for financial risk management	3	3	3
	Proficiency test for credit collateral valuation	10	12	12
	Financial knowledge and professional ethics exam	1,732	2,010	2,001
	Trust laws exam	133	154	155
	Trust personnel exam	2,818	3,068	3,084
	Certified Project Management Professional	0	3	2
	Proficiency test for Certified Financial Planner	688	748	750
	Bill Finance Specialist exam	31	51	52
	Futures Commission Merchant Specialist exam	2,621	2,685	2,677
	Futures Brokerage Merchant Specialist exam	2	5	5
	Futures Trading Analyst exam	11	13	13
	Futures Fund Specialist exam	1,552	1,425	1,415

Year		2014	2015	As of February 29, 2016 (Note 1)
Certification and Qualification	Structured Instrument Specialist exam	395	574	589
	Proficiency test for Bond Specialist	46	52	53
	Proficiency test for basic asset securitization	20	24	25
	Bank internal control and internal audit exam	1,438	1,723	1,750
	Securities Margin Trading Specialist exam	749	738	738
	Securities Investment Analyst exam	53	57	63
	Senior Securities Specialist exam	2,215	2,299	2,291
	Securities Specialist exam	2,237	2,262	2,261
	Certified Financial Planner (CFP)	11	13	14
	Life insurance representative	3,048	3,164	3,164
	Life insurance representative exam for sale of foreign currency non-investment linked insurance policies	1,704	1,724	1,730
	Property insurance representative	2,602	2,664	2,660
	Investment-linked policy representative	2,054	2,035	2,033
	General exam for investment-linked insurance and financial system	234	269	268
	Securities exchange regulations and practices exam	74	235	238
	Proficiency test for debt collector	426	403	403
	Securities practitioner exam (SAC)	3	3	3
	Securities lending specialist exam	239	230	230
Total		30,331 (Note 3)	32,087	32,139

Note 1: Data revealed up to the printing date of this annual report

2: Staff of overseas subsidiaries is not included.

3: The shown number is different from last year annual report due to the adjustment on some licenses stated.



#### **5.4.2 Education and Training for Employees in 2015**

Talent is the most important asset of a company and the key to a company's success. CDF values the development of its employees and the Human Resources Department is dedicated to provide the best educational training resources and environments to its employees.

In 2014, the total number of participation of CDF and its subsidiaries in domestic and overseas training sessions (both physical and online) was 83,202, and the total training hours reached 207,078. On average, each employee participated in 14 training sessions and received 34 hours of training. The questionnaires that employees filled in after the training sessions showed that they were very satisfied with the training sessions, learning environment, and the online platform.

CDF offers a wide variety of training sessions for its employees. For newly-recruited employees, CDF offers courses on the corporate structure, management team, legal compliance, and money laundering prevention, risk management, code of conduct, and labor safety and health. CDF also provides employees with internal and external training sessions according to the needs of their jobs and relevant laws and regulations. In addition, CDF often promotes the latest laws and regulations inside the company to keep employee updated.

In terms of learning and development, CDF does not only provide an enriched selection of online courses, but also organize professional workshops that conform to global banking trends to give employees up-to-date knowledge on the latest compliance requirements. In addition, CDF offers other courses to facilitate employees' personal growth, giving them the robust know-how and skills needed to overcome the changing financial environment. Following the acquisition of KGI Bank in 2015, "KGI e-Learning" and "CD Banking Academy" have been used by employees to exchange knowledge and experience. In the future, the Company will continue to devote training resources to help employees develop competitiveness not only for themselves, but for the Company as well.

#### **5.4.3 Employee Code of Ethic**

The Company values integrity and professional conduct of its employees. "The Code of Ethical Conduct" for its employees is outlined as follows:

- A. Employees shall fulfill their duties based on honesty and integrity.
- B. Employees shall not disclose to anyone internal information on CDF or any client information obtained during the course of providing professional services, and shall not use such information for their own benefit or the benefit of others.
- C. Employees shall not engage in activities that go against the interest of CDF or impair CDF's integrity and reputation.
- D. Employees shall not receive or accept any gratuity or payment of any kind from any person having or intending to do any business with CDF.
- E. Guidelines for Avoidance of Conflicts of Interest.

## **5.5 Corporate Social Responsibility and Code of Conduct**

Under the corporate principal of "Helping others to create value", the Company continued to focus on underprivileged field, such as education, charity and arts & humanities in recent years. Through the charity policy of its subsidiaries and their charity Foundations, not only achieve its commitment to corporate social feedback but also shaping the Company's benchmark corporate image among financial industry. As a corporate citizen, except engrossing in the industry and creating the greatest benefits for shareholders, the Company will continue to devote itself to charity and contribute to society!

The implementation of corporate social responsibility of the Company and its subsidiaries as follows:

### **5.5.1 China Development Financial Holdings**

#### **1. CDF Lectures at College of Management, National Taiwan University**

CDF has run a lectures program, called CDF Lectures, in partnership with National Taiwan University's (NTU) College of Management since 2013. The program is designed to strengthen the company's ties with academia, fulfill its corporate social responsibility obligations, and impart its over half a century's experience on venture capital and investment banking to students. Lecturers include top executives and CDF's investees, who share their experiences of starting up a business. At the opening lecture of the current semester, CDF Vice Chairman Chang Chia-Juch explained that the success of a financial enterprise is not only determined by a good sound system and business environment but most importantly by its people. This is why CDF collaborates with NTU in the lecture program – to equip up-and-coming talent with the professional expertise they will need to compete in the international arena.

In 2015, CDF Lectures focused on the practical operations of venture capital and investment banking, with heavyweight lecturers including CDF CEO Paul Yang, KGI Securities Chairman Daw-Yi Hsu and KGI Bank Vice Chairman Eddie Yu-Chang Wang. The lectures were fine-tuned last year, the third year of the program, as CDF's business scope had altered as a result of KGI Bank joining the group, necessitating the addition of commercial banking development and strategy into the presentations.

CEO Paul Yang, who has lectured every year since 2013, delivered a 2015 lecture entitled "Private Equity and Venture Capital in Corporate Financing", covering the function of private equity and venture capital in startups and creative industries, from Greater China to global equity capital markets, from commercial banks to corporate lending, and from private equity structure to individual case studies. Mr. Yang unveiled to the students some of the secrets of venture capital and investment banking, supported by analyses of the past, present and future. The venture capital focus of the CDF Lectures, being CDF's

specialist area, is designed to encourage entrepreneurship among young people and demystify the world of financing-related investment banking and commercial bank operations. Through the courses, students can become familiarized with the reality of the venture capital and financial markets. Those interested in working in the financial and investment industries can gain from the lectures a hands-on, practical know-how from people with real experience in these complex fields. Meanwhile, those interested in starting their own businesses will have a better idea about financing approaches and the mentality of capital providers.

Also in 2015, as the third year of the CDF Lectures program, the lecturers introduce a Mentor system in which senior personnel from various departments of CDF guide students in group discussions on key industries that matter to global economic development and on key economic issues that will broaden their learning scope and simulate the kind of professional discussion environment found at CDF. Professor Wun-Hwa Chen, from NTU's College of Management, as a coordinator of the joint lectures, has noted that the collaboration with CDF allows students to know how the industry operates in real, while helping bridge the gap between academia and business.

In accordance with its philosophy that young talent is the most valuable resource of any society, CDF regards investment in talent via the platform of education is among the most worthy, as well as highest-yielding of business investments. This is the reason CDF has committed to developing new talent in Taiwan and made it a cornerstone of its persistent efforts to connect with society outside of its financial operations. The CDF Lectures at NTU embody this philosophy, and exemplify how determined CDF is to give back to the community via an investment that benefits all sides - local young talent, Taiwanese society as a whole, and the company itself.

## **2. Participation in the Financial Lectures Organized by Taiwan Financial Services Roundtable (TFSR)**

To support the Financial Literacy Program launched by the Financial Supervisory Commission of the Executive Yuan, Taiwan Financial Services Roundtable (TFSR) has been organizing a series of practical courses on financial topics since 2013 in collaboration with education institutions in Taiwan such as National Taiwan University and National Chengchi University.

The Financial Lectures aim to incorporate financial literacy into the general education programs offered by financial departments in colleges and universities and bring the industry and the campus closer and foster future financial professionals.

CDF has been actively supporting the Financial Literacy Program and has been invited by the TFSR many times to send high-level executives to serve as speakers at the lectures, including KGI Bank Chairman Mark Wei and KGI Futures Chairman Falcon Mi. In 2015,

the lecturers from CDF has visited 9 universities and shared their extensive knowledge and practical financial industry experience with students. The program enables students to combine financial theory learned at school with the actual industry practice. By participating in the Financial Literacy Program, CDF has felt honored to be able to contribute to the cultivation of financial talent in Taiwan and help advance the spread of financial industry knowledge.

### **3. Participation in the Financial Literacy for Youth program organized by the Financial Supervisory Commission**

The Financial Supervisory Commission of the Executive Yuan launched the Financial Literacy for Youth program in 2015 with the aim of helping equip college students from economically disadvantaged families with better qualifications for stable jobs in the financial sector. The program was prompted by cases of college students who are unable to properly focus on their studies either because they have to work part-time to share family financial responsibilities, or because they cannot afford the fees for financial license related courses and exams in the first place. Ultimately, the goal of the program is to assist economically disadvantaged young people with starting a career, as a means of relieving the financial distress of families in the community.

CDF has actively participated in the program, with top executives lecturing at several colleges around Taiwan including KGI Bank Chairman Mark Wei and KGI Futures Chairman Falcon Mi. The lecturers from CDF have shared their extensive knowledge and practical experience of the industry with students to contribute to the cultivation of the country's financial talent and to open a window on the financial sector for economically disadvantaged young people.

The Financial Literacy for Youth program is intended not only to cultivate talent but also to help participating students with living expense allowances and subsidies for exam registration fees during the course. Additionally, the FSC plans to require financial associations and holding companies to offer jobs to students in the program and to jointly provide job-matching services. KGI Bank and KGI Securities, both subsidiaries of CDF, will also join the job-matching service to recruit more talent among young people with economic disadvantages.

### **4. Participation in the Social Services Program of the College of Law, National Chengchi University**

The Social Services Program of the College of Law, National Chengchi University (NCCU) offers a series of elective courses with credit, with an aim to integrate legal services with professional social services in the frontline. Since 2012, CDF has been part

of the program as a collaborating partner and recommended honorary mentors to help students draft their service proposals, correct students' assignments, arrange site visits, and advise students on career planning. Mentors and students under the program can take part in social service events held by CDF in the future.

#### **5. Participation in the Cross-Strait (Asia-Pacific) Enterprise M&A Mooting Competition, National Chengchi University (NCCU)**

The Cross-Strait (Asia-Pacific) Enterprise M&A Mooting Competition is jointly organized by the College of Law and College of Commerce of NCCU. The competition originally was an extension activity of the course "Cases on Mergers and Acquisitions," where students from the Department of Law, Accounting, and Business Administration of NCCU formed groups and went through a simulated M&A deal in a moot competition at the end of each semester. The latest competition took place in March 2016 in Taipei with 12 universities from the Asia-Pacific region participating: Peking University, Tsinghua University, Renmin University of China, Shanghai Jiao Tong University, Xiamen University, and Nanjing University in China; National Taiwan University, National Chengchi University, and National Taipei University in Taiwan; the University of Hong Kong in Hong Kong; and the National University of Singapore and the Singapore Management University in Singapore.

CDF executives have been the instructors as well as judges since the second competition in 2012, sharing their experiences of negotiation and execution from real M&A cases. Along with the enthusiasm and hard work of all the students that have taken part, the competition has come to represent a fun, challenging, and learning experience much cherished by all involved.

#### **6. Establishing the Financial Elite Program at National Chengchi University (NCCU)**

In February 2013, KGI Bank Chairman Mark Wei founded the Financial Elite Program at NCCU, a series of financial lectures in English, given on Saturdays, in collaboration with the College of Commerce and Department of Finance of NCCU. Supported by Dean Kwei Tang of the College of Commerce of NCCU, the program aims to cultivate future financial professionals in Taiwan and shape their international perspectives.

Tapping into his personal networks established over the years in the industry, Mr. Mark Wei has invited scholars of international relations and high-level managers in the financial services industry to present expertise on their professional fields in the program, including Vice Chairman of KGI Bank Eddie Wang, President of KGI Securities Albert Ding, Regional Head of Risk Management of KGI Securities Steve Wang, President of HSBC Bank (Taiwan) John Li, Senior Vice President and Head of Global Financial Institutions—Greater China for Wells Fargo Bank Dr. Hwa-Ping Chang, (then) Chief

Investment Officer of Sunshine Insurance Group Xian-Wei Chen, and Associate Professor Dr. Kwei-Bo Huang of the Department of Diplomacy at NCCU. The lectures have helped broaden the international financial knowledge of the students (junior and senior students and master's students of NCCU) en route to professional careers, as well as increase their familiarity with the inner workings of the financial industry.

The Financial Elite Program, which has run for four years, has been held to wide acclaim among lecturers and students. Since 2014, the series of lectures has officially become part of the curriculum of the Department of Finance of NCCU and the Department of Finance and International Business of Fu Jen Catholic University, making the program an excellent example of collaboration between outstanding public and private universities in Taiwan. Participants in the program include not only students from NCCU and Fu Jen Catholic University but also interns of CDF from the College of Management of National Chiao Tung University, the Department of Finance of National Dong Hwa University, Shih Hsin University, and Chang Gung University. In the past three years, the lectures of the Financial Elite Program have invited more than 180 students to participate, making it a remarkable success.

## **7. Summer School of National Chengchi University**

NCCU's Summer School is the first in Taiwan that encourages students from different universities to study at NCCU during the summer vacation, with the aim of fostering a campus culture of interschool study and uninterrupted learning as part of the overall goal of excellent teaching. In July 2015, NCCU held an M&A research camp at its Summer School, for which CDF arranged a two-week educational visit to CDF for postgraduate students of economic/ commercial law from Peking University and Xiamen University, China.

### **5.5.2 CDIB Education and Cultural Affairs Foundation**

As it regards education as the most valuable investment, CDF gives back to society through its philanthropic efforts which revolve around the theme of “Caring for the Next Generation, Investing in Children’s Future.” In 2015, CDF donated, via subsidiary CDIB, NT\$30mn to the CDIB Education and Cultural Affairs Foundation, to continually supporting on cultivate programs of culture, education, and social welfare.

In a joint effort by CDIB Education and Cultural Affairs Foundation and enterprises, concrete plans were mapped out in 2015, including providing financial assistance to student victims of the dust explosion at Formosa Fun Coast, subsidizing college students who tutor disadvantaged children, providing grants for children’s meals in remote areas, supporting children from low-income families to develop talent, nurturing artistic and literary talent, funding musical performances (like Sizhukong Jazz Band), and helping out with the fundraising in social welfare organizations. It not only invests resources but also encourages individual participation, making public benefit part of all employees’ daily lives and fostering outstanding corporate citizens.

### **Major Charity Events in 2015**

#### **1. Caring for Children — “Our Class Has Got Talent” Program**

The “Our Class Has Got Talent” program sets out to counter the idea that academic achievement is the only worthwhile pursuit for children by encouraging children of low academic achievement to develop other inherent competitive advantages. The program provides scholarships for economically disadvantaged children in the hope that they will gain confidence in their learning abilities while also nurturing cultural and creative talent. In 2015, scholarships were granted to five individuals or groups in the art category, five in dancing, three in music, and nine in sports, with each winner receiving NT\$100,000 to NT\$200,000.

#### **2. Scholarship and grant scheme — “Heritage 100 & Tutelage 100”**

To help bridge the education gap between urban and rural areas in Taiwan, the CDIB Education and Cultural Affairs Foundation established the “Heritage 100 & Tutelage 100” scholarship and grant scheme in 2007. The program utilizes an annual budget of NT\$5 million to provide 100 scholarships to economically disadvantaged college students with outstanding potential. In addition to supporting their studies and relieving economic pressure, the foundation also encourages recipients to work as volunteers for 100 hours as tutors to underprivileged children. As the volunteer tutors are disadvantaged students themselves, they can serve as positive role models to children from low income families, giving them much-needed attention and understanding of their school life and life in general.

### **3. School Lunch Subsidization Program —“Perfect Nutrition”**

Since 2006, the CDIB Education and Cultural Affairs Foundation have provided subsidies for disadvantaged schools in remote areas to augment their school lunch programs. The program works to ensure that children receive proper nutrition and enable schools to provide breakfast and afternoon snacks or add more dishes to lunch meals. The program has been lauded by local governments and schools since it was launched. In 2015, the program supported 217 elementary and junior high schools in seven cities or counties, including Taitung, Yunlin, Chiayi, Pingtung, Taoyuan, Yilan and Kaohsiung, with subsidies amounting to NT\$6.04mn.

### **4. “Lunch Dates”**

Since 2012, the foundation has built on its “Perfect Nutrition” program and held a series of “Lunch Dates” at schools in remote areas of the country. CDF employees go to visit these remote schools in groups for one day to share meals that they prepared with the children there. While most of these office workers are far from being geniuses in the kitchen, with a can-do attitude they find they can prepare many platters of delicious dishes, including pizza, spaghetti bolognese, and sweet and sour spare ribs, making it a lunch to remember for school faculty and students.

### **5. Supporting Cultural Talent**

The foundation sponsored the National Theater & Concert Hall’s charity program and Sizhukong Jazz Band’s 10th anniversary show in 2015 as part of its mission to support local cultural and artistic talent. It invited CDF employees and corporate clients to the events. Sizhukong Jazz Band performs western jazz music with traditional Chinese instruments, guided by the band’s motto of “music localization”. Meanwhile, the National Theater & Concert Hall’s charity program invites disadvantaged families and students from remote areas of Taiwan to attend its events at the National Theater & Concert Hall.

### **6. “Good Food, Kind Heart” project**

Catholic Hua-Kuang Center for the Development of the Disabled, based in Guanxi, Hsinchu, cares for physically and mentally challenged students. The center teaches these students how to fend for themselves in the world, for example by teaching them how to make pastries and steamed buns with ingredients grown at the sheltered workshop, with the finished products both consumed by themselves and sold to the general public. It is hoped that this initiative can provide students with jobs and learning opportunities. The CDIB Education and Cultural Affairs Foundation’s “Good Food, Kind Heart” project purchased 270 pastry sets from Hua-Kuang’s “Lei Zhi Sheltered Workshop” every month in 2015, supporting the hands-on experience that students get at the workshop while learning to support themselves.



## **7. Financial assistance for student victims of the dust explosion at Formosa Fun Coast, New Taipei City**

The dust explosion at Formosa Fun Coast, New Taipei City, in June 2015, caused more than 10 deaths and more than 400 people burn injuries of all levels. To provide assistance to the young people severely injured in the accident, CDIB donated NT\$24mn to the CDIB Education and Cultural Affairs Foundation, earmarked for paying in full the tuition fees of those most economically disadvantaged.

Under the guidelines that were drafted for providing financial assistance to the student victims of the explosion, the foundation will pay tuition fees through college graduation, regardless of the schools attended, as long as being verified as disadvantaged family. Thus, the program is a long-term plan, persistent and timely support will be given even after the students victims return to school in order to make sure both the students and their families can go through the difficult time.

### **5.5.3 KGI Bank**

#### **1. LINE stickers designed by “Our Class Has Got Talent” awardees saw over 4mn downloads**

To encourage students to utilize their potential, KGI Bank funds a non-academic skills program via the CDIB Education and Cultural Affairs Foundation’s “Our Class Has Got Talent” program. The bank’s Chinese New Year-themed LINE stickers in 2015 were contributed by students of the Advertising Design Department of National Chushan Senior High School, Nantou. The popular stickers saw nearly 4mn downloads and 100mn forwarding. Thus, KGI Bank provided a stage for talented students to present their outstanding artwork to the public.

#### **2. Purchase of products from Kanner Foundation of Taiwan as birthday gifts for employees**

For years, KGI Bank purchases gifts for employees from charitable organizations to support good causes. One such case is that of Fushan Farm and its organic harvest. The farm is run by the headmaster of Fushan Elementary School, Wulai, in a bid to improve the economic circumstances of Wulai villagers and contribute funds for the higher education of Taiwan’s aboriginal population. In 2015, in order to arouse employees’ attention on autistic children, the bank had purchased dessert gift boxes from Kanner Foundation for Autistic Children and Adults and distributed them as birthday gifts to employees. This charitable act helped employees to pay attention on the issues of autistic children’s schooling, employment and career planning.

#### **3. Promoting “KGI Volunteer Day” to Gather Employees’ Power and Provide Services to Senior Citizens**

In cooperate with United Way of Taiwan, KGI Bank launched “KGI Volunteer Day” to care for the elderly in October, 2013. By giving day off, KGI bank encourages all employees to spend half a day at care facilities in Taipei, Taichung and Kaohsiung on weekends once a month to keep elderly company. More than 400 employees have worked as volunteers since “KGI Volunteer Day” was launched.

#### **4. KGI Bank as trustee of the first revolving-fund charitable trust in Taiwan**

In late 2015, the Executive Yuan urged the private sector to establish the country’s first revolving-fund charitable trust. Under a charitable trust, a revolving fund offers small amounts of funds to charitable organizations during the early stages. Being the trustee of the first revolving-fund charitable trust in Taiwan, KGI Bank highlights its pioneering position in providing well-rounded financial services and support for charitable causes.

#### **5. KGI Bank as trustee of the charitable trust for spinal cord injury victims**

KGI Bank’s active support of charitable organizations is based on its financial expertise. In November 2015, a dedicated charitable trust for supporting spinal cord injury victims’

self-reliance was launched and KGI Bank was designated as the trustee. This is the bank's first charitable trust dedicated for disadvantaged group. With backing from the trust, the Spinal Cord Injury Foundation has been able to improve its care of the severely injured. Donations from charity campaigns are executed by the bank in accordance with the trust agreement. Moreover, the bank's professional, comprehensive financial services aim to help ease the financial management burden of this charitable organization.

#### **5.5.4 KGI Charity Foundation**

KGI Securities, a subsidiary of CDF, has long been reaching out to the disadvantaged members of society through the institution of various charitable programs. For underprivileged children in particular, these programs include the subsidization of schooling fees, free breakfasts, and donations of books and bicycles. KGI Securities' philosophy of giving back to society inspired the company to establish the KGI Charity Foundation in 2012, which devotes itself to charity with the aim of maximizing the value for its clients, shareholders, and employees.

##### **1. Elementary school student assistance program — “Love, starting from Elementary School”**

The Foundation established the “Love, starting from Elementary School” scholarship program for kids in 2012. By providing financial assistance for elementary school students from disadvantaged families, the Foundation aims to safeguard these students' right to receive a good education and in doing so assists underprivileged families in need of support and resources.

As assistance to financially disadvantaged families is a long-term commitment, the Foundation continued the Love project through 2015. Over the past four years, financial assistance has been offered to over 300 children, while more than 100 families with financial difficulties have received subsidies for educational purposes. The Foundation also visited these families at the end of 2015 to present them with an allowance for the Chinese New Year holidays. The Foundation will continue its efforts to help underprivileged students complete their studies so that they can be in a better position to realize their full potential in their adult life.

At the 2015 Family Day, KGI Securities set up a booth containing nearly 1,000 children's books donated by employees to elementary school students who are part of the Foundation's financial assistance program. The lucky kids were invited to the Family Day to have fun with KGI employees and to be able to go home with a bag full of books and gifts nicely wrapped by KGI employees. The participation of these lovely, lucky kids warmed the hearts of all involved!

## **2. “Love from an Early Start” program**

The KGI Charity Foundation launched the “Love from an Early Start” program in 2015, with the aim of providing nutritious breakfasts to disadvantaged children in Taitung County. The program is intended to ensure the children are well fed early in the morning and thus fully energized for a new day at school. The program provided free breakfasts for nearly 500 children from 16 schools in 2015.

The Foundation is proud to report that schools participating in the “Love from an Early Start” program noted a higher willingness among students to go to school, improved overall health in the children, and fewer dropouts. Moreover, the local community rallied around the program, with owners of the eateries supplying the breakfasts showing an eagerness to get more involved in the effort to feed the young students by also engaging their families and soliciting donations for them. Thus, aside from supporting the local youth and lighting their path toward becoming mature, responsible and educated citizens, destined also to give back to society what they have been given, the program has also proven to be a means of uniting the local community around a good cause.

## **3. Thailand – “Love without Borders”**

KGI Securities (Thailand), a subsidiary of KGI Securities, is also active in charitable deeds. One program involves offering long-term scholarships to nine universities in Thailand to provide financial assistance to academically outstanding students, allowing them to pursue academic excellence and realize their full potential. The program also offers internships to students with relevant majors. In 2015, KGI Securities (Thailand) donated 650 bicycles to students from eight remote provinces to make it easier for them to commute between school and home. The program has won the full support of the Thai government and education agencies.

## **5.6 Non-executive employees, annual employee welfare costs and the difference from the previous year**

In 2015, the total numbers of non-executive employees is: 6,498; average annual employee welfare cost for 2015 is: NT\$13.74 bn, up 2.31% YoY.

## **5.7 Information Technology Facilities**

Under CDF's IT deployment strategy, the group's subsidiaries (KGI Securities, KGI Bank and CDIB) operate their own IT centers on independent divisional frameworks.

### **5.7.1 Software and hardware configurations and maintenance**

Overview of operating information systems:

#### **1. KGI Bank**

- The IT infrastructure mainly comprises of supporting systems including bookkeeping, deposit, loan, transfer, foreign exchange, trust, credit card, Flexible Card, and wealth management and operation flow management businesses; and management systems including risk management, customer service, and data warehousing.
- Servers/hosts were set up using mainframes (IBM 2097-E56, IBM 2086-450, and IBM z-890 running on ZOS), medium-size systems (IBM 9406-825 and IBM 9406-525 running on OS/400), and platforms running on IBM R6 and Windows.

#### **2. KGI Securities**

- Securities/futures/options brokerage systems, proprietary securities/futures trading systems, domestic treasury system, fixed asset system, brokerage registry and transfer systems are all configured in an IBM AS/400 mainframe platform.
- Operation systems for derivative products, electronic transactions, and foreign bonds are configured across Windows, Linux and IBM RS/6000 AIX platforms.
- Business supporting systems for offshore securities unit (OSU), wealth management, sub-brokerage, risk management, accounting, human resources, data warehouse, performance management and office automation operations are configured in Windows platforms.

#### **3. CDIB**

- Major operating systems of 2nd generation investment and investment flow systems, and business supporting systems of accounting and office automation are configured in the Windows environment.

Maintenance policy:

- Systems that are responsible for core business activities are self-maintained; systems of supporting nature are maintained by contractors.
- For new services, systems will be developed either by the company or by a service provider, depending on the requirements, and taken over by the user once completed.
- All related hardware, software, network and data security equipment are serviced by professional service providers.

### **5.7.2 Future development or procurement plans**

IT development and installation projects in 2016 in consideration of corporate outlook and regulatory compliance.

#### **1. CDF**

- CDF Data Warehousing System Project
- CDF Customer Information System Project
- CDF CRM Project

#### **2. KGIB**

- Front Office Treasury System Migration Project
- Anti-Money Laundering and Countering Terrorism Financing of System
- eDDA (Electronic Direct Debit Authorization) & eACH (Enhanced ACH System)
- Commercial Banking Credit Program
- Emerging Corporate Program Lending
- e-loan system
- RPL Flexible Bucket Project
- New Wealth Management System
- Digital Demand Deposit Account
- KGI Wallet
- Host Card Emulation Credit Card
- New Oracle System
- DSU (Domestic Securities Unit ) Wealth Management Payment Flow
- New Core Banking System
- Data Warehouse System

#### **3. KGIS**

- Enhancement of Information system to cope with new policies "Program to boost securities market" rolled out by SFC
- Enhancement of Information system to cope with new policies "Digital Financing 3.0" rolled out by SFC
- Information system for Anti- Money Laundering
- Upgrade of IT infrastructure
- A specimen seal impression automation system for account opening
- Implementation of back office system for overseas sub-brokerage
- Implementation of KGI Financial Cloud System
- Implementation of Electronic Reporting Storage
- Implementation of cross- selling and digital financial technology platform at China

Development Financial.

- Implementation of data warehousing at China Development Financial
- Enhancement of CRM (Customer service platform and single customer view)
- Information system integration of KGI Ong and KGI Fraser
- Information system for borrowing or lending of funds in connection with securities and wealth management for Offshore Securities Unit
- Replacement of e-flow platform
- Certification of ISO 27001 Information Security Management System
- Establishment of Information Security Systems ((DAM 、DLP 、Device Lock 、IP Management)
- Migration and optimization of back-end hardware system of KGI Futures
- Internet Data Center Relocation
- Information system integration of KGI SITC

#### **4. CDIB**

- CDIB Infrastructure Restructuring and System Integration Project
- Office Automation System Integration Project
- eFront Software Upgrade Project

### **5.7.3 Emergency backup and security measures**

The company has implemented operational regulations with respect to corporate information security and stringent internal control mechanisms to ensure data security and normalcy of IT operation across the group.

#### **1. Physical safety measures**

- IT facilities critical to the company's operation are all managed in non-accessible areas protected by video surveillance and security guards.
- Installation of environmental moderation system in all CDF and subsidiary offices which detects fires, excessive electric power fluctuation, excessive room temperature fluctuation, etc. Upon detection of such irregularities, the system issues real-time alerts, activates a protection mode and notifies personnel on duty to minimize any potential risk of damage to IT equipment.

#### **2. Net security and monitoring mechanisms**

- Web-based protection. Malicious spam from the web can potentially represent a cyber-attack on the company or an intrusion via stealth malware, which is potentially a breach of confidential and sensitive data. As a countermeasure, CDF has installed a web application firewall (WAF), a type of firewall that flags various types of input containing malicious code commands with the aim of thwarting such inputs before they can inflict damage. In this way, system-wide online banking security is achieved.
- Internal firewall system. Protection of CDF's system data is reinforced by implementation of a tougher authorization policy that filters entry by unauthorized domain users. This is enabled by constructing the firewall at the internal application-layer, where it serves as a shield protecting the cluster of server mainframes which are housed together into a single 'server farm'.
- Bandwidth management system. All electronic trading systems used at KGI Securities operate with a configuration of web access bandwidth management. This configuration allows traders to operate online using a separate channel reserved exclusively for them, so their activity doesn't interfere with other bandwidth use in the rest of the building. In this way, better broadband management is achieved, and traders can stay comfortably connected and secure from cyber-attacks.
- Active network intrusion detection system (ANIDS). The key advantage of ANIDS is 'behavioral detection' of certain 'signatures' of malware, which allows the system, as a highly proactive defense, to stop attacks at the first line. Thus, PCs in use in the building are fully protected against backdoor spyware.
- SSL\_VPN encryption. The Secure Socket Layer (SSL) information security protocol has been implemented throughout the CDF group to elevate the level of data



transmission security.

- Secure access control architecture. This architecture monitors for connection anomalies and issues notifications to administrators to take action, thereby ensuring maintenance of a clean network.
- Enterprise security architecture. This architecture proactively blocks webpages classified as security concerns in terms of information and a potential threat to internal cyber security. Blocked browsing history is retained along with data usage information for purposes of user management and internal auditing.

### **3. System security configurations**

Data access management and security control policy for existing system resources.

- Existing systems may establish work groups and permission management policy, and evaluate security controls relating to secure log on, user identification and authentication. Via a two-step identification process, or firewall plus user log on, the system effectively withholds further rights from being granted to newly authorized end users. Configuration of the end user's controls may be revised in the individual's control sheet.
- Product, development and test environments shall be installed within the main operation systems. All three environments must undergo substantial pre-implementation security testing to ensure system implementation quality.
- To ensure the security of involved data, sensitive and confidential business information must first undergo masking process before entering the testing environment of any management system.
- Regular execution of Security Updates on Windows Updates to server and PC terminals as fixed security issues will improve security.
- Via systematic management on personal PC and IP, KGI Securities ensures the safety of information environment.
- Via security monitoring system, KGI Securities is able to supervise data-base activities and to secure the safety of data information.
- Participation in annual security reviews of computational systems and identification of security threats and weaknesses via proactive approaches. Formulating and implement reconfigured access controls to step up connectivity and database defense capacity as well as to ensure security and stability in electronic transaction services.

### **4. Specific measures for implementing the Personal Information Protection Act**

- In 2013, CDF has set up a "Personal Information Protection Group" in accordance with the Personal Information Protection Act in assessment, planning and implementation of personal information protection in line with said act.
- Conducting regular reviews on personal information pertaining to various businesses

- Regulating the use of personal computer terminals, controlling outgoing mails, defining the acceptable use of USBs and establishing a mechanism for data loss prevention to prevent leaks of confidential data from computer terminals to USBs or external networks and to enhance the security level of client and business data.
- KGI Securities was certified in 2013 with BS10012PIMS (Personal Information Management System) standard authentication.

## **5. Anti-virus solutions**

- Centralized virus control: Latest virus definitions and antivirus updates to remove abnormal files from computers or isolate them and make regular anti-virus reports.
- Windows updates: Windows patches installed regularly on servers and every PC for more secure Windows operation.
- Spam email filtering: Anti-spam mechanisms to filter external email messages and prevent junk mail and virus attachments, thereby enhancing email security.

## **6. Emergency and security protection measures**

- In order to ensure the stability of data center operations, CDF Group has improved the center's electrical facilities and core network with an additional backup structure that enables continuous centralization. Testing drills are run periodically by technicians.
- The diagnostic server and application database monitoring mechanism performs real-time tasks to promptly identify abnormalities within the database, followed by timely eradication to ensure system service stability and step-up availability.
- Formulating backup policy and cycles that meet the characteristics of storage for each system, performing periodic data recovery drills, and defining the recovery measures that correspond to the importance level of the backup, which could include on-site, remote, and synchronized recovery.
- Data center operations at CDIB, KGI Bank and KGI Securities are all supported by a remote back-up center, which regularly carries out post-disaster event IT system recovery drills. KGI Securities' real time trade information system, KGI POWER TRADE, leads backup recovery practice twice a year, as required by regulations of TWSE and TAIEX.
- The CDF group's data center, located in Nangang, Taipei, serves mainly as an operation hub for the IT personnel of CDF and CDIB, while also operating as a remote operation server. Incorporating a central network, IT database, power network and office space, CDF's Nangang data center can also function as a command center in the event of an emergency situation or disaster at or near company operations. However, beyond that, together with its remote backup recovery solution for site database, the center is geared to operate as a comprehensive response task force that is more than adequate to respond to critical-level disaster situations.

## **5.8 Labor Relations**

### **5.8.1 Employee Welfare, Retirement Policy and Implementation; Agreements between Labor and Management, Measures for Securing Employees' Benefits and Implementation**

1. The Company runs a staff cafeteria catered by professional cooks to provide employees with healthy, nutritional, and delicious lunch options.
2. The Company provides employees with Labor Insurance and National Health Insurance coverage as required by law. Apart from the statutory insurance policies, the Company also offers group insurance coverage on life, accident and hospitalization, and allows employees' spouses, underage children, and parents to be included in group accident and hospitalization coverage.
3. The Company's retirement policy has been established in accordance with "Labor Standards Act," which requires the Company to make monthly pension contributions into employees' personal accounts held under Labor Pension Supervisory Committee. From July 1, 2005 onwards, the "Labor Pension Act" came into effect and introduced the following rules:
  - (1) All employees who begin their employment on or after July 1, 2005, shall be subject to the "Labor Pension Act."
  - (2) Employees who began their employment before July 1, 2005 (exclusive), may choose to adopt the "Labor Pension Act" or the "Labor Standards Act" for their pension system depending on their own requirements. The selection needed to be made within 5 years from July 1, 2005, otherwise employees would continue to adopt the pension system of the "Labor Standards Act" by default.
4. The Company places great emphasis on employees' work-life balance. It offers annual leave packages that are superior to what is required in Labor Standards Act, and prepares regular reports to help line managers understand the leaves taken by their subordinates.
5. The Company values employees' physical health, which is why it offers one subsidized health check every 2 years for employees below the age of 40, and one subsidized health check every year for employees aged 40 and above. The Company also allows employees to take paid leave of absence to undergo health checks.
6. The Company organizes health seminars to promote employees' knowledge on health-related topics such as: food safety, cancer prevention, weight control, and maintaining a healthy digestive system.
7. The Company has assembled an Employee Welfare Committee to arrange the following benefits, subject to budget availability:

- (1) Holiday bonuses and gifts
- (2) Wedding, funeral and birth subsidies
- (3) Scholarship for employees' children
- (4) Employee tour subsidies
- (5) Birthday gift
- (6) Injury/illness remedies
- (7) Club event subsidies
- (8) Film screening
- (9) Family day
- (10) Shopping discounts

**5.8.2 Losses arising as a result of employment disputes in the recent year up till the publication date of this annual report; disclose current and possible losses and any responsive actions taken; state reasons in cases where losses cannot be reasonably estimated**

The Company believes employees are the most precious resource of an organization. In addition to regular employer-employee meetings, the Company also utilizes all channels at its disposal to communicate with employees and address whatever queries they may have, all for the purpose of maintaining a harmonic relationship and raising work efficiency. There has been no case of employment dispute.

**5.8.3 Working environment and employee safety measures**

The Company aims to provide employees with a safe, healthy and comfortable work environment as part of its social responsibilities. It devotes itself to implementing labor safety and health policies and helping its employees develop a right mindset and maintain physical and mental health. Some of the actions taken are as follows:

1. Enhanced training on workplace safety and health to reduce dangers and hazards at work  
To create a hazard-free working environment, CDF has set up a labor safety and health agency to arrange training sessions on labor safety and fire drills to keep employees updated on the latest safety and health practices. CDF also works with professionals to conduct regular inspection on lighting systems and measure CO2 levels in the office to make sure that its employees work in a healthy environment.

2. Insurance, medical examinations and Employee Welfare Committee

In addition to providing Labor Insurance, National Health Insurance and group insurance coverage, the Company also arranges regular medical examinations for employees. Moreover, the Company hires professional nurse and invites doctors from medical institutions to implement programs to enhance employee health and prevention of occupational hazards. To ensure that employee welfare is taken care of, CDF has set up an Employee Welfare Committee that handles support allowance for weddings and funerals, scholarships for employees' children, support for hospitalized employees, emergency assistance, post-disaster support, and grants to employee club activities.

3. Conducting regular drills for different task forces to strengthen disaster preparedness and response mechanism

The Company and subsidiaries have devised disaster response plans and engaged in fire safety equipment maintenance and reporting in accordance with the regulations, implemented fire safety drills, and organized employees into teams various functions such as fire, security, and rescue. These plans are rehearsed on a regular basis to ensure safety and recovery in the event of robbery or disaster.

4. Strict access control to ensure office security

The company and its subsidiaries have established strict access control regulations to ensure the employees and other operations personnel's compliance with access permissions to the office locations. The headquarters shall have 24-hour security personnel that routinely engage in safety patrol, prevent the illegal intrusion of personnel, and ensure the personal security of employees at each office location.

## 5.9 Material Contracts

### ◎ China Development Financial Holding Corp

Contract type	Counterparty	Valid Period	Main Contents	Restrictive Clauses
Liability insurance for directors, supervisors and key staff	AIG Taiwan Insurance Co., Ltd., MSIG Mingtai Insurance Co., Ltd., ACE Insurance Taiwan	2015.09.02 to 2016.9.02	<ol style="list-style-type: none"> <li>1. Liability insurance for directors, supervisors and key staff</li> <li>2. Compensation for securities liabilities</li> <li>3. Compensation for employment liabilities</li> <li>4. Remedial liabilities</li> </ol>	Exclusions include but are not limited to: Claims made between U.S. insured parties, claims for known losses, and claims relating to hazards, pollution and money-laundering activities.

### ◎ KGI Commercial Bank Co., Ltd.

Contract type	Counterparty	Valid Period	Main Contents	Restrictive Clauses
General assumption agreement	China Development Industrial Bank	2015.03.02 to 2015.05.01	<ol style="list-style-type: none"> <li>1. The range and price of transferred businesses</li> <li>2. Settlement time and procedures</li> <li>3. Prerequisites for settlement</li> <li>4. Declarations, guarantees and commitments from the two parties</li> <li>5. Matters concerning employees of the transferred businesses</li> </ol>	Some of the items transferred under this agreement are subject to the prior consent of a third party, depending on the applicable law or contractual terms; otherwise the transfer would not be effective.
Supplementary agreement to the general assumption agreement	China Development Industrial Bank	2015.04.13 to 2015.05.01	Restructured the transaction from a "general assumption" to a "business transfer" deal, and changed the name of the contract to "Business Transfer Agreement"	Where the stated time lines are different between the supplementary agreement and the original agreement, the terms of the supplementary agreement shall prevail.

Contract type	Counterparty	Valid Period	Main Contents	Restrictive Clauses
Service level agreement	IBM Taiwan Corporation	10 years from the effective date (2012.10.31)	The service level agreement covers: data center operation and services, maintenance and enhancement of applications, network management, system administration help desk, on-site support, disaster recovery, project management office, and maintenance of service level.	

© **China Development Industrial Bank**

Contract type	Counterparty	Valid Period	Main Contents	Restrictive Clauses
General assumption agreement	KGI Commercial Bank Co., Ltd.	2015.03.02 to 2015.05.01	<ol style="list-style-type: none"> <li>1. The range and price of transferred businesses</li> <li>2. Settlement time and procedures</li> <li>3. Prerequisites for settlement</li> <li>4. Declarations, guarantees and commitments from the two parties</li> <li>5. Matters concerning employees of the transferred businesses</li> </ol>	Some of the items transferred under this agreement are subject to the prior consent of a third party, depending on the applicable law or contractual terms; otherwise the transfer would not be effective.
Supplementary agreement to the general assumption agreement	KGI Commercial Bank Co., Ltd.	2015.04.13 to 2015.05.01	Restructured the transaction from a "general assumption" to a "business transfer" deal, and changed the name of the contract to "Business Transfer Agreement"	Where the stated time lines are different between the supplementary agreement and the original agreement, the terms of the supplementary agreement shall prevail.

◎ **KGI Asia (Holdings) Pte. Ltd.**

Contract type	Counterparty	Valid Period	Main Contents	Restrictive Clauses
Share trading agreement	Richpoint Company Limited	2015.07.28 to 2015.10.30	Purchase of 100% shareholding in KGI Securities (Thailand) Public Company Limited by KGI Asia (Holdings) Pte. Ltd. From Richpoint Company Limited.	Settlement is subject to the approval of Thai and Taiwanese authorities.

◎ **Richpoint Company Limited**

Contract type	Counterparty	Valid Period	Main Contents	Restrictive Clauses
Share trading agreement	KGI Asia (Holdings) Pte. Ltd	2015.07.28 to 2015.10.30	Purchase of 100% shareholding in KGI Securities (Thailand) Public Company Limited by KGI Asia (Holdings) Pte. Ltd. From Richpoint Company Limited.	Settlement is subject to the approval of Thai and Taiwanese authorities.

◎ **China Development Management Consulting Co., Ltd.**

Contract type	Counterparty	Valid Period	Main Contents	Restrictive Clauses
Limited guarantee agreement	China Development Bank	2013.02.19 to 2015.02.18	To assist subsidiary in acquiring credit limits.	Subject to the terms of the guarantee agreement.



## VI. Financial Overview

### 6.1 Five-Year Financial Summary

#### 6.1.1 Consolidated Condensed Balance Sheet

##### A. Based on IFRS

Unit: NT\$'000

Item \ Year	Financial Summary for The Last Five Years (Note1)				As of February 29, 2016 (Note 2)
	2012	2013	2014(Note 4)	2015	
Cash and cash equivalents, Due from the central bank and call loans to banks	57,936,524	59,777,121	66,845,161	112,215,613	N/A
Financial assets at fair value through profit or loss	73,431,509	98,297,280	151,177,813	157,780,085	
Available-for-sale financial assets	92,330,811	116,258,949	139,610,600	70,643,015	
Derivative financial assets for hedging	40,170	19,568	—	—	
Securities purchased under resell agreements	16,548,948	20,925,493	32,871,543	52,622,253	
Receivables, net	75,629,847	125,689,985	131,789,029	100,754,149	
Current tax assets	822,985	755,965	720,044	990,101	
Discount and loans, net	87,303,495	106,857,949	225,777,475	217,780,328	
Held-to-maturity financial assets, net	5,029	158,194	18,790,000	402,564	
Investment accounted for using the equity method, net	7,107,113	7,286,276	8,562,987	10,775,665	
Restricted assets	20,888,220	21,726,120	24,425,207	29,776,730	
Financial assets measured at cost	32,936,138	32,529,080	31,962,391	21,095,274	
Other financial assets	23,705,630	28,692,188	41,792,876	38,773,821	
Property and equipment, net	9,654,308	9,087,419	14,393,809	14,717,160	
Investment property, net	2,121,021	1,830,198	2,070,706	2,048,311	
Intangible assets, net	6,825,776	6,277,179	8,896,357	8,584,490	
Deferred tax assets	829,927	869,150	5,834,810	5,561,925	
Other assets, net	13,581,339	10,904,908	14,180,410	22,197,691	
Total assets	521,698,790	647,943,022	919,701,218	866,719,175	
Deposits from the central bank and banks	2,671,557	6,711,620	12,680,778	10,024,399	
Financial liabilities at fair value through profit or loss	18,282,064	22,577,982	35,082,307	39,898,179	
Derivative financial liabilities for hedging	116,564	64,315	20,659	—	
Notes and bonds issued under repurchase agreements	59,313,884	111,975,004	132,826,606	119,611,868	
Commercial paper payable, net	7,231,662	10,116,225	13,925,045	13,139,202	

Year Item		Financial Summary for The Last Five Years ( Note1 )				As of February 29, 2016 ( Note 2 )
		2012	2013	2014(Note 4)	2015	
Payables		51,720,585	57,673,578	58,243,555	57,152,044	N/A
Current tax liabilities		2,086,891	2,388,951	1,994,883	911,029	
Deposits and remittances		101,550,890	114,808,892	304,557,970	325,312,132	
Bonds payable		36,896,569	37,068,437	34,660,984	28,618,692	
Other borrowings		13,716,416	18,687,012	35,204,646	21,809,459	
Other financial liabilities		348,986	358,736	392,027	400,851	
Provisions		1,147,526	1,140,616	1,215,264	1,419,454	
Principal received on structured notes		34,640,236	68,324,174	74,150,578	34,375,733	
Customers' equity accounts-futures		16,140,970	13,876,816	23,754,390	30,698,500	
Deferred tax liabilities		974,530	1,353,240	1,423,785	1,460,166	
Other liabilities		9,979,606	11,714,770	13,544,034	13,116,729	
Total liabilities	Before distribution	356,818,936	478,840,368	743,677,511	697,948,437	
	After distribution	359,523,764	484,855,155	752,776,184	(Note 3)	
Equity attributable to owners of parent						
Common stock	Before distribution	144,561,641	150,308,833	153,444,462	151,125,441	
	After distribution	144,561,641	150,308,833	153,444,462	(Note 3)	
Capital surplus		112,183	535,087	590,923	654,803	
Retained earnings	Before distribution	10,752,929	14,656,447	19,477,595	18,507,160	
	After distribution	8,048,101	8,641,660	10,378,922	(Note 3)	
Other equity		(3,586,761)	(670,876)	(24,165)	(2,746,831)	
Treasury shares		(1,954,204)	(2,170,286)	(3,298,709)	(2,376,747)	
Non-controlling interests		14,994,066	6,443,449	5,833,601	3,606,912	
Total equity	Before distribution	164,879,854	169,102,654	176,023,707	168,770,738	
	After distribution	162,175,026	163,087,867	166,925,034	(Note 3)	

Note 1: Financial statements of the Company in 2012 to 2015 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2016 are not applicable.

Note 3: Distribution for earnings in 2015 had not yet been resolved by the shareholder's meeting.

Note 4: The financial information of 2014 have restated according to the 2013 version of IFRS.

## B. Based on ROC GAAP

Unit: NT\$'000

Item \ Year			Financial Summary for The Last Five Years (Note1 )	
			2011	2012
Cash and cash equivalents, Due from the central bank and call loans to banks			37,639,543	59,274,266
Financial assets measured at fair value through profit or loss			48,025,163	75,334,198
Securities purchased under resell agreements			6,544,308	16,548,948
Available-for-sale financial assets			79,421,930	91,687,956
Receivables, net			17,014,998	50,193,379
Discount and loans, net			83,927,096	87,303,495
Investment accounted for using the equity method, net			5,977,173	7,110,121
Fixed Assets, net (Note 2)			3,993,474	9,380,855
Intangible assets, net			149,031	7,152,621
Other financial assets			37,799,827	52,624,017
Other assets, net			11,184,239	32,535,109
Total assets			331,676,782	489,144,965
Deposits from the central bank and banks			5,036,547	2,671,557
Deposits and remittances			64,784,269	101,550,890
Financial liabilities measured at fair value through profit or loss			15,645,059	18,282,064
Notes and bonds issued under repurchase agreements			49,484,036	59,313,884
Bonds payable			42,824,504	36,896,569
Other financial liabilities			33,397,470	93,751,354
Other liabilities			1,510,165	10,838,726
Total liabilities			212,682,050	323,305,044
Stockholders' equity of parent company	Common Stock	Before distribution	112,492,660	144,561,641
		After distribution	112,492,660	144,561,641
	Capital surplus		9,301,680	3,072,483
	Retained earnings	Before distribution	3,928,723	8,953,700
		After distribution	3,928,723	6,248,872
	Other		(6,970,792)	(4,798,976)
Minority interest			242,461	14,051,073
Total stockholders' equity	Before distribution		118,994,732	165,839,921
	After distribution		118,994,732	163,135,093

Note 1: Financial statements of the Company in 2011 to 2012 were audited.

Note 2: On March 25, 2013, CDIB's board of directors resolved to revalue its land based on the land value of January 1, 2011. For this revaluation, the revaluation increment was \$829,839 thousand. On January 1, 2012, the IFRS transition date, the net revaluation increment of \$588,284 thousand - after deducting from land revaluation increment the reserve for land value increment tax of \$241,555 thousand - was credited to equity as retained earnings.

## 6.1.2 Unconsolidated Condensed Balance Sheet

### A. Based on IFRS

Unit: NT\$'000

Year Item		Financial Summary for The Last Five Years (Note 1)				As of February 29, 2016 (Note 2)
		2012	2013	2014(Note 4)	2015	
Cash and cash equivalents		3,480,239	7,703,726	1,458,812	2,665,707	N/A
Available-for-sale financial assets		1,453,152	1,440,119	1,293,830	1,226,972	
Receivables, net		201	169	155	139	
Current tax assets		1,770,159	1,754,770	1,114,182	1,438,314	
Investment accounted for using the equity method, net		168,443,329	178,987,869	192,203,350	186,684,329	
Other financial assets		300	300	300	300	
Property and equipment, net		20,477	12,258	12,251	10,094	
Deferred tax assets		25	0	0	0	
Other assets, net		533,654	538,391	544,217	540,719	
Total assets		175,701,536	190,437,602	196,627,097	192,566,574	
Derivative financial liabilities for hedging		116,564	64,316	20,659	0	
Commercial paper payable		4,499,480	6,499,939	2,999,869	5,099,745	
Payables		736,097	751,810	1,000,906	649,830	
Current tax liabilities		1,789,665	1,836,048	791,615	1,021,390	
Bonds payable		18,000,000	18,000,000	18,000,000	18,000,000	
Other borrowings		649,930	599,836	3,599,573	2,599,847	
Provisions		23,972	26,339	24,161	31,627	
Other liabilities		40	109	208	309	
Total liabilities	Before distribution	25,815,748	27,778,397	26,436,991	27,402,748	
	After distribution	28,520,576	33,793,184	35,535,664	(Note 3)	
Common stock	Before distribution	144,561,641	150,308,833	153,444,462	151,125,441	
	After distribution	144,561,641	150,308,833	153,444,462	151,125,441	
Capital surplus		112,183	535,087	590,923	654,803	
Retained earnings	Before distribution	10,752,929	14,656,447	19,477,595	18,507,160	
	After distribution	8,048,101	8,641,660	10,378,922	(Note 3)	
Other equity		(3,586,761)	(670,876)	(24,165)	(2,746,831)	
Treasury shares		(1,954,204)	(2,170,286)	(3,298,709)	(2,376,747)	
Total equity	Before distribution	149,885,788	162,659,205	170,190,106	165,163,826	
	After distribution	147,180,960	156,644,418	161,091,433	(Note 3)	

Note 1: Financial statements of the Company in 2012 to 2015 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2016 are not applicable.

Note 3: Distribution for earnings in 2015 had not yet been resolved by the shareholder's meeting

Note 4: The financial information of 2014 have restated according to the 2013 version of IFRS.

## B. Based on ROC GAAP

Unit: NT\$'000

Item \ Year	Financial Summary for The Last Five Years ( Note )	
	2011	2012
Cash and cash equivalents	1,098,548	3,480,238
Available-for-sale financial assets	1,361,922	1,453,152
Receivables, net	1,590,594	1,770,360
Investment accounted for using the equity method, net	138,787,880	170,345,554
Fixed Assets, net	22,051	20,477
Other assets	535,699	533,979
Total assets	143,396,694	177,603,760
Payables	2,286,230	2,522,181
Bonds payable	18,000,000	18,000,000
Other financial liabilities	4,332,818	5,265,974
Other liabilities	25,375	26,757
Total liabilities	Before distribution	24,644,423
	After distribution	24,644,423
Common Stock	Before distribution	112,492,660
	After distribution	112,492,660
Capital surplus	9,301,680	3,072,483
Retained earnings	Before distribution	3,928,723
	After distribution	3,928,723
Other equity	(6,970,792)	(4,798,976)
Total stockholders' equity	Before distribution	118,752,271
	After distribution	118,752,271

Note: Financial statements of the Company in 2011 to 2012 were audited.

### 6.1.3 Consolidated Condensed Statement of Comprehensive Income

#### A. Based on IFRS

Unit: NT\$'000

Item \ Year	Financial Summary for The Last Five Years (Note1)				As of February 29, 2016 (Note 2)
	2012	2013	2014(Note 3)	2015	
Interest revenues	5,306,360	8,507,539	12,811,017	14,245,989	N/A
Interest expenses	(2,590,166)	(3,111,079)	(4,398,754)	(5,138,176)	
Interest profit, net	2,716,194	5,396,460	8,412,263	9,107,813	
Noninterest profits and gains, net	14,651,211	19,313,286	20,209,724	21,414,709	
Net revenues	17,367,405	24,709,746	28,621,987	30,522,522	
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	81,656	(824,715)	(13,707)	329,789	
Operating expenses	(10,063,479)	(14,663,849)	(16,829,647)	(21,409,324)	
Net profit before income tax from continuing operations	7,385,582	9,221,182	11,778,633	9,442,987	
Income tax expense	(127,732)	(772,708)	(941,302)	(827,812)	
Net profit from continuing operations	7,257,850	8,448,474	10,837,331	8,615,175	
Net income	7,257,850	8,448,474	10,837,331	8,615,175	
Other comprehensive income for the period, net of income tax	3,080,550	2,919,788	752,399	(3,116,463)	
Total comprehensive income for the period	10,338,400	11,368,262	11,589,730	5,498,712	
Net profit attributable to owners of parent	6,983,256	8,304,001	10,752,042	8,528,231	
Net profit attributable to non-controlling interests	274,594	144,473	85,289	86,944	
Total comprehensive income attributable to owners of parent	10,111,950	11,182,674	11,506,549	5,415,879	
Total comprehensive income attributable to non-controlling interests	226,450	185,588	83,181	82,833	
Earnings per share(In dollar)	0.54	0.56	0.73	0.58	

Note 1: Financial statements of the Company in 2012 to 2015 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2016 are not applicable.

Note 3: The financial information of 2014 have restated according to the 2013 version of IFRS.

## B. Based on ROC GAAP

Unit: NT\$'000

Item	Year	Financial Summary for The Last Five Years (Note)	
		2011	2012
Interest profit, net		1,861,184	3,269,716
Noninterest profits and gains, net		5,344,203	12,083,091
Reversal of allowance for bad debts, net		226,763	81,656
Operating expenses		5,668,212	10,009,909
Income before income tax from continuing operations		1,763,938	5,424,554
Total consolidated net income		1,645,765	5,295,623
Total consolidated net income	Attributed to stockholders of parent company	1,626,885	5,024,977
	Attributed to Minority interest	18,880	270,646
earnings per share-common stock(In dollar)		0.15	0.39

Note: Financial statements of the Company in 2011 to 2012 were audited.

## 6.1.4 Unconsolidated Condensed Statement of Comprehensive Income

### A. Based on IFRS

Unit: NT\$'000

Item \ Year	Financial Summary for The Last Five Years (Note1)				As of February 29, 2016 (Note 2)
	2012	2013	2014(Note3)	2015	
Investment income recognized using the equity method	5,848,465	9,596,663	11,499,962	9,590,588	N/A
Other revenues and gains	2,076,193	25,640	51,888	79,871	
Operating expenses	(663,286)	(851,263)	(859,858)	(790,869)	
Other expenses and losses	(439,958)	(408,025)	(374,951)	(345,682)	
Net profit before income tax from continuing operations	6,821,414	8,363,015	10,317,041	8,533,908	
Income tax benefit (expense)	161,842	(59,014)	435,001	(5,677)	
Net profit	6,983,256	8,304,001	10,752,042	8,528,231	
Other comprehensive income for the period, net of income tax	3,128,694	2,878,673	754,507	(3,112,352)	
Total comprehensive income for the period	10,111,950	11,182,674	11,506,549	5,415,879	
Earnings per share(In dollar)	0.54	0.56	0.73	0.58	

Note 1 : Financial statements of the Company in 2012 to 2015 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2016 are not applicable.

Note 3: The financial information of 2014 have restated according to the 2013 version of IFRS.

### B. Based on ROC GAAP

Unit: NT\$'000

Item \ Year	Financial Summary for The Last Five Years (Note)	
	2011	2012
Investment income recognized using the equity method, net	2,806,078	5,840,195
Other revenues and gains	58,814	99,866
Operating expenses	630,653	636,968
Other expenses and losses	505,684	439,958
Income before income tax from continuing operations	1,728,555	4,863,135
Net income	1,626,885	5,024,977
Basic earnings per share (before income tax)	0.16	0.37
Basic earnings per share (after income tax)	0.15	0.39

Note : Financial statements of the Company in 2011 to 2012 were audited.



### 6.1.5 Auditors' Opinions from 2011 to 2015

Year	Accounting Firm	CPA	Audit Opinion
2015	Deloitte & Touche	Wu, Yi-Chun 、 Kuo, Cheng-Hung	Unqualified Opinion
2014	Deloitte & Touche	Wu, Yi-Chun 、 Kuo, Cheng-Hung	Unqualified Opinion
2013	Deloitte & Touche	Wu, Mei-Hui 、 Kuo, Cheng-Hung	Unqualified Opinion
2012	Deloitte & Touche	Wu, Mei-Hui 、 Kuo, Cheng-Hung	Modified Unqualified Opinion
2011	Deloitte & Touche	Wu, Mei-Hui 、 Yang, Ming-Che	Unqualified Opinion

## 6.2 Five-Year Financial Analysis

### 6.2.1 Consolidated Financial Analysis – Based on IFRS

Unit: NT\$'000; %

Item \ Year		Financial Summary for The Last Five Years (Note 1)				As of February 29, 2016 (Note 3)
		2012	2013	2014 (Note 9)	2015	
Operating ratio	Total assets turnover (Times)	0.04	0.04	0.04	0.03	N/A
	Ratio of loans to deposits (CDIB)	79.65	82.54	71.22	—	
	Ratio of loans to deposits (KGI Bank)	(Note 6)	(Note 6)	73.60	62.38	
	NPL ratio (CDIB)	—	0.17	0.25	—	
	NPL ratio (KGI Bank)	(Note 6)	(Note 6)	0.42	0.34	
	Average revenue per employee	2,934	4,380	3,982	3,963	
	Average net income per employee	1,226	1,498	1,508	1,119	
Profitability ratio	Ratio of return on total assets(%)	1.70	1.44	1.38	0.96	
	Ratio of return on stockholders' equity(%)	5.11	5.06	6.28	5.00	
	Profit margin ratio(%)	41.79	34.19	37.86	28.23	
	Basic Earnings per share(in dollar)	0.54	0.56	0.73	0.58	
Financial structure (%)	Ratio of debt to assets	68.40	73.90	80.86	80.53	
	Ratio of debt to net worth	216.41	283.17	422.49	413.55	
	Double Leverage Ratio of Financial Holding Company	113.35	110.92	113.69	113.77	
	According to Article 41 of Financial Holding Company Law	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
Leverage ratio	Operating leverage ratio	109.46	121.66	110.56	111.68	
	Financial leverage ratio of Financial Holding Company	106.32	104.74	103.53	103.74	
Ratio of growing	Ratio of assets growing	56.22	24.20	41.94	(5.76)	
	Ratio of income growing	(Note 7)	24.85	27.73	(19.83)	
Cash flow	Cash flow ratio	36.59	9.16	(1.13)	(16.54)	
	Cash flow adequacy ratio	(Note 7)	(Note 7)	(Note 7)	(Note 7)	
	Cash flow content ratio	334.98	103.79	(332.74)	(32.71)	
Operating Scale	Market share of assets	1.68	1.91	2.49	2.14	
	Market share of equity	7.56	7.14	6.51	5.86	
	Market share of deposit(CDIB)	0.35	0.39	0.50	—	
	Market share of deposit(KGI Bank)	(Note 6)	(Note 6)	0.41	0.99	
	Market share of assets loans(CDIB)	0.39	0.46	0.51	—	
	Market share of assets loans(KGI Bank)	(Note 6)	(Note 6)	0.38	0.81	

Year  Item			Financial Summary for The Last Five Years (Note1)				As of February 29, 2016 (Note 3)
			2012	2013	2014 (Note9)	2015	
Capital adequacy ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	(Note 8)	18.60	17.73	108.63	N/A
		KGI Bank	(Note 8)	(Note 6)	12.86	14.96	
		KGI Securities	(Note 8)	371	343	340	
		Grand Cathay Securities Corporation	(Note 8)	—	—	—	
	Qualified capital of subsidiaries	CDIB	(Note 8)	41,611,085	45,327,171	14,497,173	
		KGI Bank	(Note 8)	(Note 6)	16,294,778	53,303,814	
		KGI Securities	(Note 8)	30,825,228	23,195,681	20,503,870	
		Grand Cathay Securities	(Note 8)	—	—	—	
	Net Group qualified capital		(Note 8)	56,699,694	62,798,158	66,777,653	
	Legal requirement of subsidiaries' capital	CDIB	(Note 8)	17,896,440	20,453,387	1,067,612	
		KGI Bank	(Note 8)	(Note 6)	10,139,165	28,497,462	
		KGI Securities	(Note 8)	12,454,305	10,147,407	9,042,459	
		Grand Cathay Securities	(Note 8)	—	—	—	
	Legal requirement of group capital		(Note 8)	211,321,896	234,893,887	227,063,385	
	Group Capital Adequacy Ratio		(Note 8)	175.36	147.47	165.38	
endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law		The same Customer	73.57	73.31	74.83	107.83	
		The same Group	42.23	35.34	41.33	26.44	
Reasons for changes in financial ratios in the recent 2 years:							
1. Total assets turnover decrease was due mainly to the decrease of net revenues of 2015.							
2. Because of the transfer to KGI Bank of all assets and liabilities associated with the commercial banking business of CDIB, the ratio of loans to deposit, the NPL ratio, the market share of deposit and the market share of assets loans of CDIB were zero.							
3. The decrease of average net income per employee, ratio of return on total assets, ratio of return on stockholder's equity, profit margin ratio and EPS was due mainly to the decrease of the net income after tax of 2015.							
4. The decrease of ratio of assets growing was due mainly to the decrease of the total assets as of December 31, 2015.							
5. The decrease of ratio of income growing was due mainly to the decrease of the income before tax of 2015.							
6. The decrease of cash flow ratio was due mainly to the decrease of cash flows generated from operating activities of 2015.							
7. The increase of cash flow content ratio was due mainly to the increase of cash flows generated from investing activities of 2015.							
8. The increase of market share of deposit and the market share of assets loans of KGI Bank was due mainly to the transfer to KGI Bank of all assets and liabilities associated with the commercial banking business of CDIB.							
9. The increase of endorsements or other transactions of all subsidiaries with the same customer was due mainly to the transaction amount increase with the same customer as of December 31, 2015.							
10. The decrease of endorsements or other transactions of all subsidiaries with the same group was due mainly to the of transaction amount decrease with the same group as of December 31, 2015.							

Note 1 : Financial statements of the Company in 2012 to 2015 were audited.

Note 2 : None .

Note 3 : As of the publication date, the financial statements of the first quarter of 2016 are not applicable.

Note 4 : Below are the formulas used in various financial analyses:

1. Operating ratio

- (1) Total assets turnover = Net income / Average assets
  - (2) Ratio of loans to deposits = Total loans / Total deposits
  - (3) NPL ratio = Nonperforming loans / Total loans
  - (4) Average revenue per employee = Net revenues / employee
  - (5) Average net income per employee = Net income / employee
  2. Profitability ratio
    - (1) Ratio of return on total assets = Income after income tax / Average assets
    - (2) Ratio of return on stockholders' equity = Income after income tax / Average stockholders' equity
    - (3) Profit margin ratio = Income after income tax / Net revenues
    - (4) Basic earnings per share = (Income and loss attributable to owners of the company – Dividends for preferred stocks) / Average issued shares (Note 5)
  3. Financial structure
    - (1) Ratio of debt to assets = Total liabilities / Total assets
    - (2) Ratio of debt to net worth = Total liabilities / Total stockholders' equity
    - (3) Double Leverage Ratio of Financial Holding Company = Equity investments specified under Articles 36, Paragraph 2, and 37 of the Financial Holding Company Act / Total stockholders' equity.
  4. Leverage ratio
    - (1) Operating leverage ratio = (Net revenues – Variable expenses) / Income before income tax
    - (2) Financial leverage ratio of Financial Holding Company = (Income before income tax + interest expenses) / Income before income tax
  5. Ratio of growing
    - (1) Ratio of assets growing = (Total assets – Last year total assets) / Last year total assets
    - (2) Ratio of income growing = (income before income tax – Last year income before income tax) / Last year income before income tax
  6. Cash flow
    - (1) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit or loss + Securities sold under repurchased issued + Current portion of Payables)
    - (2) Cash flow adequacy ratio = Net cash provided by operating activities (for the last five year) / for the last five year (capital expenditure + Cash dividends)
    - (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities
  7. Operating Scale
    - (1) Market share of assets = Total assets / Total assets of all Financial Holding Co., Ltd.
    - (2) Market share of equity = Total stockholders' equity / Total stockholders' equity of all Financial Holding Co., Ltd.
    - (3) Market share of deposit (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business
    - (4) Market share of assets loans (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business
  8. Capital adequacy Ratio
    - (1) Net Group qualified capital = Qualified requirement of Financial Holding Company Law + (Shares hold in ratio of Financial Holding Company Law × Qualified capital of subsidiaries) – Deduction
    - (2) Legal requirement of subsidiaries' capital = Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law × Legal requirement of subsidiaries
    - (3) Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.
- Note 5 : Calculations of earnings per share must take into account the following:
1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares
  2. Effects of cash issues or treasury stocks, by weighing the number of outstanding shares against the length of time they were in circulation.
  3. If any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share must be adjusted retrospectively, regardless of when the additional shares were issued.
  4. If preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) must be deducted from after-tax profit, or added to after-tax loss. If preferred shares were non-cumulative, then preferred share dividends must be deducted from after-tax profit, but no adjustment is required for after-tax loss
- Note 6 : Cosmos Bank became the Company's wholly owned subsidiary through a share swap. Cosmos Bank renamed as KGI Bank from 2015.
- Note 7 : The "Ratio of income growing" and the "Cash flow adequacy ratio" are not applicable due to the financial statements are based on R.O.C GAAP before 2011.
- Note 8 : The "Capital adequacy ratio" of 2011 is not applicable due to the basis of calculation was different from 2012.
- Note 9: The financial information of 2014 have restated according to the 2013 version of IFRS.
- Note 10: The "Capital adequacy ratio" and The "NPL ratio" are the key performance indicators of the financial institutions.

## 6.2.2 Unconsolidated Financial Analysis – Based on IFRS

Unit: NT\$'000; %

Item \ Year		Financial Summary for The Last Five Years (Note 1)				As of February 29, 2016 (Note 3)
		2012	2013	2014 (Note 9)	2015	
Operating ratio	Total assets turnover (Times)	0.05	0.05	0.06	0.05	N/A
	Ratio of loans to deposits (CDIB)	79.65	82.54	71.22	—	
	Ratio of loans to deposits (KGI Bank)	(Note 6)	(Note 6)	73.57	62.36	
	NPL ratio (CDIB)	—	0.17	0.25	—	
	NPL ratio (KGI Bank)	(Note 6)	(Note 6)	0.42	0.34	
	Average revenue per employee	113,405	137,527	126,583	92,325	
	Average net income per employee	105,807	123,940	120,809	84,438	
Profitability ratio	Ratio of return on total assets(%)	4.60	4.72	5.71	4.52	
	Ratio of return on stockholders' equity (%)	5.19	5.31	6.46	5.09	
	Profit margin ratio(%)	93.30	90.12	96.20	91.46	
	Basic Earnings per share(in dollar)	0.54	0.56	0.73	0.58	
Financial structure (%)	Ratio of debt to assets	14.69	14.59	13.45	14.23	
	Ratio of debt to net worth	17.22	17.08	15.53	16.59	
	Double Leverage Ratio of Financial Holding Company	113.35	110.92	113.69	113.77	
	According to Article 41 of Financial Holding Company Law	(Note 2)	(Note 2)	(Note 2)	(Note 2)	
Leverage ratio	Operating leverage ratio	106.53	104.94	103.68	104.11	
	Financial leverage ratio of Financial Holding Company	106.32	104.74	103.53	103.74	
Ratio of growing	Ratio of assets growing	22.29	8.39	3.25	(2.07)	
	Ratio of income growing	(Note 7)	22.60	23.37	(17.28)	
Cash flow	Cash flow ratio	2.03	123.23	142.70	150.00	
	Cash flow adequacy ratio	(Note 7)	(Note 7)	(Note 7)	(Note 7)	
	Cash flow content ratio	—	293.48	126.11	431.65	
Operating Scale	Market share of assets	7.50	7.46	6.56	6.01	
	Market share of equity	7.29	7.25	6.43	5.89	
	Market share of deposit(CDIB)	0.35	0.39	0.50	—	
	Market share of deposit(KGI Bank)	(Note 6)	(Note 6)	0.41	0.99	
	Market share of assets loans(CDIB)	0.39	0.46	0.51	—	
	Market share of assets loans(KGI Bank)	(Note 6)	(Note 6)	0.38	0.81	

Item			Financial Summary for The Last Five Years (Note 1)				As of February 29, 2016 (Note 3)
			2012	2013	2014 (Note 9)	2015	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	(Note 8)	18.60	17.73	108.63	N/A
		KGI Bank	(Note 8)	(Note 6)	12.86	14.96	
		KGI Securities	(Note 8)	371	343	340	
		Grand Cathay Securities	(Note 8)	—	—	—	
	Qualified capital of subsidiaries	CDIB	(Note 8)	41,611,085	45,327,171	14,497,173	
		KGI Bank	(Note 8)	(Note 6)	16,294,778	53,303,814	
		KGI Securities	(Note 8)	30,825,228	23,195,681	20,503,870	
		Grand Cathay Securities	(Note 8)	—	—	—	
	Net Group qualified capital		(Note 8)	56,699,694	62,798,158	666,777,653	
	Legal requirement of subsidiaries' capital	CDIB	(Note 8)	17,896,440	20,453,387	1,067,612	
		KGI Bank	(Note 8)	(Note 6)	10,139,165	28,497,462	
		KGI Securities	(Note 8)	12,454,305	10,147,407	9,042,459	
		Grand Cathay Securities	(Note 8)	—	—	—	
	Legal requirement of group capital		(Note 8)	211,321,896	234,893,887	227,063,385	
	Group Capital Adequacy Ratio		(Note 8)	175.36	147.47	165.38	
endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law		The same Customer	73.57	73.31	74.83	107.83	
		The same Group	42.23	35.34	41.33	26.44	

Reasons for changes in financial ratios in the recent 2 years:

1. Because of the transfer to KGI Bank of all assets and liabilities associated with the commercial banking business of CDIB, the ratio of loans to deposit, the NPL ratio, the market share of deposit and the market share of assets loans of CDIB were zero.
2. The decrease of average revenue per employee was due mainly to the decrease of net revenues of 2015.
3. The decrease of average net income per employee, ratio of return on total assets, ratio of return on stockholder's equity, profit margin ratio and EPS was due mainly to the decrease of the net income after tax of 2015.
4. The decrease of ratio of assets growing was due mainly to the decrease of the total assets as of December 31, 2015.
5. The decrease of ratio of income growing was due mainly to the decrease of the income before tax of 2015.
6. The increase of cash flow content ratio was due mainly to the increase of cash flows generated from investing activities of 2015
7. The increase of market share of deposit and the market share of assets loans of KGI Bank was due mainly to the transfer to KGI Bank of all assets and liabilities associated with the commercial banking business of CDIB.
8. The increase of endorsements or other transactions of all subsidiaries with the same customer was due mainly to the transaction amount increase with the same customer as of December 31, 2015.
9. The decrease of endorsements or other transactions of all subsidiaries with the same group was due mainly to the transactions amount decrease with the same group of December 31, 2015.

Note 1 : Financial statements of the Company in 2012 to 2015 were audited.

Note 2 : None .

Note 3 : As of the publication date, the financial statements of the first quarter of 2016 are not applicable.

Note 4 : Below are the formulas used in various financial analyses:

1. Operating ratio
    - (1) Total assets turnover = Net income / Average assets
    - (2) Ratio of loans to deposits = Total loans / Total deposits
    - (3) NPL ratio = Nonperforming loans / Total loans
    - (4) Average revenue per employee = Net revenues / employee
    - (5) Average net income per employee = Net income / employee
  2. Profitability ratio
    - (1) Ratio of return on total assets = Income after income tax / Average assets
    - (2) Ratio of return on stockholders' equity = Income after income tax / Average stockholders' equity
    - (3) Profit margin ratio = Income after income tax / Net revenues
    - (4) Basic earnings per share = (Income and loss attributable to owners of the company – Dividends for preferred stocks) / Average issued shares (Note 5)
  3. Financial structure
    - (1) Ratio of debt to assets = Total liabilities / Total assets
    - (2) Ratio of debt to net worth = Total liabilities / Total stockholders' equity
    - (3) Double Leverage Ratio of Financial Holding Company = Equity investments specified under Articles 36, Paragraph 2, and 37 of the Financial Holding Company Act / Total stockholders' equity.
  4. Leverage ratio
    - (1) Operating leverage ratio = (Net revenues – Variable expenses) / Income before income tax
    - (2) Financial leverage ratio of Financial Holding Company = (Income before income tax + interest expenses) / Income before income tax
  5. Ratio of growing
    - (1) Ratio of assets growing = (Total assets – Last year total assets) / Last year total assets
    - (2) Ratio of income growing = (income before income tax – Last year income before income tax) / Last year income before income tax
  6. Cash flow
    - (1) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities sold under repurchased issued + Current portion of Payables)
    - (2) Cash flow adequacy ratio = Net cash provided by operating activities (for the last five year) / for the last five year (capital expenditure + Cash dividends) °
    - (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities
  7. Operating Scale
    - (1) Market share of assets = Total assets / Total assets of all Financial Holding Co., Ltd.
    - (2) Market share of equity = Total stockholders' equity / Total stockholders' equity of all Financial Holding Co., Ltd.
    - (3) Market share of deposit (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business
    - (4) Market share of assets loans (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business
  8. Capital adequacy Ratio
    - (1) Net Group qualified capital = Qualified requirement of Financial Holding Company Law + (Shares hold in ratio of Financial Holding Company Law × Qualified capital of subsidiaries) – Deduction
    - (2) Legal requirement of subsidiaries' capital = Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law × Legal requirement of subsidiaries
    - (3) Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.
- Note 5 : Calculations of earnings per share must take into account the following:
1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares
  2. Effects of cash issues or treasury stocks, by weighing the number of outstanding shares against the length of time they were in circulation.
  3. If any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share must be adjusted retrospectively, regardless of when the additional shares were issued.
  4. If preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) must be deducted from after-tax profit, or added to after-tax loss. If preferred shares were non-cumulative, then preferred share dividends must be deducted from after-tax profit, but no adjustment is required for after-tax loss
- Note 6 : Cosmos Bank became the Company's wholly owned subsidiary through a share swap. Cosmos Bank renamed as KGI Bank from year 2015.
- Note 7 : The "Ratio of income growing" and the "Cash flow adequacy ratio" are not applicable due to the financial statements are based on R.O.C GAAP before 2011.
- Note 8 : The "Capital adequacy ratio" of 2011 is not applicable due to the basis of calculation was different from 2012.
- Note 9 : The financial information of 2014 have restated according to the 2013 version of IFRS.
- Note 10 : The "Capital adequacy ratio" and "the NPL ratio" are the key performance indicators of the financial institutions.

### 6.2.3 Consolidated Financial Analysis – Based on ROC GAAP

Unit: NT\$'000, %

Item		Year	Financial Summary for The Last Five Years (Note2)	
			2011	2012
Operating ratio	Total assets turnover (Times)		0.02	0.03
	Ratio of loans to deposits		114.43	79.65
	NPL ratio(CDIB)		0.18	0
	Average revenue per employee		3,626	2,593
	Average net income per employee		828	895
Profitability ratio	Ratio of return on total assets(%)		0.49	1.29
	Ratio of return on stockholders' equity (%)		1.32	3.72
	Profit margin ratio(%)		22.84	34.49
	Basic Earnings per share(in dollar)		0.15	0.39
Financial structure (%)	Ratio of debt to assets		64.12	66.10
	Ratio of debt to net worth		178.73	194.95
	Double Leverage Ratio of Financial Holding Company		118.02	113.18
	According to Article 41 of Financial Holding Company Law		(Note 1)	(Note 1)
Leverage ratio	Operating leverage ratio		99.91	112.72
	Financial leverage ratio of Financial Holding Company		128.13	108.87
Ratio of growing	Ratio of assets growing		(1.28)	47.48
	Ratio of income growing		(79.98)	207.53
Cash flow	Cash flow ratio		8.53	7.19
	Cash flow adequacy ratio		5.98	5.53
	Cash flow content ratio		109.13	18.16
Operating Scale	Market share of assets		1.15	1.58
	Market share of equity		6.09	7.58
	Market share of deposit		0.24	0.35
	Market share of assets loans		0.38	0.39
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	32.66	27.87
		Grand Cathay Securities	444	458
		KGI Securities	(Note 5)	400
	Qualified capital of subsidiaries	CDIB	45,469,556	39,827,310
		Grand Cathay Securities	9,491,993	11,003,691
		KGI Securities	(Note 5)	15,995,192
	Group Capital Adequacy Ratio		36,725,940	49,469,462
	Legal requirement of subsidiaries' capital	CDIB	11,136,360	11,432,749
		Grand Cathay Securities	3,207,708	3,601,187
		KGI Securities	(Note 5)	5,992,284
	Legal requirement of group capital		155,052,274	193,379,558
	Group Capital Adequacy Ratio		225.81	214.77
endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law		The same Customer	56.27	72.65
		The same Group	40.50	41.70

Note 1 : None

Note 2 : Financial statements of the Company in 2011 to 2012 were audited.

Note 3 : Below are the formulas used in various financial analyses:



1. Operating ratio
  - (1) Total assets turnover = Net income / Average assets
  - (2) Ratio of loans to deposits = Total loans / Total deposits
  - (3) NPL ratio = Nonperforming loans / Total loans
  - (4) Average revenue per employee = Net revenues / employee
  - (5) Average net income per employee = Net income / employee
2. Profitability ratio
  - (1) Ratio of return on total assets = Income after income tax / Average assets
  - (2) Ratio of return on stockholders' equity = Income after income tax / Average stockholders' equity
  - (3) Profit margin ratio = Income after income tax / Net revenues
  - (4) Basic earnings per share = ( Income and loss attributable to owners of the company – Dividends for preferred stocks ) / Average issued shares ( Note 4 )
3. Financial structure
  - (1) Ratio of debt to assets = Total liabilities / Total assets
  - (2) Ratio of debt to net worth = Total liabilities / Total stockholders' equity
  - (3) Double Leverage Ratio of Financial Holding Company = Equity investments specified under Articles 36, Paragraph 2, and 37 of the Financial Holding Company Act / Total stockholders' equity.
4. Leverage ratio
  - (1) Operating leverage ratio = (Net revenues – Variable expenses) / Income before income tax
  - (2) Financial leverage ratio of Financial Holding Company = (Income before income tax + interest expenses) / Income before income tax
5. Ratio of growing
  - (1) Ratio of assets growing = ( Total assets – Last year total assets ) / Last year total assets
  - (2) Ratio of income growing = ( income before income tax – Last year income before income tax ) / Last year income before income tax
6. Cash flow
  - (1) Cash flow ratio = Net cash provided by operating activities / ( Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities sold under repurchased issued + Current portion of Payables )
  - (2) Cash flow adequacy ratio = Net cash provided by operating activities (for the last five year) / for the last five year ( capital expenditure + Cash dividends ) .
  - (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities
7. Operating Scale
  - (1) Market share of assets = Total assets / Total assets of all Financial Holding Co., Ltd.
  - (2) Market share of equity = Total stockholders' equity / Total stockholders' equity of all Financial Holding Co., Ltd.
  - (3) Market share of deposit (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business
  - (4) Market share of assets loans (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business
8. Capital adequacy Ratio
  - (1) Net Group qualified capital = Qualified requirement of Financial Holding Company Law + ( Shares hold in ratio of Financial Holding Company Law × Qualified capital of subsidiaries ) – Deduction
  - (2) Legal requirement of subsidiaries' capital = Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law × Legal requirement of subsidiaries
  - (3) Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.

Note 4 : Calculations of earnings per share must take into account the following:

1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares
2. Effects of cash issues or treasury stocks, by weighing the number of outstanding shares against the length of time they were in circulation.
3. If any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share must be adjusted retrospectively, regardless of when the additional shares were issued.
4. If preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) must be deducted from after-tax profit, or added to after-tax loss. If preferred shares were non-cumulative, then preferred share dividends must be deducted from after-tax profit, but no adjustment is required for after-tax loss

Note 5 : KGI Securities became CDFH's subsidiary after CDFH acquired 81.73% of KGI Securities' shares through a tender offer.

## 6.2.4 Unconsolidated Financial Analysis – Based on ROC GAAP

Unit: NT\$'000; %

Item		Year	Financial Summary for The Last Five Years (Note2)	
			2011	2012
Operating ratio	Total assets turnover (Times)		0.02	0.03
	Ratio of loans to deposits		114.43	79.65
	NPL ratio(CDIB)		0.18	0
	Average revenue per employee		28,424	83,335
	Average net income per employee		19,601	76,136
Profitability ratio	Ratio of return on total assets (%)		1.36	3.35
	Ratio of return on stockholders' equity (%)		1.31	3.71
	Profit margin ratio (%)		68.96	91.36
	Basic Earnings per share(in dollar)		0.15	0.39
Financial structure (%)	Ratio of debt to assets		17.19	14.54
	Ratio of debt to net worth		20.75	17.01
	Double Leverage Ratio of Financial Holding Company		118.02	113.18
	According to Article 41 of Financial Holding Company Law		(Note 1)	(Note 1))
Leverage ratio	Operating leverage ratio		129.67	109.17
	Financial leverage ratio of Financial Holding Company		128.13	108.87
Ratio of growing	Ratio of assets growing		(8.06)	23.85
	Ratio of income growing		(79.47)	181.34
Cash flow	Cash flow ratio		160.28	1.53
	Cash flow adequacy ratio		82.21	42.58
	Cash flow content ratio		133,493.43	8.51
Operating Scale	Market share of assets		6.74	7.55
	Market share of equity		6.40	7.35
	Market share of deposit		0.24	0.35
	Market share of assets loans		0.38	0.39
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	32.66	27.87
		Grand Cathay Securities	444	458
		KGI Securities	(Note 5)	400
	Qualified capital of subsidiaries	CDIB	45,469,556	39,827,310
		Grand Cathay Securities	9,491,993	11,003,691
		KGI Securities	(Note 5)	15,995,192
	Group Capital Adequacy Ratio		36,725,940	49,469,462
	Legal requirement of subsidiaries' capital	CDIB	11,136,360	11,432,749
		Grand Cathay Securities	3,207,708	3,601,187
		KGI Securities	(Note 5)	5,992,284
	Legal requirement of group capital		155,052,274	193,379,558
	Group Capital Adequacy Ratio		225.81	214.77
endorsements or other transactions of all subsidiaries with the same individual, the same related party or enterprise according to article 46 of Financial Holding Company Law		The same Customer	56.27	72.65
		The same Group	40.50	41.70

Note 1 : None

Note 2 : Financial statements of the Company in 2011 to 2012 were audited.

Note 3 : Below are the formulas used in various financial analyses:

1. Operating ratio

- (1) Total assets turnover = Net income / Average assets
- (2) Ratio of loans to deposits = Total loans / Total deposits
- (3) NPL ratio = Nonperforming loans / Total loans
- (4) Average revenue per employee = Net revenues / employee
- (5) Average net income per employee = Net income / employee

2. Profitability ratio

- (1) Ratio of return on total assets = Income after income tax / Average assets
- (2) Ratio of return on stockholders' equity = Income after income tax / Average stockholders' equity
- (3) Profit margin ratio = Income after income tax / Net revenues
- (4) Basic earnings per share = (Income and loss attributable to owners of the company – Dividends for preferred stocks) / Average issued shares (Note 4)

3. Financial structure

- (1) Ratio of debt to assets = Total liabilities / Total assets
- (2) Ratio of debt to net worth = Total liabilities / Total stockholders' equity
- (3) Double Leverage Ratio of Financial Holding Company = Equity investments specified under Articles 36, Paragraph 2, and 37 of the Financial Holding Company Act / Total stockholders' equity.

4. Leverage ratio

- (1) Operating leverage ratio = (Net revenues – Variable expenses) / Income before income tax
- (2) Financial leverage ratio of Financial Holding Company = (Income before income tax + interest expenses) / Income before income tax

5. Ratio of growing

- (1) Ratio of assets growing = (Total assets – Last year total assets) / Last year total assets
- (2) Ratio of income growing = (income before income tax – Last year income before income tax) / Last year income before income tax

6. Cash flow

- (1) Cash flow ratio = Net cash provided by operating activities / (Due to the bank + Commercial paper issued + Financial liabilities at fair value through profit of loss + Securities sold under repurchased issued + Current portion of Payables)
- (2) Cash flow adequacy ratio = Net cash provided by operating activities (for the last five year) / for the last five year (capital expenditure + Cash dividends) .
- (3) Cash flow content ratio = Net cash provided by operating activities / Net cash provided by investing activities

7. Operating Scale

- (1) Market share of assets = Total assets / Total assets of all Financial Holding Co., Ltd.
- (2) Market share of equity = Total stockholders' equity / Total stockholders' equity of all Financial Holding Co., Ltd.
- (3) Market share of deposit (bank) = Total deposits / Total deposits held by all financial institutions which are qualified in deposit and loan business
- (4) Market share of assets loans (bank) = Total loans / Total loans granted by all financial institutions which are qualified in deposit and loan business

8. Capital adequacy Ratio

- (1) Net Group qualified capital = Qualified requirement of Financial Holding Company Law + (Shares hold in ratio of Financial Holding Company Law × Qualified capital of subsidiaries) – Deduction
- (2) Legal requirement of subsidiaries' capital = Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law × Legal requirement of subsidiaries
- (3) Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.

Note 4 : Calculations of earnings per share must take into account the following:

- 1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares
- 2. Effects of cash issues or treasury stocks, by weighing the number of outstanding shares against the length of time they were in circulation.
- 3. If any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share must be adjusted retrospectively, regardless of when the additional shares were issued.
- 4. If preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) must be deducted from after-tax profit, or added to after-tax loss. If preferred shares were non-cumulative, then preferred share dividends must be deducted from after-tax profit, but no adjustment is required for after-tax loss

Note 5 : KGI Securities became CDFH's subsidiary after CDFH acquired 81.73% of KGI Securities' shares through a tender offer.

### **6.3 Audit Committee's Report for the Most Recent Year**

#### **China Development Financial Holding Corporation Audit Committees' Report**

The Board of Directors has prepared this Company's 2015 business report, financial statements and the earnings distribution plan, among which the financial statements have been audited by CPAs Yi-Chun Wu and Cheng-Hung Kuo of Deloitte who have submitted an audited report. The above statements and reports have been examined by the Audit Committee and no irregularities were found. We hereby report as above, in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Please kindly approve.

To: China Development Financial Holding Co., Ltd.

2016 Annual General Meeting of the Shareholders

Audit Committee

Convener     Ching-Yen Tsay

## **6.4 Financial Statements for the Years Ended December 31, 2015 and 2014, and Independent Auditors' Report**

### **China Development Financial Holding Corporation and Subsidiaries**

#### **Consolidated Financial Statements for the Years Ended December 31, 2015 and 2014 and Independent Auditors' Report**

## **DECLARATION OF CONSOLIDATION OF FINANCIAL STATEMENTS OF AFFILIATES**

The companies required to be included in the consolidated financial statements of affiliates in accordance with the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” for the year ended December 31, 2015 are all the same as the companies required to be included in the consolidated financial statements of parent and subsidiary companies as provided in International Financial Reporting Standard 10 “Consolidated Financial Statements”. Relevant information that should be disclosed in the consolidated financial statements of affiliates has all been disclosed in the consolidated financial statements of parent and subsidiary companies. Hence, we have not prepared a separate set of consolidated financial statements of affiliates.

Very truly yours,

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION

By

Chairman: Mu-Tsai Chen

March 28, 2016

## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders  
China Development Financial Holding Corporation

We have audited the accompanying consolidated balance sheets of China Development Financial Holding Corporation (the "Corporation") and its subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Regulations Governing Auditing and Attestation of Financial Statements of Financial Institutions by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those regulations and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Corporation and its subsidiaries as of December 31, 2015 and 2014, and their consolidated financial performance and its consolidated cash flows for the years ended December 31, 2015 and 2014, in conformity with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, the guidelines issued by the authority and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

March 28, 2016

### Notice to Readers

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

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

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

ASSETS	2015		2014 (After Restated)	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 49)	\$ 25,090,329	3	\$ 25,228,480	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 49 and 50)	87,125,284	10	41,616,681	4
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 10, 49 and 50)	157,780,085	18	151,177,813	16
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10 and 50)	70,643,015	8	139,610,600	15
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	52,622,253	6	32,871,543	4
RECEIVABLES, NET (Notes 4, 12, 49, 50 and 56)	100,754,149	12	131,789,029	14
CURRENT TAX ASSETS (Note 4)	990,101	-	720,044	-
DISCOUNT AND LOANS, NET (Notes 4, 13, 49 and 56)	217,780,328	25	225,777,475	25
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4 and 14)	402,564	-	18,790,000	2
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 15, 16 and 50)	10,775,665	1	8,562,987	1
RESTRICTED ASSETS (Notes 17, 50 and 51)	29,776,730	3	24,425,207	3
FINANCIAL ASSETS MEASURED AT COST (Notes 4 and 18)	21,095,274	2	31,962,391	3
OTHER FINANCIAL ASSETS (Notes 19, 49 and 50)	38,773,821	5	41,792,876	5
INVESTMENT PROPERTY, NET (Notes 4, 20 and 50)	2,048,311	-	2,070,706	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 21 and 50)	14,717,160	2	14,393,809	2
INTANGIBLE ASSETS, NET (Notes 4 and 22)	8,584,490	1	8,896,357	1
DEFERRED TAX ASSETS (Notes 4 and 46)	5,561,925	1	5,834,810	1
OTHER ASSETS, NET (Notes 4, 23 and 50)	22,197,691	3	14,180,410	1
TOTAL	<u>\$ 866,719,175</u>	<u>100</u>	<u>\$ 919,701,218</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>LIABILITIES</b>				
Deposits from the Central Bank and banks (Note 24)	\$ 10,024,399	1	\$ 12,680,778	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 49)	39,898,179	5	35,082,307	4
Derivative financial liabilities for hedging (Notes 4 and 25)	-	-	20,659	-
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 26 and 49)	119,611,868	14	132,826,606	14
Commercial paper payable, net (Notes 27 and 50)	13,139,202	1	13,925,045	2
Payables (Notes 4, 28 and 49)	57,152,044	7	58,243,555	6
Current tax liabilities (Note 4)	911,029	-	1,994,883	-
Deposits and remittances (Notes 29 and 49)	325,312,132	38	304,557,970	33
Bonds payable (Notes 30 and 49)	28,618,692	3	34,660,984	4
Other borrowings (Notes 31, 49 and 50)	21,809,459	3	35,204,646	4
Provisions (Notes 4, 32 and 33)	1,419,454	-	1,215,264	-
Principal received on structured notes	34,375,733	4	74,150,578	8
Customers' equity accounts - futures (Notes 4 and 49)	30,698,500	4	23,754,390	3
Other financial liabilities (Note 8)	400,851	-	392,027	-
Deferred tax liabilities (Notes 4 and 46)	1,460,166	-	1,423,785	-
Other liabilities (Notes 4 and 34)	13,116,729	1	13,544,034	2
Total liabilities	<u>697,948,437</u>	<u>81</u>	<u>743,677,511</u>	<u>81</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 35 and 36)</b>				
Capital				
Common stock	151,124,071	17	153,438,493	17
Advance receipts for capital stock	1,370	-	5,969	-
Capital surplus	654,803	-	590,923	-
Retained earnings				
Legal reserve	4,161,475	-	3,077,853	-
Special reserve	765,041	-	1,123,858	-
Unappropriated earnings	13,580,644	2	15,275,884	2
Other				
Exchange differences on translation of foreign financial statements	1,741,670	-	201,379	-
Unrealized losses on available-for-sale financial assets	(4,456,314)	-	(177,929)	-
Unrealized losses on cash flow hedges	-	-	(20,659)	-
Others	(32,187)	-	(26,956)	-
Treasury shares	(2,376,747)	-	(3,298,709)	(1)
Total equity attributable to owners of the parent	<u>165,163,826</u>	<u>19</u>	<u>170,190,106</u>	<u>18</u>
NON-CONTROLLING INTERESTS	<u>3,606,912</u>	<u>-</u>	<u>5,833,601</u>	<u>1</u>
Total equity	<u>168,770,738</u>	<u>19</u>	<u>176,023,707</u>	<u>19</u>
TOTAL	<u>\$ 866,719,175</u>	<u>100</u>	<u>\$ 919,701,218</u>	<u>100</u>

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



# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (After Restated)	
	Amount	%	Amount	%
INTEREST REVENUE (Notes 4, 37 and 49)	\$ 14,245,989	47	\$ 12,811,017	45
INTEREST EXPENSE (Notes 4, 37 and 49)	<u>(5,138,176)</u>	<u>(17)</u>	<u>(4,398,754)</u>	<u>(16)</u>
INTEREST PROFIT, NET	<u>9,107,813</u>	<u>30</u>	<u>8,412,263</u>	<u>29</u>
NONINTEREST PROFITS AND GAINS, NET				
Service fee and commission, net (Notes 4, 38 and 49)	9,571,233	31	7,519,286	26
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4, 39 and 49)	4,508,034	15	3,413,804	12
Realized gain on available-for-sale financial assets, net (Notes 4 and 40)	3,769,306	12	6,420,698	22
Foreign exchange loss, net	(1,109,121)	(4)	(870,164)	(3)
Impairment loss on assets, net (Notes 4 and 41)	(983,978)	(3)	(1,277,209)	(4)
Share of profit of associates and joint ventures	439,558	1	486,371	2
Gain on financial assets measured at cost, net (Note 42)	2,462,248	8	2,498,617	9
Consulting service revenue (Note 49)	1,092,892	4	694,183	2
Others (Notes 43 and 49)	<u>1,664,537</u>	<u>6</u>	<u>1,324,138</u>	<u>5</u>
Total noninterest profits and gains, net	<u>21,414,709</u>	<u>70</u>	<u>20,209,724</u>	<u>71</u>
TOTAL NET REVENUES	<u>30,522,522</u>	<u>100</u>	<u>28,621,987</u>	<u>100</u>
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	<u>329,789</u>	<u>1</u>	<u>(13,707)</u>	<u>-</u>
OPERATING EXPENSES (Notes 4, 33, 44, 45 and 49)				
Employee benefits	(12,562,364)	(41)	(10,083,169)	(35)
Depreciation and amortization	(1,432,844)	(5)	(1,229,923)	(5)
Other general and administrative expenses	<u>(7,414,116)</u>	<u>(24)</u>	<u>(5,516,555)</u>	<u>(19)</u>
Total operating expenses	<u>(21,409,324)</u>	<u>(70)</u>	<u>(16,829,647)</u>	<u>(59)</u>
NET PROFIT BEFORE INCOME TAX	9,442,987	31	11,778,633	41
INCOME TAX EXPENSE (Notes 4 and 46)	<u>(827,812)</u>	<u>(3)</u>	<u>(941,302)</u>	<u>(3)</u>
NET PROFIT FOR THE YEAR	<u>8,615,175</u>	<u>28</u>	<u>10,837,331</u>	<u>38</u>

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2015		2014 (After Restated)	
	Amount	%	Amount	%
OTHER COMPREHENSIVE INCOME (LOSS)				
(Note 4)				
Items that will not be reclassified subsequently to profit or loss, net of income tax				
Remeasurement of defined benefit plans	\$ (457,275)	(1)	\$ 134,807	-
Share of other comprehensive income (loss) of associates and joint ventures	(3,300)	-	578	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss	64,980	-	(30,930)	-
Items that will be reclassified subsequently to profit or loss, net of income tax				
Exchange differences on translation of foreign financial statements	1,463,992	5	1,941,691	7
Unrealized loss on available-for-sale financial assets	(4,072,080)	(13)	(1,757,152)	(6)
Unrealized gain on cash flow hedges	20,659	-	24,088	-
Share of other comprehensive income (loss) of associates and joint ventures	(132,581)	(1)	182,221	-
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>(858)</u>	<u>-</u>	<u>257,096</u>	<u>1</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,116,463)</u>	<u>(10)</u>	<u>752,399</u>	<u>2</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,498,712</u>	<u>18</u>	<u>\$ 11,589,730</u>	<u>40</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the parent	\$ 8,528,231	28	\$ 10,752,042	38
Non-controlling interests	<u>86,944</u>	<u>-</u>	<u>85,289</u>	<u>-</u>
	<u>\$ 8,615,175</u>	<u>28</u>	<u>\$ 10,837,331</u>	<u>38</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the parent	\$ 5,415,879	18	\$ 11,506,549	40
Non-controlling interests	<u>82,833</u>	<u>-</u>	<u>83,181</u>	<u>-</u>
	<u>\$ 5,498,712</u>	<u>18</u>	<u>\$ 11,589,730</u>	<u>40</u>

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

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	<b>2015</b>		<b>2014</b> <b>(After Restated)</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
EARNINGS PER SHARE (Note 47)				
Basic	<u>\$0.58</u>		<u>\$0.73</u>	
Diluted	<u>\$0.57</u>		<u>\$0.73</u>	

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

(Concluded)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014  
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Equity Attributable to Owners of the Parent													
	Capital						Other Equity							
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Retained Earnings Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Others	Treasury Shares	Total Equity Attributable to Owners of The Parent	Non-controlling Interests	Total Equity
BALANCE AT JANUARY 1, 2014	\$ 150,308,833	\$ -	\$ 535,087	\$ 2,247,453	\$ 3,609,815	\$ 8,799,179	\$ (1,945,718)	\$ 1,343,715	\$ (44,747)	\$ (24,126)	\$ (2,170,286)	\$ 162,659,205	\$ 6,443,449	\$ 169,102,654
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(18,069)	-	-	-	-	-	(18,069)	-	(18,069)
BALANCE AT JANUARY 1, 2014 AS RESTATED	150,308,833	-	535,087	2,247,453	3,609,815	8,781,110	(1,945,718)	1,343,715	(44,747)	(24,126)	(2,170,286)	162,641,136	6,443,449	169,084,585
Appropriation of the 2013 earnings	-	-	-	830,400	-	(830,400)	-	-	-	-	-	-	-	-
Cash dividends - NT\$0.4 per share	-	-	-	-	-	(6,014,787)	-	-	-	-	-	(6,014,787)	-	(6,014,787)
Special reserve reversed	-	-	-	-	(2,485,957)	2,485,957	-	-	-	-	-	-	-	-
	-	-	-	830,400	(2,485,957)	(4,359,230)	-	-	-	-	-	(6,014,787)	-	(6,014,787)
Net profit for the year ended December 31, 2014 as restated	-	-	-	-	-	10,752,042	-	-	-	-	-	10,752,042	85,289	10,837,331
Other comprehensive income (loss) for the year ended December 31, 2014 as restated, net of income tax	-	-	-	-	-	104,966	2,147,097	(1,521,644)	24,088	-	-	754,507	(2,108)	752,399
Total comprehensive income (loss) for the year ended December 31, 2014 as restated	-	-	-	-	-	10,857,008	2,147,097	(1,521,644)	24,088	-	-	11,506,549	83,181	11,589,730
Issuance of common stock for acquisition of ownership in subsidiaries	3,061,467	-	-	-	-	-	-	-	-	-	-	3,061,467	-	3,061,467
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(921,962)	(921,962)	-	(921,962)
Shares purchased by subsidiaries from parent company is deemed as treasury shares	-	-	-	-	-	-	-	-	-	-	(206,461)	(206,461)	-	(206,461)
Difference between consideration and carrying amount adjusted arising from changes in percentage of ownership in subsidiaries	-	-	(9,023)	-	-	-	-	-	-	-	-	(9,023)	-	(9,023)
Share-based payments	68,193	5,969	64,859	-	-	(3,004)	-	-	-	(2,830)	-	133,187	-	133,187
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(693,029)	(693,029)
BALANCE AT DECEMBER 31, 2014 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106	5,833,601	176,023,707
Appropriation of the 2014 earnings	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-	-	-
Cash dividends - NT\$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Special reserve reversed	-	-	-	-	(358,817)	358,817	-	-	-	-	-	-	-	-
	-	-	-	1,083,622	(358,817)	(9,823,478)	-	-	-	-	-	(9,098,673)	-	(9,098,673)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	74	-	-	-	-	-	-	-	-	74	-	74
Net profit for the year ended December 31, 2015	-	-	-	-	-	8,528,231	-	-	-	-	-	8,528,231	86,944	8,615,175
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(394,917)	1,540,291	(4,278,385)	20,659	-	-	(3,112,352)	(4,111)	(3,116,463)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	8,133,314	1,540,291	(4,278,385)	20,659	-	-	5,415,879	82,833	5,498,712
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,461,046)	(1,461,046)	-	(1,461,046)
Cancellation of treasury shares	(2,425,650)	-	42,642	-	-	-	-	-	-	-	2,383,008	-	-	-
Share-based payments	111,228	(4,599)	21,164	-	-	(5,076)	-	-	-	(5,231)	-	117,486	-	117,486
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	-	(2,309,522)	(2,309,522)
BALANCE AT DECEMBER 31, 2015	\$ 151,124,071	\$ 1,370	\$ 654,803	\$ 4,161,475	\$ 765,041	\$ 13,580,644	\$ 1,741,670	\$ (4,456,314)	\$ -	\$ (37,187)	\$ (2,376,747)	\$ 165,163,826	\$ 3,606,912	\$ 168,770,738

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

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (After Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax	\$ 9,442,987	\$ 11,778,633
Adjustments to reconcile net profit (loss)		
Depreciation expenses	565,972	451,704
Amortization expenses	866,872	778,219
Allowance (reversal of allowance) for bad debts and losses on guarantees, net	(329,789)	13,707
Interest expense	5,166,039	4,436,123
Interest income	(16,062,398)	(14,172,239)
Dividend income	(2,337,235)	(2,227,986)
Share of profit of associates and joint ventures	(435,855)	(495,507)
Gain on disposal of investment property	(16,003)	(102,926)
Gain on disposal of investments	(2,390,902)	(6,987,019)
Loss on financial asset impairment	959,324	1,151,674
Loss on nonfinancial asset impairment	24,654	125,535
Others	345,824	(459,995)
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(6,777,108)	(7,967,395)
Financial assets at fair value through profit or loss	(6,602,272)	(53,005,322)
Available-for-sale financial assets	(46,514,008)	380,981
Held to maturity financial assets	18,600,000	1,300,000
Securities purchased under resell agreements	(7,557,179)	2,893,576
Receivables	31,405,161	10,155,343
Discount and loans	8,630,578	(19,608,044)
Other financial assets	3,028,465	(4,348,371)
Other assets	(15,534,205)	(6,624,768)
Deposits from the Central Bank and banks	(2,656,379)	4,545,761
Financial liabilities at fair value through profit or loss	4,815,872	12,482,184
Notes and bonds issued under repurchase agreements	(13,214,738)	15,322,988
Payables	(3,141,695)	2,343,610
Deposits and remittances	20,736,158	31,912,977
Other financial liabilities	(41,228,391)	3,373,282
Other liabilities	9,013,563	(403,008)
Interest received	16,349,497	13,524,778
Dividend received	2,544,116	2,319,087
Interest paid	(5,401,226)	(4,480,508)
Income tax paid	(1,955,475)	(1,273,481)
Net cash used in operating activities	(39,659,776)	(2,866,407)

(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (After Restated)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	\$ (22,201,876)	\$ (64,295,782)
Proceeds on sale of available-for-sale financial assets	134,696,958	55,788,096
Proceeds on sale of debt investments with no active market	999,992	57,723
Acquisition of held-to-maturity financial assets	(402,564)	-
Proceeds on sale of held-to-maturity financial assets	190,000	190,000
Acquisition of financial assets measured at cost	(1,803,767)	(2,356,162)
Proceeds on sale of financial assets measured at cost	9,481,566	4,548,859
Proceeds from capital return on financial assets measured at cost	184,438	372,501
Acquisition of investments accounted for using the equity method	(1,849,914)	(1,034,575)
Proceeds on sale of investments accounted for using the equity method	3,482	157,196
Net cash inflow on acquisition of subsidiaries	-	6,749,398
Proceeds from capital return on investments accounted for using the equity method	1,821,464	293,385
Acquisition of property and equipment	(828,564)	(291,242)
Proceeds on sale of investment property	261,578	334,414
Others	703,475	347,643
Net cash generated from investing activities	121,256,268	861,454
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in short-term borrowings	(11,752,792)	13,091,788
Increase (decrease) in commercial paper payable	(785,843)	3,808,820
Proceeds from issue of corporate bonds	15,000,000	1,020,680
Repayments of corporate bonds	(11,100,000)	-
Repayments of bank debentures	(10,000,000)	(3,500,000)
Proceeds of long-term borrowings	-	4,099,668
Repayments of long-term borrowings	(1,642,395)	(838,702)
Cash dividends paid	(9,098,673)	(6,014,787)
Purchase of treasury shares	(1,461,046)	(921,962)
Acquisition of equity interest in subsidiaries	-	(111,150)
Changes in non-controlling interests	(101,675)	(595,753)
Others	(166,175)	86,787
Net cash generated from (used in) financing activities	(31,108,599)	10,125,389
<b>EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>	298,982	822,759
		(Continued)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

	2015	2014 (After Restated)
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 50,786,875	\$ 8,943,195
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>84,850,996</u>	<u>75,907,801</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 135,637,871</u>	<u>\$ 84,850,996</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2015 and 2014:

	2015	2014 (After Restated)
Cash and cash equivalents in consolidated balance sheets	\$ 25,090,329	\$ 25,228,480
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS7	66,308,658	27,577,163
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS7	<u>44,238,884</u>	<u>32,045,353</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 135,637,871</u>	<u>\$ 84,850,996</u>

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

(Concluded)

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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### 1. GENERAL INFORMATION

China Development Financial Holding Corporation (the “Corporation”) was established by China Development Industrial Bank (CDIB) through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB became a wholly owned subsidiary of the Corporation after the share swap.

The Corporation acquired First Taiwan Securities Corporation (“First Taiwan”) and Grand Cathay Securities Corporation (“Grand Cathay”) through a share swap on November 8, 2002. The effective date of the merger between Grand Cathay and First Taiwan was December 31, 2003. Grand Cathay was the survivor company after the merger.

On April 30, 2012, the Corporation’s board of the directors approved the acquisition of 100% shares of KGI Securities Co., Ltd. (KGI Securities) through a tender offer. The Corporation acquired 81.73% of KGI Securities’ shares (totaling 2,672,420 thousand shares) during the public tender offer period. On September 28, 2012, the Corporation’s stockholders resolved to acquire KGI Securities’ remaining 18.27% shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

On April 8, 2014, the Corporation’s shareholders resolved to acquire KGI Bank Co., Ltd. (“KGI Bank”) through a share swap. Each KGI Bank share was exchanged for 0.2 share of the newly issued common stock of the Corporation plus NT\$13.4 cash of KGI Bank’s stock price on September 15, 2014. Thus, KGI Bank became the Corporation’s wholly owned subsidiary.

The Corporation invests in and manages the businesses of finance-related institutions and investees.

The Corporation’s shares have been listed on the Taiwan Stock Exchange (TSE).

CDIB was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1, 1999, CDIB was converted from a trust corporation into an industrial bank under government approval.

On March 2 and April 13, 2015, CDIB’s board of the directors of CDIB approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB and (b) CDIB’s holdings of shares in CDIB’s leasing subsidiaries and in the Taiwan Financial Asset Service Corporation in accordance with Article 185 of Company Act and Article 27 of Business Mergers and Acquisitions Act. On April 16, 2015, the transaction was approved by the Financial Supervisory Commission in accordance with Rule No. 10400053521, and the chairman was authorized by the board of directors to approve May 1, 2015 as the date of business transfer.



Before the transfer of business, CDIB's industrial banking operations included certain deposit-taking, lending, investment, bank debenture issuing, securities underwriting, domestic exchange, guarantee provision, letter of credit issuing, receivable acquisition, government bond purchasing, trust operations, offshore banking, transacting derivative financial instruments and other activities under the authority approval. After the transfer of business, CDIB's industrial banking operations included securities investment, investment, financial related business, venture capital and other activities approved by the authorities.

KGI Securities was established on September 14, 1988. It merged with Jen-Shin Securities Co., Ltd., Ta Ya Securities Co., Ltd., and Feng Yuan Securities Co., Ltd. in 2002; with Tai-Yu Securities Co., Ltd. in 2003, with Taishin Securities Co., Ltd. in 2009 and with Grand Cathay in 2013. The survivor entity in all these mergers was KGI Securities. As of December 31, 2015, KGI Securities had a head office and 83 branches which included head office.

KGI Securities operates as a securities underwriter, dealer, broker, future trading, future dealer, trust, wealth management, offshore securities and other related business as approved by authorities.

KGI Bank was established on January 14, 1992. As of December 31, 2015, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 51 domestic branches.

KGI Bank engages in banking operations are regulated under the banking Act.

For more information on the organization and business of the consolidated entities, please refer to Table 8 (attached).

## **2. APPROVAL OF FINANCIAL STATEMENTS**

The consolidated financial statements were reported to the board of directors and issue on March 28, 2016.

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

- a. Initial application of the amendment to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulation Governing the Preparation of Financial Reports by Securities Firms, Regulation Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 version of the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC.

Rule No. 10310006010, No. 10300346801 and No. 1030010325 issued by the FSC, stipulated that the Corporation and subsidiaries should apply the 2013 version of IFRS, IAS, IFRIC, SIC (collectively, the "IFRSs") and Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers issued by the IASB and endorsed by the FSC starting January 1, 2015.

Except for the following, whenever applied, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the 2013 IFRSs version would not have any material impact on the Corporation and subsidiaries' accounting policies:

1) IFRS 10 "Consolidated Financial Statements"

IFRS 10 replaces IAS 27 "Consolidated and Separate Financial Statements" and SIC 12 "Consolidation - Special Purpose Entities". The Corporation and subsidiaries consider whether it have control over other entities for consolidation. The Corporation and subsidiaries have control over an investee if and only if it has: i) power over the investee; ii) exposure, or rights, to variable returns from its involvement with the investee and iii) the ability to use its power over the investee to affect the amount of its returns. Additional guidance has been included in IFRS 10 to explain when an investor has control over an investee.

Under IFRS 10, the Corporation and subsidiaries recognize control over CDIB Capital Asia Partners L.P. since the acquisition date. Prior to the application of IFRS 10, the subsidiary of the Companies' ownership interest in CDIB Capital Asia Partners L.P. is treated as an investment in associate and thus accounted for this investment using the equity method.

The anticipated impact of the initial application of IFRS 10 is detailed as follows:

<b>Impact on Assets, Liabilities and Equity</b>	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>December 31, 2014</u>			
Cash and cash equivalents	\$ 25,130,691	\$ 97,789	\$ 25,228,480
Receivables, net	131,858,663	(69,634)	131,789,029
Investment accounted for using equity method, net	10,637,078	(2,074,091)	8,562,987
Financial assets measured at cost	27,778,085	4,184,306	31,962,391
Payables	58,230,976	12,579	58,243,555
Retained earnings	19,579,851	(86,259)	19,493,592
Exchange differences on translation of foreign financial statements	205,176	(3,797)	201,379
Non-controlling interests	3,617,754	2,215,847	5,833,601

<b>Impact on Total Comprehensive Income</b>	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>For the year ended December 31, 2014</u>			
Noninterest profits and gains, net			
Share of profit of associates and joint ventures	426,688	59,683	486,371
Gain on financial assets measured at cost, net	2,584,876	(86,259)	2,498,617
Consulting service revenue	787,453	(93,270)	694,183

(Continued)

<b>Impact on Total Comprehensive Income</b>	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
Operating expenses	\$ (16,803,832)	\$ (27,887)	\$ (16,831,719)
Other profits and gains, net	<u>23,987,807</u>	<u>-</u>	<u>23,987,807</u>
Total effect on net profit for the year ended December 31, 2014	<u>10,982,992</u>	<u>(147,733)</u>	<u>10,835,259</u>
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign financial statements	1,945,488	\$ (3,797)	1,941,691
Other comprehensive income, net	<u>(1,189,292)</u>	<u>-</u>	<u>(1,189,292)</u>
Total effect on other comprehensive income for the year ended December 31, 2014	<u>\$ 11,739,188</u>	<u>\$ (151,530)</u>	<u>\$ 11,587,658</u>
Impact on net profit attributable to:			
Owners of the parent	\$ 10,836,229	\$ (86,259)	\$ 10,749,970
Non-controlling interests	<u>146,763</u>	<u>(61,474)</u>	<u>85,289</u>
	<u>\$ 10,982,992</u>	<u>\$ (147,733)</u>	<u>\$ 10,835,259</u>
Impact on total comprehensive income attributable to:			
Owners of the parent	\$ 11,594,533	\$ (90,056)	\$ 11,504,477
Non-controlling interests	<u>144,655</u>	<u>(61,474)</u>	<u>83,181</u>
	<u>\$ 11,739,188</u>	<u>\$ (151,530)</u>	<u>\$ 11,587,658</u>
<u>Impact on earnings per share</u>			
Basic earnings per share	<u>\$ 0.73</u>	<u>\$ -</u>	<u>\$ 0.73</u>
Diluted earnings per share	<u>\$ 0.73</u>	<u>\$ -</u>	<u>\$ 0.73</u>
			(Concluded)

<b>Impact on Cash Flows</b>	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>For the year ended December 31, 2014</u>			
Net cash outflow from operating activities	\$ (2,827,464)	\$ (38,943)	\$ (2,866,407)
Net cash inflow from investing activities	2,999,415	(2,137,961)	861,454
Net cash inflow from financing activities	7,909,542	2,215,847	10,125,389
Effects of exchange rate changes on the balance of cash held in foreign currencies	<u>763,913</u>	<u>58,846</u>	<u>822,759</u>
Net increase in cash and cash equivalents	<u>\$ 8,845,406</u>	<u>\$ 97,789</u>	<u>\$ 8,943,195</u>

2) IFRS 12 “Disclosure of Interests in Other Entities”

IFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the disclosure requirements in IFRS 12 are more extensive than in the current standards.

3) Revision to IAS 28 “Investments in Associates and Joint Ventures”

Revised IAS 28 requires when a portion of an investment in an associate meets the criteria to be classified as held for sale, that portion is classified as held for sale. Any retained portion that has not been classified as held for sale is accounted for using the equity method. Under current IAS 28, when a portion of an investment in associates meets the criteria to be classified as held for sale, the entire investment is classified as held for sale and ceases to apply the equity method.

4) IFRS 13 “Fair Value Measurement”

IFRS 13 establishes a single source of guidance for fair value measurements. It defines fair value, establishes a framework for measuring fair value, and requires disclosures about fair value measurements. The disclosure requirements in IFRS 13 are more extensive than those required in the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only will be extended by IFRS 13 to cover all assets and liabilities within its scope.

The fair value measurements under IFRS 13 will be applied prospectively from January 1, 2015. Refer to Note 55 for related disclosures.

5) Amendment to IAS 1 “Presentation of Items of Other Comprehensive Income”

The amendment to IAS 1 requires items of other comprehensive income to be grouped into those items that (1) will not be reclassified subsequently to profit or loss; and (2) may be reclassified subsequently to profit or loss. Income taxes on related items of other comprehensive income are grouped on the same basis. Under current IAS 1, there were no such requirements.

The Corporation and subsidiaries retrospectively applied the above amendments starting in 2015. Items not expected to be reclassified to profit or loss are remeasurements of the defined benefit plans and share of other comprehensive income (the share of the remeasurements of the defined benefit plans) of associates and joint ventures accounted for using the equity method. Items expected to be reclassified to profit or loss are the exchange differences on translating foreign operations, unrealized gain (loss) on available-for-sale financial assets, cash flow hedges, and share of other comprehensive income (except the share of the remeasurements of the defined benefit plans) of associates accounted for using the equity method.

6) Revision to IAS 19 “Employee Benefits”

Revised IAS 19 requires the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the “corridor approach” permitted under current IAS 19 and accelerate the recognition of past service costs. The revision requires all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability to reflect the full value of the plan deficit or surplus.

Furthermore, the interest cost and expected return on plan assets used in current IAS 19 are replaced with a “net interest” amount, which is calculated by applying the discount rate to the net defined benefit liability or asset. In addition, the revised IAS 19 introduces certain changes in the presentation of the defined benefit cost, and also includes more extensive disclosures.

On initial application of the revised IAS 19 in 2015, the changes in cumulative employee benefit costs as of December 31, 2013 resulting from the retrospective application are adjusted to employee benefits and retained earnings. In addition, in preparing the consolidated financial statements for the year ended December 31, 2015, the Company would elect not to present 2014 comparative information about the sensitivity of the defined benefit obligation.

The impact on the current period is set out below:

	<b>December 31, 2015</b>
<b>Impact on Assets, Liabilities and Equity</b>	
Decrease in provisions	<u>\$ 2,072</u>
Increase in retained earnings	<u>\$ 2,072</u>
	<b>For the Year Ended December 31, 2015</b>
<b>Impact on Total Comprehensive Income</b>	
Decrease in employee benefits	<u>\$ 2,072</u>

The impact on the prior period is set out below:

<b>Impact on Assets, Liabilities and Equity</b>	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>December 31, 2014</u>			
Provisions	\$ 1,199,267	\$ 15,997	\$ 1,215,264
Retained earnings	19,579,851	(15,997)	19,563,854
<b>Impact on Total Comprehensive Income</b>	<b>Carrying Amount</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount</b>
<u>For the year ended December 31, 2014</u>			
Employee benefits	\$ 10,085,241	\$ (2,072)	\$ 10,083,169

#### 7) Annual Improvements to IFRSs: 2009-2011 Cycle

The amendments to IAS 1 clarify that an entity is required to present a balance sheet as at the beginning of the preceding period when a) it applies an accounting policy retrospectively, or makes a retrospective restatement or reclassifies items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the balance sheet at the beginning of the preceding period. The amendments also clarify that related notes are not required to accompany the balance sheet at the beginning of the preceding period.

8) Recognition and measurement of financial liabilities designated as at fair value through profit or loss

Based on the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Criteria Governing the Preparation of Financial Reports by Securities Firms, Criteria Governing the Preparation of Financial Reporting by Futures Commission Merchants and Regulations Governing the Preparation of Financial Reports by Securities Issuers for a financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value attributable to changes in the credit risk of that liability is presented in other comprehensive income and the remaining amount of change in the fair value of that liability is presented in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. If the above accounting treatment would create or enlarge an accounting mismatch, all gains or losses on that liability are presented in profit or loss.

b. New IFRSs in issue but not yet endorsed by FSC

On March 10, 2016, the FSC announced the scope of the 2016 version of IFRSs to be endorsed and will take effect from January 1, 2017. The scope includes all IFRSs that were issued by the IASB before January 1, 2016 and have effective dates on or before January 1, 2017, which means the scope excludes those that are not yet effective as of January 1, 2017 such as IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" and those with undetermined effective date. In addition, the FSC announced that the Group should apply IFRS 15 starting January 1, 2018. As of the date the consolidated financial statements were authorized for issue, the FSC has not announced the effective dates of other new, amended and revised standards and interpretations.

The Corporation and subsidiaries has not applied the following New IFRSs issued by the IASB but not yet endorsed by the FSC.

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Annual Improvements to IFRSs 2010-2012 Cycle	July 1, 2014 (Note 2)
Annual Improvements to IFRSs 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	January 1, 2016 (Note 3)
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of and Transition Disclosures"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB (Note 4)
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendment to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses" related to debt instruments measured at fair value	January 1, 2017

(Continued)

<b>New IFRSs</b>	<b>Effective Date Announced by IASB (Note 1)</b>
Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants”	January 1, 2016
Amendment to IAS 19 “Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 “Allow the Use of the Equity Method in Separate Financial Statements”	January 1, 2016
Amendment to IAS 36 “Impairment of Assets: Recoverable Amount Disclosures for Non-financial Assets”	January 1, 2014
Amendment to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
IFRIC 21 “Levies”	January 1, 2014
	(Concluded)

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

Note 2: The amendment to IFRS 2 applies to share-based payment transactions with grant date on or after July 1, 2014; the amendment to IFRS 3 applies to business combinations with acquisition date on or after July 1, 2014; the amendment to IFRS 13 is effective immediately; the remaining amendments are effective for annual periods beginning on or after July 1, 2014.

Note 3: The amendment to IFRS 5 is applied prospectively to changes in a method of disposal that occur in annual periods beginning on or after January 1, 2016; the remaining amendments are effective for annual periods beginning on or after January 1, 2016.

Note 4: The postponement in June 2015 applies to changes introduced by the IASB in September 2014 through narrow-scope amendments to IFRS 10 and IAS 28. Earlier application is permitted.

The initial application of the above New IFRSs, whenever applied, would not have any material impact on the Corporation and subsidiaries’ accounting policies, except for the following:

1) IFRS 9 “Financial Instruments”

Recognition and measurement of financial assets

With regards to financial assets, all recognized financial assets that are within the scope of IAS 39 “Financial Instruments: Recognition and Measurement” are subsequently measured at amortized cost or fair value. Under IFRS 9, the requirement for the classification of financial assets is stated below.

For the Corporation and subsidiaries’ debt instruments that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, their classification and measurement are as follows:

- a) For debt instruments, if they are held within a business model whose objective is to collect the contractual cash flows, the financial assets are measured at amortized cost and are assessed for impairment continuously with impairment loss recognized in profit or loss, if any. Interest revenue is recognized in profit or loss by using the effective interest method;

- b) For debt instruments, if they are held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of financial assets, the financial assets are measured at fair value through other comprehensive income (FVTOCI) and are assessed for impairment. Interest revenue is recognized in profit or loss by using the effective interest method, and other gain or loss shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains or losses. When the debt instruments are derecognized or reclassified, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss.

Except for above, all other financial assets are measured at fair value through profit or loss. However, the Corporation and subsidiaries may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss. No subsequent impairment assessment is required, and the cumulative gain or loss previously recognized in other comprehensive income cannot be reclassified from equity to profit or loss.

### The impairment of financial assets

IFRS 9 requires that impairment loss on financial assets is recognized by using the “Expected Credit Losses Model”. The credit loss allowance is required for financial assets measured at amortized cost, financial assets mandatorily measured at FVTOCI, lease receivables, contract assets arising from IFRS 15 “Revenue from Contracts with Customers”, certain written loan commitments and financial guarantee contracts. A loss allowance for the 12-month expected credit losses is required for a financial asset if its credit risk has not increased significantly since initial recognition. A loss allowance for full lifetime expected credit losses is required for a financial asset if its credit risk has increased significantly since initial recognition and is not low. However, a loss allowance for full lifetime expected credit losses is required for trade receivables that do not constitute a financing transaction.

For purchased or originated credit-impaired financial assets, the Corporation and subsidiaries takes into account the expected credit losses on initial recognition in calculating the credit-adjusted effective interest rate. Subsequently, any changes in expected losses are recognized as a loss allowance with a corresponding gain or loss recognized in profit or loss.

## 2) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

In issuing IFRS 13 “Fair Value Measurement”, the IASB made consequential amendment to the disclosure requirements in IAS 36 “Impairment of Assets”, introducing a requirement to disclose in every reporting period the recoverable amount of an asset or each cash-generating unit. The amendment clarifies that such disclosure of recoverable amounts is required only when an impairment loss has been recognized or reversed during the period. Furthermore, the Corporation and subsidiaries is required to disclose the discount rate used in measurements of the recoverable amount based on fair value less costs of disposal measured using a present value technique.

## 3) IFRIC 21 “Levies”

IFRIC 21 provides guidance on when to recognize a liability for a levy imposed by a government. It addresses the accounting for a liability whose timing and amount is certain and the accounting for a provision whose timing or amount is not certain. The Corporation and subsidiaries accrues related liability when the transaction or activity that triggers the payment of the levy occurs. Therefore, if the obligating event occurs over a period of time (such as generation of revenue over a period of time), the liability is recognized progressively. If an obligation to pay a levy is triggered upon reaching a minimum threshold (such as a minimum amount of revenue or sales generated), the liability is recognized when that minimum threshold is reached.



#### 4) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have “similar economic characteristics”. The amendment also clarifies that a reconciliation of the total of the reportable segments’ assets to the entity’s assets should only be provided if the segments’ assets are regularly provided to the chief operating decision-maker.

IFRS 13 was amended to clarify that the issuance of IFRS 13 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of not discounting is immaterial.

#### 5) Annual Improvements to IFRSs: 2011-2013 Cycle

The scope in IFRS 13 of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis was amended to clarify that it includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

IAS 40 was amended to clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required to determine whether the investment property acquired is acquisition of an asset or a business combination.

#### 6) IFRS 15 “Revenue from Contracts with Customers”

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations from January 1, 2017.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- Identify the contract with the customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contracts; and
- Recognize revenue when the entity satisfies a performance obligation.

When IFRS 15 is effective, an entity may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this Standard recognized at the date of initial application.

#### 7) Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”

The amendments stipulated that, when the Corporation and subsidiaries sells or contributes assets that constitute a business (as defined in IFRS 3) to an associate, the gain or loss resulting from the transaction is recognized in full. Also, when the Corporation and subsidiaries loses control of a subsidiary that contains a business but retains significant influence or joint control, the gain or loss resulting from the transaction is recognized in full.

Conversely, when the Corporation and subsidiaries sells or contributes assets that do not constitute a business to an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the Corporation and subsidiaries' share of the gain or loss is eliminated. Also, when the Corporation and subsidiaries loses control of a subsidiary that does not contain a business but retains significant influence or joint control in an associate, the gain or loss resulting from the transaction is recognized only to the extent of the unrelated investors' interest in the associate, i.e. the Corporation and subsidiaries' share of the gain or loss is eliminated.

#### 8) Annual Improvements to IFRSs: 2012-2014 Cycle

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset.

#### 9) Amendment to IAS 1 "Disclosure Initiative"

The amendment clarifies that the consolidated financial statements should be prepared for the purpose of disclosing material information. To improve the understandability of its consolidated financial statements, the Corporation and subsidiaries should disaggregate the disclosure of material items into their different natures or functions, and disaggregate material information from immaterial information.

The amendment further clarifies that the Corporation and subsidiaries should consider the understandability and comparability of its consolidated financial statements to determine a systematic order in presenting its footnotes.

#### 10) IFRS 16 "Leases"

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Under IFRS 16, if the Corporation and subsidiaries is a lessee, it shall recognize right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for low-value and short-term leases. The Corporation and subsidiaries may elect to apply the accounting method similar to the accounting for operating lease under IAS 17 to the low-value and short-term leases. On the consolidated statements of comprehensive income, the Corporation and subsidiaries should present the depreciation expense charged on the right-of-use asset separately from interest expense accrued on the lease liability; interest is computed by using effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of the lease liability are classified within financing activities; cash payments for interest portion are classified within operating activities.

The application of IFRS 16 is not expected to have a material impact on the accounting of the Corporation and subsidiaries as lessor.

When IFRS 16 becomes effective, the Corporation and subsidiaries may elect to apply this Standard either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of the initial application of this Standard recognized at the date of initial application.

#### 11) Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"

The amendment clarifies that the difference between the carrying amount of the debt instrument measured at fair value and its tax base gives rise to a temporary difference, even though there are unrealized losses on that asset, irrespective of whether the Corporation and subsidiaries expects to recover the carrying amount of the debt instrument by sale or by holding it and collecting contractual cash flows.

In addition, in determining whether to recognize a deferred tax asset, the Corporation and subsidiaries should assess a deductible temporary difference in combination with all of its other deductible temporary differences, unless the tax law restricts the utilization of losses to deduction against income of a specific type, in which case, a deductible temporary difference is assessed in combination only with other deductible temporary differences of the appropriate type. The amendment also stipulates that, when determining whether to recognize a deferred tax asset, the estimate of probable future taxable profit may include some of the Corporation and subsidiaries' assets for more than their carrying amount if there is sufficient evidence that it is probable that the Corporation and subsidiaries will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

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

#### **4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Statement of Compliance**

The accompanying consolidated financial statements have been prepared in conformity with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reporting by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, "IFRSs" as endorsed by the FSC.

##### **Basis of Preparation**

The consolidated financial statements have been prepared on the historical cost basis except for financial instruments that are measured at fair values. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The operating cycle in the banking industry cannot be reasonably identified; thus, asset and liability accounts included in the consolidated financial statements of CDIB and KGI Bank were not classified as current or noncurrent. Nevertheless, these accounts were properly categorized in accordance with the nature of each account and sequenced according to their liquidity. Please refer to Note 56 for the maturity analysis of assets and liabilities.

Except as stated in the preceding paragraph, unrestricted cash and cash equivalents and other assets to be converted into cash or consumed within one year are classified as current. Properties, intangible assets and other noncurrent assets are classified as noncurrent. Liabilities to be liquidated or settled within one year are classified as current. All other liabilities are classified as noncurrent. The banking industry accounts, however, make up a large portion of the consolidated financial statements. Thus, all the consolidated accounts were categorized according to the nature of each account and sequenced by their liquidity rather than classified as current or noncurrent assets/liabilities.

##### **Principles for Preparing Consolidated Financial Statements**

The consolidated financial report includes the financial reports of the Corporation and subsidiaries, and the accounting policies are applied consistently. All significant intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

The functional currency of the Corporation is the New Taiwan dollar, and the consolidated financial statements are presented in New Taiwan dollars.

As of December 31, 2015 and 2014, the consolidated entities included in the consolidated financial statements included 73 and 81 companies, respectively (please refer to the attached Tables 8).

### **Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date (i.e., the day when the Group obtains control) fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree, the excess are recognized immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

### **Foreign Currencies**

The Corporation and subsidiaries recognize at the rates of exchange prevailing at the dates of the transactions.

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

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

Nonmonetary items that are measured at historical cost in a foreign currency are not retranslated.

For the purposes of presenting consolidated financial statements, the assets and liabilities of the Corporation and subsidiaries' foreign operations are translated into New Taiwan dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are recognized in other comprehensive income (attributed to the stockholders of the parent company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Corporation and subsidiaries' entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity

in respect of that operation are reclassified to profit or loss.

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

### **Cash and Cash Equivalents**

Cash and cash equivalents include commercial paper and time deposits with maturities of three months or less from the date of acquisition and future excess margin are classified as cash equivalents. Their carrying amounts are similar to fair value.

### **Investments in Associates**

An associate is an entity over which the Corporation and subsidiaries have significant influence and that is not a subsidiary.

The Corporation and subsidiaries use the equity method to account for their investments in associates.

Under the equity method, an investment in an associate is initially recognized at cost and adjusted thereafter to recognize the Corporation and subsidiaries' share of profit or loss and other comprehensive income of the associate. The Corporation and subsidiaries also recognize the changes in the Corporation and subsidiaries' share of equity of associates.

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

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

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

The entire carrying amount of the investment is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the

recoverable amount of the investment subsequently increases.

The Corporation and subsidiaries discontinue the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Corporation and subsidiaries account for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

When the Corporation and subsidiaries transact with its associate, profits and losses resulting from the transactions with the associate are recognized in the Corporation and subsidiaries' consolidated financial statements only to the extent of interests in the associate that are not related to the Corporation and subsidiaries.

### **Financial Instruments**

Financial assets and financial liabilities are recognized when the Corporation and subsidiaries become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

#### **a. Financial assets and liabilities**

All regular way purchases or sales of financial assets and liabilities are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

##### **1) Measurement category**

###### **a) Financial assets or liabilities at fair value through profit or loss**

Financial assets or liabilities are classified as at fair value through profit or loss when the financial asset or liability is either held for trading or it is designated as at fair value through profit or loss.

A financial asset or liability other than a financial asset or liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Corporation and subsidiaries' documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- iii. The contract contains one or more embedded derivatives so that the entire hybrid (combined) contract can be designated as at fair value through profit or loss.

Financial assets or liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset. Other financial liabilities are measured at amortized cost using the effective interest method. Fair value is determined in the manner described in Note 55.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

b) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and the Corporation and subsidiaries have a positive intent and ability to hold to maturity are classified as held-to-maturity financial assets. Subsequent to initial measurement, held-to-maturity financial assets are recorded at amortized cost less impairment.

c) Available-for-sale financial assets

Available-for-sale financial assets are no derivatives that are either designated as available-for-sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale financial assets are measured at fair value. Changes in the carrying amount of available-for-sale monetary financial assets relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and dividends on available-for-sale equity investments are recognized in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss that previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available-for-sale equity instruments are recognized in profit or loss when the Corporation and subsidiaries' right to receive the dividends is established.

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity investments are measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between carrying amount and fair value is recognized in profit or loss or other comprehensive income on financial assets.

d) Loans and receivables

Loans and receivables are initially recognized at its fair value, which is usually the transaction price, plus significant transaction costs, service fees paid or received, premiums or discounts, etc. After initial recognition, loans and receivables shall be measured subsequently using the effective interest method in accordance with related rules. If the effect of discounting is not significant, the loans and receivables can be measured at initial undiscounted value in accordance with Regulations Governing the Preparation of Financial Reports by Financial Holding Companies.

2) Margin loans and stock loans

“Receivable amount for margin loans” is the margin loans extended to the customers to buy securities. The securities bought by the customers are held as pledges on the loan provided, and these securities are recorded as “securities deposited by customers” using memo entries.

The securities refinance customer loans from securities finance companies, and the related amount is recorded as “refinancing borrowings” and is pledged with the underlying securities bought by the customers.

The subsidiaries of the Corporation provide financing to customers for the short sale of pledged securities from margin loans or short sale of securities borrowed from securities finance companies. The proceeds from short sale of securities borrowed by customers, net of commissions and securities transaction tax, are retained by the subsidiaries and recorded as “deposit payable for securities financing.” In addition, the Securities and Futures Bureau (SFB), Financial Supervisory Commission, Executive Yuan, ROC requires that customers should make a guarantee deposit to the subsidiaries or provide securities in lieu of cash deposit, which are recorded as “securities financing guarantee deposit.”

3) Guarantee deposits received on futures contracts and customers’ equity accounts - futures

Margin deposit received from client is debited to “guarantee deposits received on futures contracts” and credited to “customers’ equity accounts - futures” for futures transactions as required by the regulations. Margin deposit balances are calculated daily by marking to market the open positions of each customer and determining the required margin levels. The debit balance of “customers’ equity accounts - futures” which results from losses on futures transactions in excess of the margin deposit, is recorded as “accounts receivable - futures guarantee deposits.” Customer’s equity accounts - futures cannot be offset unless these accounts pertain to the same customers.

4) Impairment of financial assets

a) Financial assets measured at amortized cost

The Corporation and subsidiaries’ discounts and loans, held-to-maturity financial assets, accounts receivable, interest receivable, acquired loans, and other receivables are assessed for impairment at each balance sheet date and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the above credit losses, the estimated future cash flows of the asset have been affected. Loans and receivables that are assessed as not impaired individually are further assessed for impairment on a collective basis.

For financial assets measured at amortized cost, the amount of the impairment loss recognized is the difference between the asset’s carrying amount and the present value of estimated future cash flows (reflected the effect of collateral), discounted at the financial asset’s original effective interest rate.



Based on the Regulatory Governing the procedures for Banking Industry to evaluate Assets and Deal with Non-performing/Non-annual loans issued by the Ministry of Finance (MOF), credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Corporation), special mention, substandard, with doubtful collectability and uncollectible or loss incurring are evaluated on the basis of the borrowers'/clients' financial condition and delinquency record on interest payments, and these assets have allowances at 1%, 2%, 10% and 50%, respectively, of outstanding credit. The minimum allowance for doubtful accounts and guarantees is equal to the book value of the above listed. The doubtful accounts of credit cards receivables are evaluated on the basis of Regulations Governing Institutions Engaging in Credit Card Business.

Based on Rule No. 10300329440 issued by the FSC, for the Corporation and subsidiaries to have enhanced risk coverage, the minimum provision for the loan loss reserve is 1.5% of the mortgage and construction loans that have been classified as normal assets before 2016. Based on Rule No. 10410001840 issued by the FSC, for the Corporation and subsidiaries to have an enhanced control of the exposure to risk in Mainland China, the minimum provision for the loan loss reserve is 1.5% of the loans that were granted to companies based in Mainland China before 2015 and classified as normal assets.

Credits from CDIB and KGIB deemed uncollectible which is estimated by possibility of collection and collateral value may be written off under the approval of the board of directors.

For financial assets measured at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

b) Available-for-sale financial asset

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period.

In respect of available-for-sale equity securities, impairment loss previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

c) Financial assets measured at cost

When objective evidences indicate that financial assets measured at cost are impaired, the amount of the loss is recognized as "loss on asset impairment" and cannot be reversed.

5) Derecognition of financial assets or liabilities

The Corporation and subsidiaries derecognize a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party; and derecognize a financial liability when obligations are discharged, cancelled or they expire.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss; and the difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

b. Derivative financial instruments

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

Derivatives embedded in no derivative host contracts are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts, and the contracts are not measured at fair value through profit or loss.

**Hedge Accounting**

Derivatives designated as hedging instruments are measured at their fair values, and changes in fair values are recognized as either income (loss) for the current year or other comprehensive income, depending on the nature of the risks being hedged.

Use of derivatives instruments primarily as cash flow hedge, i.e., as risk management tools for hedging interest rate. At the start of the hedge, there must be formal designation and documentation of the hedging relationship, goals of risk management, strategy for undertaking the hedge, the hedging instrument, the hedged items, overall risk management objectives and strategies and a description of how the Corporation and subsidiaries will assess the hedging instrument effectiveness. Note 25 set out details of the fair values of the derivative instruments used for hedging purposes.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the other gains and losses line item.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment in the same period or periods during which the hedged forecast cash flows affect profit or loss. If a hedge of a forecast transaction subsequently results in the recognition of a nonfinancial asset or a nonfinancial liability, the associated gains and losses that were recognized in other comprehensive income are removed and are included in the initial cost of the nonfinancial asset or nonfinancial liability.

Hedge accounting is discontinued prospectively when the Corporation revokes the designated hedging relationship, or when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument that has been previously recognized in other comprehensive income from the period when the hedge was effective remains separately in equity until the forecast transaction occurs. When the forecast transaction is ultimately recognized in profit or loss, the associated gains or losses that were recognized in other comprehensive income are reclassified from equity to profit or loss or are included in the initial cost of the nonfinancial asset or nonfinancial liability. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

## **Securities Purchased and Sold Under Resell and Repurchase Agreements**

For securities purchased under resell agreements, the payment to counter-party is treated as a financing transaction. For securities sold under repurchase agreements, the payment by counter-party and the related interest revenue or interest expense are recognized on the accrual basis.

## **Property and Equipment**

Property and equipment are stated at cost, less subsequent accumulated depreciation and subsequent accumulated impairment loss when it is probable that future economic benefits associated with the item will flow to the Corporation and subsidiaries and the cost of the item can be measured reliably.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

## **Investment Properties**

Investment properties are properties held to earn rentals and/or for capital appreciation. Investment properties also include land held for a currently undetermined future use, in which case, the land is regarded as held for capital appreciation.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and accumulated impairment loss. Depreciation is recognized using the straight-line method.

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

## **Collaterals Assumed**

Collaterals assumed (recognized as other assets) are recorded at cost, which includes the price and the expenditure for placing the collateral in a position to be sold, and are evaluated at their fair value as of the end of the period. An impairment loss is recognized when the cost of collaterals exceeds the fair value.

## **Intangible Assets**

### **a. Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life, residual value, and amortization method are reviewed at the end of each reporting period. The residual value of an intangible asset with a finite useful life shall be assumed to be zero unless the Corporation and subsidiaries expect to dispose of the intangible asset before the end of its economic life. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

b. Intangible assets acquired in a business combination

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

c. Derecognition of intangible assets

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

### **Nonfinancial Asset Impairment**

The Corporation and subsidiaries evaluate the possibility of impairment loss on nonfinancial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Corporation and subsidiaries recognizes an impairment whenever the recoverable amount of the asset or the cash-generating unit is below the carrying amount of an asset, and this impairment loss either is charged to accumulated impairment or reduces the carrying amount of an asset directly. After the recognition of an impairment loss, the depreciation (amortization) charged to the assets should be adjusted in future years at the revised asset carrying amount (net of accumulated impairment), less its salvage value, on a systematic basis over its remaining service life. If asset impairment loss (excluding goodwill) is reversed, the increase in the carrying amount resulting from reversal is credited to current income and debited to accumulated impairment or is used to increase the carrying amount of the asset. However, loss reversal should not be more than the carrying amount (net of depreciation) had the impairment not been recognized.

A cash-generating unit ("CGU"), which goodwill has been allocated is tested for impairment annually at the same time, irrespective of whether there is any indication of impairment. If an impairment loss is to be recognized, it is first allocated to reduce the carrying amount of any goodwill, then to the other assets of CGU prorate on the basis of the carrying amount of each asset in the unit (group of units). Impairment losses relating to goodwill cannot be reversed in future periods for any reason.

### **Provisions, Contingent Liabilities and Contingent Assets**

Provisions are recognized when the Corporation and subsidiaries have a present obligation (legal or constructive) as a result of a past event, it is probable that the Corporation and subsidiaries will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity, or a present obligation that arises from past events but is not recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or because the amount of the obligation cannot be measured with sufficient reliability. The Corporation and subsidiaries do not recognize contingent liabilities but disclose them in accordance with related rules instead.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity. The Corporation and subsidiaries do not recognize contingent assets but disclose them in accordance with related rules when the inflow of economic benefits is probable.

## **Employee Benefits**

### **a. Short-term employee benefits**

The undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in an accounting period is recognized in that period.

### **b. Retirement benefits**

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

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

Net defined benefit liability (asset) represents the actual deficit (surplus) in the Corporation and subsidiaries' defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

### **c. Other long-term benefits**

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

## **Taxation**

Income tax expense represents the sum of the tax currently payable and deferred tax.

### **a. Current tax**

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

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

The Corporation and its eligible subsidiaries (collectively, the "Group") use the linked-tax system in the filing of tax returns. The accounting treatment applied by the Group to the income tax is to adjust in the Corporation's and its subsidiaries' book by a prorated share amount the difference between the combined current/deferred taxes and the total of each Group member's current/deferred taxes. Related payables and receivables are recorded in each of the Group members' books.

Based on the "Basic Income Tax Act," if the basic income tax is greater than the amount of regular income tax, the income tax payable should be the basic income tax. The incremental tax payable is recorded as current income tax expense.

b. Deferred tax

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences, unused loss carry forward and unused tax credits for research and development expenditures, and personnel training expenditures and equity investments acquisition to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

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

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

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Corporation and subsidiaries expect, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

c. Current and deferred tax for the period

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

**Revenue Recognition**

Interest revenue arising from credits are estimated on an accrual basis. All interest accrued shall be suspended from the date the loans are classified as nonperforming loans. Interest earned from nonperforming loans shall be recognized as interest income when the interest has been collected by the Corporation and subsidiaries.

Service fee income is recognized when collected or when the majority of project is completed. Service fee income is received when loans and receivables are recognized. The service fee income which is caused by loans or receivables shall be recognized as interest revenue when they meet a suggested policy announced by the Bankers Association of the Republic of China. This policy requires an individual loan that meets the materiality criteria to have its effective interest rate be consistent with its interest revenue. Overall, the service fees shall be adjusted from the original agreed interest rate to the effective interest rate.

Revenue from rendering services - brokerage and underwriting commissions and fees, stock transaction agent fees, futures trading commissions and fees - is recognized on the basis of the stage of completion of related services as of the balance sheet dates.

## **Leasing**

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

Amounts due from lessees under finance leases are recognized as receivables at the amount of the Corporation and subsidiaries' net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Corporation and subsidiaries' net investment outstanding in respect of the leases.

Rental income (expense) from operating leases is recognized on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the lessee's benefit from the use (consumption) of the leased asset. Contingent rents arising under operating leases are recognized as an expense in the period in which they are incurred.

## **Share-based Payment Arrangements**

Restricted shares for employees are measured at fair value on the date of grant, with a corresponding increase in capital surplus - restricted shares for employees.

The fair value determined at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Corporation and subsidiaries' estimate of employee share options that will eventually vest, with a corresponding increase in capital surplus - employee share options.

When the share-based payment awards held by the employees of an acquiree (acquiree awards) are replaced by the Corporation and subsidiaries' share-based payment awards (replacement awards), both the acquiree awards and the replacement awards are measured in accordance with the market-based measure at the acquisition date. The portion of the replacement awards that is included in measuring the consideration transferred in a business combination equals the market-based measure of the acquiree awards multiplied by the ratio of the portion of the vesting period completed to the greater of the total vesting period or the original vesting period of the acquiree award.

## **5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Corporation and subsidiaries' accounting policies, which are described in Note 4, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

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

### **a. Impairment loss on loans and receivables**

The Corporation and subsidiaries review loan portfolios to assess impairment periodically. In determining whether an impairment loss should be recognized, the Corporation and subsidiaries make judgments as to whether there are any observable data indicating an impairment loss. For the purpose of assessing impairment, the management determines the future cash flows on portfolios using estimates based on historical loss experience for financial assets grouped on the basis of similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of

future cash flows are reviewed regularly to decrease any difference between estimated loss and actual loss.

b. Fair value of financial instruments

In addition to meet the regular market way, the basic theory of valuation model and assumptions for financial instruments identified with the industries evaluate the fair value and confirm the reliable information from the markets. In order to make sure the results are reasonable, the fair value is reviewed and adjusted regularly.

Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities is disclosed in notes 55.

c. Income tax

The reliability of the deferred income tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. However, management prudently estimates the possibilities of realization of the deferred income tax assets based on the factors of future profitability and economic situation because of the unpredictability of future profit.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Cash in banks	\$ 8,695,163	\$ 12,662,406
Short-term transactions instruments with maturities of up to three months	7,295,388	2,920,850
Due from banks	6,124,600	6,965,259
Future excess margin	1,352,806	933,022
Cash on hand	1,281,441	1,232,232
Others	<u>340,931</u>	<u>514,711</u>
	<u>\$ 25,090,329</u>	<u>\$ 25,228,480</u>

Cash and cash equivalents as of December 31, 2015 and 2014 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets, please refer to the consolidated statement of cash flows for the reconciliation information.

## 7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Due from the Central Bank	\$ 54,339,778	\$ 30,139,236
Call loans to banks	<u>32,785,506</u>	<u>11,477,445</u>
	<u>\$ 87,125,284</u>	<u>\$ 41,616,681</u>

Statutory deposit reserves placed in the Central Bank of the ROC are determined at prescribed rates based on the monthly average balances of customers' New Taiwan dollar deposits. As of December 31, 2015 and 2014, these reserves included \$6,675,432 thousand and \$7,849,296 thousand, respectively, which were subject to withdrawal restrictions.



In addition, under a directive issued by the Central Bank of the ROC, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime and are noninterest earning. The balances of foreign-currency deposit reserves were \$152,104 thousand and \$142,731 thousand as of December 31, 2015 and 2014, respectively.

For the Corporation and subsidiaries' issued certificates of deposits pledged as collaterals for day-term overdraft, please refer to Note 50.

## 8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Financial assets held for trading</u>		
Derivative instrument		
Currency swap contracts	\$ 11,267,269	\$ 14,122,818
Interest rate swap contracts	5,450,351	4,633,155
Premiums paid on option contracts	3,866,365	2,453,718
Others	1,690,688	2,160,349
Non-derivative financial assets		
Operating securities (Note 9)	69,315,807	89,807,323
Bank debentures	33,176,658	21,008,563
Mutual funds	6,673,779	6,320,256
Corporate bonds	2,370,073	5,306,309
Convertible (exchangeable) corporate bonds	2,184,662	2,733,520
Others	<u>1,439,556</u>	<u>2,398,116</u>
	<u>137,435,208</u>	<u>150,944,127</u>
<u>Financial assets designated as at FVTPL</u>		
Government bonds	19,299,321	-
Convertible (exchangeable) corporate bonds	188,401	233,686
Others	<u>857,155</u>	<u>-</u>
	<u>20,344,877</u>	<u>233,686</u>
Financial assets at FVTPL	<u>\$ 157,780,085</u>	<u>\$ 151,177,813</u>
<u>Financial liabilities held for trading</u>		
Derivative instrument		
Currency swap contracts	\$ 11,379,184	\$ 14,432,034
Interest rate swap contracts	5,856,509	4,739,291
Premiums received on option contracts	5,478,033	3,305,838
Structure products	2,192,369	531,450
Others	1,653,112	3,709,977
Non-derivative financial liabilities		
Borrowed securities payable	6,167,626	4,495,468
Securities purchased under resell agreement - securities financing	<u>652,471</u>	<u>830,616</u>
	<u>33,379,304</u>	<u>32,044,674</u>
<u>Financial liabilities designated as at FVTPL</u>		
Bank debentures payable	4,352,498	1,071,148
Structured products	<u>2,166,377</u>	<u>1,966,485</u>
	<u>6,518,875</u>	<u>3,037,633</u>
Financial liabilities at FVTPL	<u>\$ 39,898,179</u>	<u>\$ 35,082,307</u>

The Corporation and subsidiaries' trust contract of stock of Capital Securities Corporation. Please refer to Note 10.

As of December 31, 2015 and 2014, bank debentures issued by the Corporation and subsidiaries and designated as at FVTPL were as follows:

Bank Debenture Number	December 31		Issuance Period	Method of Paying Principles and Interests	Interest Rate
	2015	2014			
04 KGIB 1	\$ 1,050,000	\$ 1,050,000	May 18, 2006 - May 18, 2016	Principal due on maturity; interest payable annually	2.15%
15KGIB1	3,504,996	-	March 24, 2015 - March 24, 2045 (Note)	Principal due on maturity	0.00%
	<u>4,554,996</u>	<u>1,050,000</u>			
Valuation adjustments	<u>(202,498)</u>	<u>21,148</u>			
	<u>\$ 4,352,498</u>	<u>\$ 1,071,148</u>			

Note: Base on 100% of the carry value of each bond principal plus the interest shall be payable early redemption since the expiration of two year from the issue date (inclusive).

The contract (nominal) amounts of the Corporation and subsidiaries' outstanding derivative financial instruments as of December 31, 2015 and 2014 are summarized as follows:

	Contract Amount	
	December 31	
	2015	2014
Currency swap contracts	\$ 1,167,714,201	\$ 926,590,408
Interest rate swap contracts	711,778,113	627,897,252
Option and Futures contracts	359,829,956	396,248,979
Forward exchange contracts	121,868,073	40,037,779
Structured note contracts	16,194,507	15,856,879
Assets swap contracts	13,520,064	14,375,313
Cross-currency swap contracts	8,830,876	28,535,005
Credit default swap contracts	4,014,286	634,360
Non-deliverable forward contracts	1,609,868	3,478,777
Commodity swap	1,143,416	213,193
Equity derivative financial contracts	292,546	7,906,629

As of December 31, 2015 and 2014, financial assets held for trading with aggregate carrying values of \$94,464,703 thousand and \$87,841,744 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

On July 15, 2010, CDIB initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB suffered as a result of its investment in a Morgan Stanley's credit default swap (CDS) product that had been tied to a synthetic collateralized debt obligation on residential mortgage-backed securities; the representations made to CDIB by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB had recognized all gains and losses from the transaction. The balance of US\$11,977,825 (NT\$396,059 thousand based on the exchange rate of December 31, 2015) was reclassified to "other financial liabilities". In addition, Morgan Stanley overlooked CDIB's efforts and terminated interest rate swap (IRS) contracts (nominal principal amount: KRW24,000,000 thousand) and CDS contracts (nominal principal amount: JPY586,510 thousand), CDIB reserves the right of legal proceedings.

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Corporation and subsidiaries, please refer to Note 50.

## 9. OPERATING SECURITIES

	December 31	
	2015	2014
Dealing		
Government bonds	\$ 23,270,235	\$ 10,607,709
Oversea securities	16,811,666	34,870,590
Corporate bonds	15,273,953	27,719,299
Listed, OTC and emerging market stocks	7,601,755	6,619,532
Others	<u>988,365</u>	<u>1,896,953</u>
	<u>63,945,974</u>	<u>81,714,083</u>
Underwriting		
Listed and OTC stocks	863,517	922,894
Corporate bonds	<u>677,226</u>	<u>1,082,488</u>
	<u>1,540,743</u>	<u>2,005,382</u>
Hedge positions		
Listed and OTC stocks	2,715,104	5,504,487
Oversea securities	1,085,737	439,853
Listed and OTC warrant	<u>28,249</u>	<u>143,518</u>
	<u>3,829,090</u>	<u>6,087,858</u>
	<u>\$ 69,315,807</u>	<u>\$ 89,807,323</u>

## 10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2015	2014
Bank debentures	\$ 20,955,028	\$ 18,033,182
Listed, OTC and emerging market stocks	20,055,988	25,378,584
Government bonds	20,017,935	77,621,553
Corporate bonds	9,091,039	17,924,278
Others	<u>523,025</u>	<u>653,003</u>
	<u>\$ 70,643,015</u>	<u>\$ 139,610,600</u>

As of December 31, 2015 and 2014, available-for-sale financial assets, with aggregate carrying values of \$25,014,339 thousand and \$41,869,805 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Corporation and subsidiaries signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015. The Capital Securities Corporation shares held by the Corporation and subsidiaries trust to the CTBC. The trustee in accordance with the contract agreed disposition within the contract period.

For the information on available-for-sale financial assets pledged as collateral for the Corporation and subsidiaries, please refer to Note 50.

## 11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Commercial paper	\$ 35,413,781	\$ 14,572,223
Government bonds	10,512,947	11,592,393
Bank debentures	3,882,273	3,997,992
Corporate bonds	<u>2,813,252</u>	<u>2,708,935</u>
	<u>\$ 52,622,253</u>	<u>\$ 32,871,543</u>
Resold amounts	<u>\$ 52,622,018</u>	<u>\$ 32,855,968</u>
Last maturity date	March 2016	February 2015

## 12. RECEIVABLES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Receivables on margin loans, refinancing margin and refinancing deposits receivable	\$ 36,440,846	\$ 46,260,170
Accounts receivable - forfeiting	26,685,120	44,598,847
Receivable accounts for settlement	13,879,169	16,146,392
Lease receivables	7,462,931	7,309,548
Settlement price	3,026,676	5,579,197
Credit card receivables	2,707,234	2,522,220
Interest receivable	2,553,165	3,335,519
Acquired loans	2,116,953	2,648,465
Others	<u>9,410,246</u>	<u>7,065,403</u>
	104,282,340	135,465,761
Less: Unrealized interest revenue	(521,616)	(591,281)
Allowance for bad debts	<u>(3,006,575)</u>	<u>(3,085,451)</u>
	<u>\$ 100,754,149</u>	<u>\$ 131,789,029</u>

The Corporation and subsidiaries' changes in allowance for bad debts of receivables were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance, January 1	\$ 3,085,451	\$ 2,131,059
Allowance (reversal)	165,672	(97,405)
Loans reclassified to nonperforming loans	(1,759)	(74)
Write-off	(271,447)	(95,895)
Effect of exchange rate changes	28,658	64,209
Effect of increase in consolidated subsidiaries	<u>-</u>	<u>1,083,557</u>
Balance, December 31	<u>\$ 3,006,575</u>	<u>\$ 3,085,451</u>

For the information on impairment loss analysis of receivables, please refer to Note 56.

The amount of receivables pledged as collateral for the Corporation and subsidiaries please refer to Note 50.

### 13. DISCOUNTS AND LOANS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Short-term loans	\$ 45,337,996	\$ 42,485,133
Medium-term loans	132,596,923	133,677,487
Long-term loans	41,698,553	50,596,458
Loans reclassified to nonperforming loans	541,860	633,353
Export negotiations	<u>750,976</u>	<u>1,895,072</u>
	220,926,308	229,287,503
Less: Allowance for bad debts	(3,115,696)	(3,447,239)
Less: Discounts on loans	<u>(30,284)</u>	<u>(62,789)</u>
	<u>\$ 217,780,328</u>	<u>\$ 225,777,475</u>

The Corporation and subsidiaries' changes in allowance for bad debts of discounts and loans were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance, January 1	\$ 3,447,239	\$ 1,779,774
Allowance (reversal)	(655,675)	206,946
Recovery of written-off credits	1,137,538	387,964
Write-off	(829,902)	(334,486)
Reduction and exemption	(20,932)	-
Effects of exchange rate changes	37,428	36,057
Effect of increase in consolidated subsidiaries	<u>-</u>	<u>1,370,984</u>
Balance, December 31	<u>\$ 3,115,696</u>	<u>\$ 3,447,239</u>

For the information on impairment loss analysis of discounts and loans, please refer to Note 56.

### 14. HELD-TO-MATURITY FINANCIAL ASSETS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Bank debentures	\$ 402,564	\$ -
Negotiable certificate of deposit issued by CBC	-	18,600,000
Corporate bonds	-	<u>190,000</u>
	<u>\$ 402,564</u>	<u>\$ 18,790,000</u>

The Corporation and subsidiaries did not pledge any held-to-maturity financial assets as collateral.

## 15. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associates that are not individually material:

	December 31			
	2015		2014	
	Amount	%	Amount	%
CDIB & Partner Investment Holding Corporation	\$ 4,765,852	34	\$ 4,821,872	34
KGI Securities (Thailand) Public Company Limited	2,059,804	35	2,164,679	35
CDIB Capital Asia Partners L.P.	1,314,206	-	-	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	667,550	-	702,508	-
CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	585,700	-	-	-
CDIB Biomedical Venture Capital Corporation	584,514	34	295,839	34
CDIB CME Fund Ltd.	576,143	40	304,752	40
Others	<u>221,896</u>		<u>273,337</u>	
	<u>\$ 10,775,665</u>		<u>\$ 8,562,987</u>	

The summarized financial information in respect of the not individually material associates was set out below:

	For the Year Ended December 31	
	2015	2014
The Corporation and subsidiaries' share of:		
Net profit for the year	\$ 444,114	\$ 446,416
Other comprehensive income (loss)	<u>(135,881)</u>	<u>182,799</u>
Total comprehensive income for the year	<u>\$ 308,233</u>	<u>\$ 629,215</u>

The investments accounted for by the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2015 and 2014 was based on the associates' financial statements audited by the auditors.

Please refer to Note 50 for investments under equity method pledged as collateral.

## 16. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

### a. Investment in private equity fund

The Corporation's subsidiaries have the equities of structured entities which the Corporation's subsidiaries do not have significant influence and have rights and obligations in accordance to the contract.

	December 31 2015
Investment in private equity fund	
Financial assets measured at cost	<u>\$ 6,891,768</u>
Maximun exposure	<u>\$ 6,891,768</u>

b. Management on Private equity fund

The Corporation's subsidiaries have the equities of structured entities as well as the obligations to their investment and management. The Corporation's subsidiaries have significant influence over the above investments.

The funds of unconsolidated structured entities are from the Corporation and its subsidiaries and external third parties.

	<b>December 31, 2015</b>
Management on Private equity fund	
Total assets	\$ 9,351,364
Total liabilities	101,340
Investments accounted for using equity method	2,567,456
Maximum exposure	2,567,456

**17. RESTRICTED ASSETS**

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Restricted demand deposits	\$ 29,345,180	\$ 23,844,623
Stocks	149,392	149,392
Accounts receivables	105,447	101,800
Checking accounts - restricted for agent's stock transfer purposes	83,390	231,601
Impound account	49,178	53,759
Accrued revenue	30,287	28,127
Due from banks	<u>13,856</u>	<u>15,905</u>
	<u>\$ 29,776,730</u>	<u>\$ 24,425,207</u>

The above restricted demand deposits refer to amounts received from clients for the securities brokerage business and the deposit guarantee for engaging in derivatives transactions from the Corporation's subsidiaries in oversea.

For the information on restricted assets pledged as collateral for the Corporation and subsidiaries, please refer to Note 50.

After the filing of a certain complaint against Morgan Stanley (Note 51), CDIB could not access the following funds in connection with transactions made with Morgan Stanley because of its unauthorized disposition: Accounts receivable, deposits, cash security on CDS contracts, available-for-sale stock investments and the related accrued revenue. Because of the inaccessibility of these funds, these financial assets reclassified as "restricted assets".

## 18. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2015	2014
Unlisted stocks - common stock	\$ 8,022,763	\$ 12,913,135
Unlisted overseas partnership fund	6,891,768	12,327,771
Others	<u>6,180,743</u>	<u>6,721,485</u>
	<u>\$ 21,095,274</u>	<u>\$ 31,962,391</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	\$ 19,749,728	\$ 26,962,138
Financial assets at FVTPL	<u>1,345,546</u>	<u>5,000,253</u>
	<u>\$ 21,095,274</u>	<u>\$ 31,962,391</u>

CDIB and subsidiaries disposed of certain financial assets measured at cost with carrying amount of \$7,551,693 thousand and \$2,694,202 thousand during the years ended December 31, 2015 and 2014, respectively, recognizing disposal gain of \$1,929,873 thousand and \$1,768,398 thousand, respectively.

## 19. OTHER FINANCIAL ASSETS

	December 31	
	2015	2014
Guarantee deposits received on futures contracts	\$ 31,506,459	\$ 24,310,737
Time deposits with original maturities over three months	4,567,104	12,487,419
Debt instruments with no active market	1,619,702	2,680,996
Pledged time deposit	629,344	1,980,802
Others	<u>451,212</u>	<u>332,922</u>
	<u>\$ 38,773,821</u>	<u>\$ 41,792,876</u>

For the information on other financial assets pledged as collateral for loans, please refer to Note 50.

## 20. INVESTMENT PROPERTY

	December 31	
	2015	2014
Land	\$ 1,779,276	\$ 1,790,154
Buildings and facilities	<u>269,035</u>	<u>280,552</u>
	<u>\$ 2,048,311</u>	<u>\$ 2,070,706</u>



The changes in the Corporation and subsidiaries' investment properties were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Cost</u>		
Beginning balance	\$ 2,698,832	\$ 2,459,034
Additions	-	490,832
Disposal	(11,527)	(270,939)
Effect of increase in consolidated subsidiaries	-	23,297
Reclassification	(4,617)	(3,392)
Ending balance	<u>2,682,688</u>	<u>2,698,832</u>
<u>Accumulated depreciation</u>		
Beginning balance	(126,765)	(101,597)
Depreciation	(8,577)	(9,382)
Disposal	963	14,451
Effect of decrease in consolidated subsidiaries	-	(3,800)
Reclassification	284	(26,437)
Ending balance	<u>(134,095)</u>	<u>(126,765)</u>
<u>Accumulated impairment</u>		
Beginning balance	(501,361)	(527,239)
Disposal	-	25,000
Reversal of impairment	1,079	878
Ending balance	<u>(500,282)</u>	<u>(501,361)</u>
Carrying amount	<u>\$ 2,048,311</u>	<u>\$ 2,070,706</u>

The above items of investment property were depreciated on a straight-line basis at economic lives estimated as follows:

Buildings and facilities	
Main building and parking spaces	20-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years

The fair values of the Corporation and subsidiaries' investment property as of December 31, 2015 and 2014 were \$3,622,323 thousand and \$3,310,420 thousand, respectively. Investment property categorized into Level 3.

In addition to the fair value of KGI Securities for the years ended December 31, 2015 and 2014 as well as CDIB's investment properties for the year ended December 31, 2014 had not been performed by independent qualified professional valuer; however, management of the Corporation and subsidiaries used the valuation model that market participants would use in determining the fair value. The valuation was measured using the sales comparison approach and income approach. The former compares a subject property's characteristics with those of comparable properties which have recently sold in similar transaction; the latter is computed by taking the net operating income of the rent collected and dividing it by the capitalization rate.

All of the Corporation and subsidiaries' investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Corporation and subsidiaries to secure borrowings were reflected in Note 50.

## 21. PROPERTY AND EQUIPMENT

	December 31	
	2015	2014
Land	\$ 8,915,396	\$ 8,914,058
Buildings and facilities	4,554,334	4,643,337
Computer equipment	488,401	314,221
Transportation equipment	21,424	17,925
Other equipment	256,935	270,917
Leasehold improvements	247,471	129,671
Leased assets	<u>231,352</u>	<u>76,851</u>
	14,715,313	14,366,980
Prepayments for acquisition of properties	<u>1,847</u>	<u>26,829</u>
	<u>\$ 14,717,160</u>	<u>\$ 14,393,809</u>

The changes in the Corporation and subsidiaries' property and equipment were as follows:

	Land	Buildings and Facilities	Computer Equipment	Transportation Equipment	Other Equipment	Leasehold Improvements	Leased Assets	Prepayments for Acquisition of Properties	Total
<u>Cost and revaluation increment</u>									
Balance at January 1, 2014	\$ 5,750,399	\$ 3,812,872	\$ 1,280,327	\$ 16,730	\$ 1,819,817	\$ 406,120	\$ 95,740	\$ 30,341	\$ 13,212,346
Additions	-	3,260	115,781	2,082	60,344	63,833	26,212	19,730	291,242
Disposals	-	(4,980)	(227,508)	(13,314)	(31,574)	(29,721)	(719)	(2,349)	(310,165)
Reclassification	(394,990)	(91,230)	21,584	-	(5,168)	10,720	-	(20,893)	(479,977)
Effect of change on consolidated subsidiaries	3,562,906	2,952,917	1,014,449	145,775	313,458	2,532	28,495	-	8,020,532
Effect of exchange rate changes	-	-	3,620	1,316	27,846	10,794	-	-	43,576
Balance at December 31, 2014	<u>8,918,315</u>	<u>6,672,839</u>	<u>2,208,253</u>	<u>152,589</u>	<u>2,184,723</u>	<u>464,278</u>	<u>149,728</u>	<u>26,829</u>	<u>20,777,554</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2014	\$ -	\$ (1,215,561)	\$ (1,015,304)	\$ (16,578)	\$ (1,560,622)	\$ (272,306)	\$ (44,556)	\$ -	\$ (4,124,927)
Additions	-	(104,743)	(139,590)	(3,844)	(100,017)	(74,017)	(20,111)	-	(442,322)
Disposals	-	4,980	224,713	13,314	28,641	20,272	538	-	292,458
Reclassification	-	27,724	(11,480)	-	11,480	-	-	-	27,724
Effect of change on consolidated subsidiaries	(4,257)	(741,902)	(950,398)	(127,413)	(267,317)	-	(8,748)	-	(2,100,035)
Effect of exchange rate changes	-	-	(1,973)	(143)	(25,971)	(8,556)	-	-	(36,643)
Balance at December 31, 2014	<u>(4,257)</u>	<u>(2,029,502)</u>	<u>(1,894,032)</u>	<u>(134,664)</u>	<u>(1,913,806)</u>	<u>(334,607)</u>	<u>(72,877)</u>	<u>-</u>	<u>(6,383,745)</u>
Balance at December 31, 2014, net	<u>\$ 8,914,058</u>	<u>\$ 4,643,337</u>	<u>\$ 314,221</u>	<u>\$ 17,925</u>	<u>\$ 270,917</u>	<u>\$ 129,671</u>	<u>\$ 76,851</u>	<u>\$ 26,829</u>	<u>\$ 14,393,809</u>
<u>Cost and revaluation increment</u>									
Balance at January 1, 2015	\$ 8,918,315	\$ 6,672,839	\$ 2,208,253	\$ 152,589	\$ 2,184,723	\$ 464,278	\$ 149,728	\$ 26,829	\$ 20,777,554
Additions	-	43,657	280,415	13,016	46,138	175,435	206,938	62,965	828,564
Disposals	-	(25,740)	(1,183,348)	(113,684)	(444,980)	(30,790)	(72,519)	(13,914)	(1,884,975)
Effect of change on consolidated subsidiaries	1,338	26,074	42,751	-	20,201	46,004	(15,216)	(74,033)	47,119
Effect of exchange rate changes	-	-	28,707	-	5,475	4,407	-	-	38,589
Balance at December 31, 2015	<u>8,919,653</u>	<u>6,716,830</u>	<u>1,381,780</u>	<u>53,161</u>	<u>1,836,284</u>	<u>670,775</u>	<u>268,931</u>	<u>1,847</u>	<u>19,849,261</u>
<u>Accumulated depreciation and impairment</u>									
Balance at January 1, 2015	(4,257)	(2,029,502)	(1,894,032)	(134,664)	(1,913,806)	(334,607)	(72,877)	-	(6,383,745)
Additions	-	(157,508)	(157,844)	(7,268)	(92,686)	(100,394)	(41,695)	-	(557,395)
Disposals	-	24,799	1,180,709	110,995	444,677	27,106	65,605	-	1,853,891
Reclassification	-	(285)	(17,862)	-	5,614	(7,342)	11,388	-	(8,487)
Effect of exchange rate changes	-	-	(4,350)	(800)	(23,148)	(8,067)	-	-	(36,365)
Balance at December 31, 2015	<u>(4,257)</u>	<u>(2,162,496)</u>	<u>(893,379)</u>	<u>(31,737)</u>	<u>(1,579,349)</u>	<u>(423,304)</u>	<u>(37,579)</u>	<u>-</u>	<u>(5,132,101)</u>
Balance at December 31, 2015, net	<u>\$ 8,915,396</u>	<u>\$ 4,554,334</u>	<u>\$ 488,401</u>	<u>\$ 21,424</u>	<u>\$ 256,935</u>	<u>\$ 247,471</u>	<u>\$ 231,352</u>	<u>\$ 1,847</u>	<u>\$ 14,717,160</u>

The above items of property and equipment were depreciated on a straight-line basis at economic lives estimated as follows:

Buildings and facilities	
Main building and parking spaces	20-61 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	5 years
Computer equipment	2-8 years
Transportation equipment	3-16 years
Other equipment	
Office furniture and equipment	3-11 years
Others	10 years
Leasehold improvements	1-5 years
Leased assets	1-10 years

For the information on property and equipment pledged as collateral, please refer to Note 50.

## 22. INTANGIBLE ASSETS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Operation rights	\$ 6,202,496	\$ 6,884,636
Goodwill	1,892,627	1,509,125
Computer software	452,971	466,200
Others	<u>36,396</u>	<u>36,396</u>
	<u>\$ 8,584,490</u>	<u>\$ 8,896,357</u>

The changes in the Corporation and subsidiaries' intangible assets were as follows:

	<b>Operation Rights</b>	<b>Goodwill</b>	<b>Computer Software</b>	<b>Others</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2014	\$ 7,002,074	\$ -	\$ 673,280	\$ 51,994	\$ 7,727,348
Additions	-	-	113,922	-	113,922
Disposals	-	-	(59,162)	-	(59,162)
Reclassification	-	-	17,967	-	17,967
Effect of change on consolidated subsidiaries	1,540,488	1,465,648	200,330	-	3,206,466
Effect of exchange rate changes	-	43,477	347	-	43,824
Balance at December 31, 2014	<u>8,542,562</u>	<u>1,509,125</u>	<u>946,684</u>	<u>51,994</u>	<u>11,050,365</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2014	(1,039,764)	-	(394,807)	(15,598)	(1,450,169)
Amortization	(618,162)	-	(144,789)	-	(762,951)
Disposals	-	-	59,162	-	59,162
Effect of exchange rate changes	-	-	(50)	-	(50)
Balance at December 31, 2014	<u>(1,657,926)</u>	<u>-</u>	<u>(480,484)</u>	<u>(15,598)</u>	<u>(2,154,008)</u>
Balance at December 31, 2014, net	<u>\$ 6,884,636</u>	<u>\$ 1,509,125</u>	<u>\$ 466,200</u>	<u>\$ 36,396</u>	<u>\$ 8,896,357</u>

(Continued)

	Operation Rights	Goodwill	Computer Software	Others	Total
<u>Cost</u>					
Balance at January 1, 2015	\$ 8,542,562	\$ 1,509,125	\$ 946,684	\$ 51,994	\$ 11,050,365
Additions	-	-	129,072	-	129,072
Disposals	-	-	(281,796)	-	(281,796)
Reclassification	-	-	28,903	-	28,903
Effect of change on consolidated subsidiaries	-	372,878	-	-	372,878
Effect of exchange rate changes	-	10,624	(157)	-	10,467
Balance at December 31, 2015	<u>8,542,562</u>	<u>1,892,627</u>	<u>822,706</u>	<u>51,994</u>	<u>11,309,889</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2015	(1,657,926)	-	(480,484)	(15,598)	(2,154,008)
Amortization	(682,140)	-	(170,128)	-	(852,268)
Disposals	-	-	281,083	-	281,083
Reclassification	-	-	(229)	-	(229)
Effect of exchange rate changes	-	-	23	-	23
Balance at December 31, 2015	<u>(2,340,066)</u>	<u>-</u>	<u>(369,735)</u>	<u>(15,598)</u>	<u>(2,725,399)</u>
Balance at December 31, 2015, net	<u>\$ 6,202,496</u>	<u>\$ 1,892,627</u>	<u>\$ 452,971</u>	<u>\$ 36,396</u>	<u>\$ 8,584,490</u>

(Concluded)

The above items of intangible assets were amortized on a straight-line basis at economic lives estimated as follows:

Operation rights	7-20 years
Computer software	3-6 years

## 23. OTHER ASSETS

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Guarantee deposits paid	\$ 9,798,152	\$ 7,739,652
Security borrowing margins	6,563,279	2,203,277
Collected for underwriting payment of shares	2,115,341	4,527
Operating guarantee deposits	1,447,740	1,957,465
Prepaid expense	698,528	919,105
Settlement funds	560,274	558,736
Competitive bid transactions guarantee	323,027	357,225
Collaterals assumed	153,005	187,832
Others	<u>538,345</u>	<u>252,591</u>
	<u>\$ 22,197,691</u>	<u>\$ 14,180,410</u>

As of December 31, 2015 and 2014, the above collaterals were net of accumulated impairment losses of \$58,674 thousand and \$62,415 thousand, respectively.

For the information on other assets pledged as collateral, please refer to Note 50.

## 24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2015	2014
Call loans from banks	\$ 8,797,670	\$ 11,375,025
Deposits from Chunghwa Post Co., Ltd.	<u>1,226,729</u>	<u>1,305,753</u>
	<u>\$ 10,024,399</u>	<u>\$ 12,680,778</u>

## 25. DERIVATIVE FINANCIAL LIABILITIES

Hedged Item	Hedging Instrument	Designated as Hedging Instruments				Project Period of Cash Flow Generation	Project Period of Related Gain/Loss Recognized in the Income Statement
		December 31					
		2015		2014			
		Nominal Amount	Fair Value	Nominal Amount	Fair Value		
Floating rate Corporate bonds payable	Interest rate swap contract	\$ -	\$ -	\$ 2,350,000	\$ 20,659	2008-2015	2008-2015

	For the Year Ended December 31	
	2015	2014
Adjustment of equity in the current period	\$ (276)	\$ (2,220)
Deducted from equity and charged to current gain	20,935	45,876

## 26. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2015	2014
Bank debentures	\$ 58,098,148	\$ 48,653,105
Government bonds	32,897,800	26,817,930
Corporate bonds	<u>28,615,920</u>	<u>57,355,571</u>
	<u>\$ 119,611,868</u>	<u>\$ 132,826,606</u>
Repurchased amounts	<u>\$ 119,734,729</u>	<u>\$ 133,045,357</u>
Last maturity date	March 2016	April 2015

## 27. COMMERCIAL PAPER PAYABLE

	December 31	
	2015	2014
Commercial paper payable	\$ 13,149,834	\$ 13,932,591
Less: Unamortized discount	<u>(10,632)</u>	<u>(7,546)</u>
	<u>\$ 13,139,202</u>	<u>\$ 13,925,045</u>
Rate	0.43%-2.02%	0.40%-1.64%
Last maturity date	November 2016	February 2015

As of December 31, 2015, Bank of Taipei, Dah Chang Bills Finance Corporation, Ta Ching Finance Corporation, Mega Bank, Sunny Bank, Shanghai Commercial Bank, Taiwan Business Bank, Ta Chong Bank, Syndicated Loans issued by China Bills Finance Corporation, Mega Bills Finance Corporation, China Bills Finance Corporation, International Bills Finance Corporation, Taiwan Finance Corporation, Grand Bills Finance Corporation and Union Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to \$9,595,100 thousand, had no guarantee.

As of December 31, 2014, Grand Bills Finance Corp., Dah Chang Bills Finance Corporation, Taichung Bank, Taiwan Business Bank, Sunny Bank, Ta Ching Finance Corporation, Bank of Taiwan, Bank of Taipei, Shanghai Commercial Bank, Mega Bills Finance Co., China Bills Finance Corporation, International Bills Finance Corporation and Taiwan Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Corporation and subsidiaries, which amounted to \$11,659,090 thousand, had no guarantee.

## 28. PAYABLES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Accounts payable for settlement	\$ 29,449,576	\$ 30,975,299
Guaranteed price deposits received from securities borrowers	13,780,419	12,232,091
Accrued expenses	3,742,613	4,095,721
Securities financing guarantee deposits	3,377,214	3,611,630
Settlement proceeds	1,863,332	2,009,320
Others	<u>4,938,890</u>	<u>5,319,494</u>
	<u>\$ 57,152,044</u>	<u>\$ 58,243,555</u>

## 29. DEPOSITS AND REMITTANCES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Time deposits	\$ 211,950,211	\$ 197,415,654
Saving deposits	88,713,219	85,397,967
Demand deposits	23,496,448	20,528,977
Checking deposits	1,040,422	1,150,400
Negotiable CDs	100,700	55,900
Inward remittance	<u>11,132</u>	<u>9,072</u>
	<u>\$ 325,312,132</u>	<u>\$ 304,557,970</u>

## 30. BONDS PAYABLE

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Corporate bonds payable	\$ 26,006,520	\$ 22,120,680
Bank debentures payable	<u>2,612,172</u>	<u>12,540,304</u>
	<u>\$ 28,618,692</u>	<u>\$ 34,660,984</u>

## Corporate Bonds Payable

	December 31	
	2015	2014
1st corporate bonds in 2009 - the Corporation	\$ 1,000,000	\$ 6,000,000
1st corporate bonds in 2011 - the Corporation	6,000,000	6,000,000
1st corporate bonds in 2011 - KGI Securities	-	3,100,000
1st corporate bonds in 2008 - the Corporation	-	3,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	-
1st corporate bonds in 2015 - the Corporation	2,000,000	-
1st corporate bonds in 2014 - KGI Securities	1,006,520	1,020,680
1st corporate bonds in 2015 - KGI Securities	<u>7,000,000</u>	<u>-</u>
	<u>\$ 26,006,520</u>	<u>\$ 22,120,680</u>

In June 2008, the Corporation issued \$6,000,000 thousand of 1st unsecured corporate bonds in 2008 with par value of \$1,000 thousand. The bond terms were as follows:

a. Issue period:

Bond C and Bond D: Seven years.

b. Issue coupon/interest rate:

Bond C: 3.40% fixed annual interest rate.

Bond D: Indicator rate plus 0.70%

The indicator rate is the fixing rate of the 90-day short-term bills in the secondary market quoted by the Reuters at 11:00 a.m., two working days prior to the date of accruing interest as of issue date (shown on page 6165). If the rate is not available, the average rate of the last working day before the above first day will be used instead.

c. Method of paying principal and interest: Principal due on maturity; Bond C was issued at par, interest payable annually. The interests period for Bond D start every three months from the issue date; interest payable annually and principal repayable on the due date.

d. Pledged: Negative.

The interest rates on the above bonds were 1.578%-3.40% and 1.563%-3.40% for the years ended December 31, 2015 and 2014, respectively. Bond C and Bond D will mature in June 2015.

In March 2010, the Corporation issued \$6,000,000 thousand of 1st unsecured corporate bonds in 2009 with par value of \$1,000 thousand. The bond terms were as follows:

a. Issue period:

Bond A: Five years.

Bond B: Seven years.

b. Issue coupon/interest rate:

Bond A: 1.80% fixed annual interest rate.

Bond B: 2.00% fixed annual interest rate.

- c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

- d. Pledged: Negative.

Bond A will mature in March 2015 and Bond B will mature in March 2017.

In March 2012, the Corporation issued \$6,000,000 thousand of 1st unsecured corporate bonds in 2011 with par value of \$1,000 thousand. The bond terms were as follows:

- a. Issue period:

Bond A: Five years.

Bond B: Seven years.

- b. Issue coupon/interest rate:

Bond A: 1.32% fixed annual interest rate.

Bond B: 1.42% fixed annual interest rate.

- c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

- d. Pledged: Negative.

Bond A will mature in March 2017 and Bond B will mature in March 2019.

In May 2013, the Corporation issued \$3,000,000 thousand of 1st unsecured corporate bonds in 2013 with par value of \$1,000 thousand. The bond terms were as follows:

- a. Issue period: Five years.

- b. Issue coupon/interest rate: 1.37% fixed annual interest rate.

- c. Method of paying principal and interests:

Principal due on maturity; simple interest payable annually.

- d. Pledged: Negative.

The bonds will mature in May 2018.

In March 2015, the Corporation issued \$6,000,000 thousand of 1st unsecured corporate bonds in 2014 with par value of \$1,000 thousand. The bond terms were as follows:

- a. Issue period: Five years.

- b. Issue coupon/interest rate: 1.42% fixed annual interest rate.



- c. Method of paying principal and interests:

Principal due on maturity; simple interest payable annually.

- d. Pledged: Negative.

The bonds will mature in March 2020.

In September 2015, the Corporation issued \$2,000,000 thousand of 1st unsecured corporate bonds in 2015 with par value of \$1,000 thousand. The bond terms were as follows:

- a. Issue period: Five years.

- b. Issue coupon/interest rate: 1.37% fixed annual interest rate.

- c. Method of paying principal and interests:

Principal due on maturity; simple interest payable annually.

- d. Pledged: Negative.

The bonds will mature in September 2020.

In March 2012, KGI Securities issued \$3,100,000 thousand of 1st unsecured corporate bonds in 2011 with par value of \$10,000 thousand. The bond terms were as follows:

- a. Issue period: Three years.

- b. Issue coupon/interest rate: 1.15% fixed annual interest rate.

- c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

- d. Pledged: Negative.

The bond will mature in March 2015.

In November 2014, KGI Securities issued RMB200,000 thousand of 1st unsecured corporate bonds in 2014 with par value of RMB1,000 thousand. The bond terms were as follows:

- a. Issue period: Two years.

- b. Issue coupon/interest rate: 3.50% fixed annual interest rate.

- c. Method of paying principal and interests:

Principal due on maturity; simple interest payable annually.

- d. Pledged: Negative.

The bonds will mature in November 2016.

In June 2015, KGI Securities issued \$7,000,000 thousand of 1st unsecured corporate bonds in 2015 with par value of \$10,000 thousand. The bond terms were as follows:

a. Issue period:

Bond A: Three years.

Bond B: Five years.

b. Issue coupon/interest rate:

Bond A: 1.20% fixed annual interest rate.

Bond B: 1.42% fixed annual interest rate.

c. Method of paying principal and interest:

Principal due on maturity; simple interest payable annually.

d. Pledged: Negative.

Bond A will mature in June 2018 and Bond B will mature in June 2010.

### Bank Debentures Payable

Name	December 31		Issue Year	Repayment Year	Interest Rate
	2015	2014			
04 KGIB2	\$ 2,750,000	\$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity	0.00%
No. 960301	-	9,000,000	2008.01.30-2015.01.30	Principal due on maturity; interest payable annually	3.00%
No. 960401	-	1,000,000	2008.01.31-2015.04.30	Principal due on maturity; interest payable annually, the last payment for three months	3.10%
Issued amount	2,750,000	12,750,000			
Unamortized discount	(137,828)	(209,696)			
Net amount	<u>\$ 2,612,172</u>	<u>\$ 12,540,304</u>			

## 31. OTHER BORROWINGS

	December 31	
	2015	2014
Short-term credit borrowings	\$ 11,848,307	\$ 18,876,228
Short-term secured borrowings	5,727,556	10,452,427
Note issuance facility	3,899,189	5,198,903
Long-term credit borrowings	334,407	338,280
Long-term secured borrowings	-	338,808
	<u>\$ 21,809,459</u>	<u>\$ 35,204,646</u>
Rate	0.45%-6.64%	0.73%-7.12%
Last maturity date	July 2018	August 2018

### 32. PROVISIONS

	December 31	
	2015	2014
Provisions for employee benefits	\$ 1,037,014	\$ 887,355
Provisions for guarantee liabilities	104,564	109,498
Others	<u>277,876</u>	<u>218,411</u>
	<u>\$ 1,419,454</u>	<u>\$ 1,215,264</u>

### 33. RETIREMENT BENEFIT PLANS

#### a. Defined contribution plans

The Corporation and domestic subsidiaries adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan. Under the LPA, the Corporation makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. The total expenses recognized in profit or loss were \$343,669 thousand in 2015 and \$224,509 thousand in 2014, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to \$12,382 thousand and \$54,651 thousand for the years ended December 31, 2015 and 2014, respectively.

#### b. Defined benefit plans

The Corporation and subsidiaries adopted a defined benefit pension plan for all formal employees based on the Labor Standards Act. Benefit payments are based on service periods and basic salaries and wages at the time of retirement.

Under the defined benefit plan, CDIB has made monthly contributions at 13% of salaries and wages to a pension fund. In February 2006, CDIB changed the contribution rate from 13% to 4.5% and then further adjusted the contribution rate from 4.5% to 3.14% in November 2008. The fund is managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name. Before the end of each year, CDIB assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, CDIB is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI and domestic subsidiaries contributes monthly an amount equal to 2% of the monthly salaries to a defined benefit pension fund and to the employees' individual defined contribution pension funds. The funds are managed by the Employees' Pension Reserve Supervisory Committee and deposited in the Bank of Taiwan in the committee's name.

KGI Bank (KGIB) places its monthly contributions to the non-managers' pension fund at authorized ratios in the Employees' Pension Reserve, which is deposited in the Bank of Taiwan. Managers' pension funds are managed by the Employee Retirement Fund Management Committee and deposited in KGIB's Zhonghe Branch in the committee's name. Before the end of each year, KGIB assesses the balance in the pension fund. If the amount of the balance in the pension fund is inadequate to pay retirement benefits for employees who conform to retirement requirements in the next year, KGIB is required to fund the difference in one appropriation that should be made before the end of March of the next year.

The amounts included in the consolidated balance sheets in respect of the Corporation and subsidiaries' defined benefit plans were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Present value of defined benefit obligation	\$ 2,618,343	\$ 2,235,147
Fair value of plan assets	<u>(1,737,265)</u>	<u>(1,803,677)</u>
Net defined benefit liability	<u>\$ 881,078</u>	<u>\$ 431,470</u>

Movements in net defined benefit liability (asset) were as follows:

The Corporation and subsidiaries (excluding KGIB)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2014	<u>\$ 1,936,444</u>	<u>\$ (1,112,096)</u>	<u>\$ 824,348</u>
Service cost			
Current service cost	26,066	-	26,066
Net interest expense (income)	<u>36,950</u>	<u>(21,357)</u>	<u>15,593</u>
Recognized in profit or loss	<u>63,016</u>	<u>(21,357)</u>	<u>41,659</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(1,985)	(1,985)
Actuarial gain - changes in demographic assumptions	(312)	-	(312)
Actuarial gain - changes in financial assumptions	(30,449)	(74)	(30,523)
Actuarial gain - experience adjustments	<u>(55,889)</u>	<u>(609)</u>	<u>(56,498)</u>
Recognized in other comprehensive income	<u>(86,650)</u>	<u>(2,668)</u>	<u>(89,318)</u>
Contributions from the employer	-	(22,254)	(22,254)
Benefits paid	<u>(180,584)</u>	<u>180,584</u>	<u>-</u>
Balance at December 31, 2014	<u>\$ 1,732,226</u>	<u>\$ (977,791)</u>	<u>\$ 754,435</u>

KGI Bank

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2014	<u>\$ 543,726</u>	<u>\$ (803,460)</u>	<u>\$ (259,734)</u>
Service cost			
Current service cost	3,462	-	3,462
Net interest expense (income)	<u>9,943</u>	<u>(15,950)</u>	<u>(6,007)</u>
Recognized in profit or loss	<u>13,405</u>	<u>(15,950)</u>	<u>(2,545)</u>

(Continued)

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Remeasurement			
Actuarial loss - changes in demographic assumptions	\$ 5,190	\$ -	\$ 5,190
Actuarial (gain) loss - experience adjustments	(53,267)	2,588	(50,679)
Recognized in other comprehensive income	(48,077)	2,588	(45,489)
Contributions from the employer	-	(15,197)	(15,197)
Benefits paid	(6,133)	6,133	-
Balance at December 31, 2014	<u>\$ 502,921</u>	<u>\$ (825,886)</u>	<u>\$ (322,965)</u> (Concluded)

#### The Corporation and subsidiaries

	<b>Present Value of the Defined Benefit Obligation</b>	<b>Fair Value of the Plan Assets</b>	<b>Net Defined Benefit Liability (Asset)</b>
Balance at January 1, 2015	<u>\$ 2,235,147</u>	<u>\$ (1,803,677)</u>	<u>\$ 431,470</u>
Service cost			
Current service cost	24,934	-	24,934
Past service cost and loss on settlements	5,497	-	5,497
Net interest expense (income)	43,122	(35,014)	8,108
Others	821	-	821
Recognized in profit or loss	<u>74,374</u>	<u>(35,014)</u>	<u>39,360</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(4,129)	(4,129)
Actuarial gain - changes in demographic assumptions	(31,740)	-	(31,740)
Actuarial loss - changes in financial assumptions	174,129	-	174,129
Actuarial (gain) loss - experience adjustments	320,471	(1,456)	319,015
Recognized in other comprehensive income	<u>462,860</u>	<u>(5,585)</u>	<u>457,275</u>
Contributions from the employer	-	(47,027)	(47,027)
Benefits paid	<u>(154,038)</u>	<u>154,038</u>	<u>-</u>
Balance at December 31, 2015	<u>\$ 2,618,343</u>	<u>\$ (1,737,265)</u>	<u>\$ 881,078</u>

Through the defined benefit plans under the Labor Standards Law, the Corporations and subsidiaries is exposed to the following risks:

- 1) Investment risk: The plan assets are invested in domestic and foreign equity and debt securities, bank deposits, etc. The investment is conducted at the discretion of the Bureau or under the mandated management. However, in accordance with relevant regulations, the return generated by plan assets should not be below the interest rate for a 2-year time deposit with local banks.

- 2) Interest risk: A decrease in the government and corporate bond interest rate will increase the present value of the defined benefit obligation; however, this will be partially offset by an increase in the return on the plan's debt investments.
- 3) Salary risk: The present value of the defined benefit obligation is calculated by reference to the future salaries of plan participants. As such, an increase in the salary of the plan participants will increase the present value of the defined benefit obligation.

The actuarial valuations of the present value of the defined benefit obligation were carried out by qualified actuaries. The significant assumptions used for the purposes of the actuarial valuations were as follows:

#### The Corporation

	<b>Valuation at December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rates	1.20%	1.65%
Expected rates of salary increase	2.50%	2.50%

#### CDIB and subsidiaries

	<b>Valuation at December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rates	1.20%	1.65%
Expected rates of salary increase	2.50%	2.50%

#### KGI and subsidiaries

	<b>Valuation at December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rates	1.50%	2.25%
Expected rates of salary increase	2.00%	2.00%

#### KGI Bank and Subsidiaries

	<b>Valuation at December 31</b>	
	<b>2015</b>	<b>2014</b>
Discount rates	1.20%-1.63%	1.88%
Expected rates of salary increase	2.50%-3.00%	3.00%

If possible reasonable change in each of the significant actuarial assumptions will occur and all other assumptions will remain constant, the present value of the defined benefit obligation would increase (decrease) as follows:

	<b>December 31, 2015</b>
Discount rate(s)	
0.25-0.50% increase	<u>\$ (122,642)</u>
0.25-0.50% decrease	<u>\$ 133,294</u>
Expected rate(s) of salary increase	
0.25-0.50% increase	<u>\$ 129,900</u>
0.25-0.50% decrease	<u>\$ (120,486)</u>

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
The expected contributions to the plan for the next year	<u>\$ 65,898</u>	<u>\$ 75,717</u>
The average duration of the defined benefit obligation	4.64-18.70 years	4.56-20 years

### 34. OTHER LIABILITIES

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Guarantee deposits received	\$ 7,435,318	\$ 10,468,931
Collections for underwriting stock value	3,641,600	-
Collections for others	1,007,866	1,496,018
Temporary receipts and suspense accounts	562,163	589,503
Advance receipts	322,221	881,782
Others	<u>147,561</u>	<u>107,800</u>
	<u>\$ 13,116,729</u>	<u>\$ 13,544,034</u>

### 35. EQUITY

#### a. Share capital

##### Common stock

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Numbers of shares authorized (in thousands)	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>15,112,544</u>	<u>15,344,446</u>
Shares issued	<u>\$ 151,125,441</u>	<u>\$ 153,444,462</u>

On April 8, 2014, the Corporations' stockholders approved the acquisition of KGI Bank through a share swap, and KGI Bank will be the Corporation's wholly owned subsidiary after the share swap. The boards of directors decided to increase capital by 306,147 thousand shares, NT\$10 per share, total \$3,061,467 thousand on August 11, 2014 and set the date of capital increase and conversion as September 15, 2014.

b. Capital surplus

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Arising from treasury stock transactions	\$ 379,850	\$ 337,166
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	182,755	183,071
Share-based payments awards	74,681	56,971
Arising from share of changes in capital surplus of associates	13,728	13,338
Capital surplus-issue of stock in excess	<u>3,789</u>	<u>377</u>
	<u>\$ 654,803</u>	<u>\$ 590,923</u>

The premium from shares issued in excess of par (share premium from issuance of common shares, treasury share transactions and excess of consideration received over the carrying amount of the subsidiaries' net assets during disposal or acquisition) and donations may be used to offset a deficit; in addition, when the Corporation has no deficit, such capital surplus may be distributed as cash dividends or transferred to capital limited to a certain percentage of the Corporation's capital surplus and once a year.

The capital surplus from long-term investments may not be used for any purpose.

Under Rule No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion came from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, they may be distributed as cash dividends or transferred to capital in the period of conversion, and the distribution is exempted from the appropriation restrictions of Article 41 of the Securities and Exchange Act and Article 8 of the Securities and Exchange Act Enforcement Rules.

c. Special revenue

According to Rule No. 10010000440 issued by the FSC, Rule No. 09900738571 issued by FSC and Rule No. 10000002891 issued under Regulations Governing Securities Firms, CDIB, Grand Cathay and GCFC reclassified the default reserve and the trading loss reserve that had been set up until December 31, 2010 to special reserve. The Corporation also recognized \$461,314 thousand as special reserve.

This special reserve should be used only to offset a deficit or when the legal reserve has reached 50% of the Corporation's paid-in capital, up to 50% thereof may be transferred to paid-in capital.

Under a directive issued by the SFB, whenever the components of stockholders' equity which includes unrealized gains or losses on financial instruments and cumulative translation adjustment but not treasury stock have debit balances, a special reserve equal to the total debit balance should be appropriated from the current year's earnings and unappropriated earnings generated in the prior years. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.



Under Rule No. 1010012865 issued by the FSC on April 6, 2012 and the directive titled “Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs”, when transitioning to IFRSs, a company should appropriate to a special reserve of an amount that was the same as these of unrealized revaluation increment and cumulative translation differences (gains) transferred to retained earnings as a result of the Corporation’s use of exemptions under IFRS 1. However, if the increase in retained earnings that resulted from all IFRSs adjustments is not enough for this appropriation, only the increase in retained earnings that resulted from all IFRSs adjustments will be appropriated to special reserve. The special reserve appropriated as above may be reversed to retained earnings in proportion to the usage, disposal or reclassification of the related assets and thereafter distributed.

The increase in retained earnings that resulted from all IFRSs adjustments was not enough for this appropriation; therefore, the Corporation appropriated for special reserve an amount of \$287,933 thousand, the increase in retained earnings that resulted from all IFRSs adjustments on transitions to IFRSs.

d. Appropriation of earnings

To continually expand the Corporation’s operations and increase its profitability as well as comply with the Corporation Act and relevant regulations, the Corporation adopts the residual dividend policy. The Corporation decides the conditions for time and amount of dividend allocation based on regulations and the Company’s Articles of Incorporation. Taking the Corporation’s business plan into account, the Corporation would pay dividends in the form of stock. In any case the cash dividends should not be less than 10% of total dividends distributed.

The sequence of earnings appropriation is to cover previous years’ accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year’s net income, followed by a special reserve or reversal defined by laws. Employees’ bonus will be appropriated at least 1% of the remainder and remuneration to directors will be 1% at most. The board of directors has its discretion to propose the appropriation of the final remainder of the earnings given the unappropriated earnings at the beginning of the period. On December 28, 2015 the board of director revised the proposal of the remaining net income and unappropriated accumulated earnings can cover previous years’ accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year’s net income, followed by a special reserve or reversal defined by laws and plus the final remainder of the earnings as dividends to shareholders and the distribution for bonus with 30% to 100% of distribution given the unappropriated earnings at the beginning of the period, as proposed by the board of directors and approved in the shareholders’ meeting.

In accordance with the amendments to the Company Act in May 2015, the recipients of dividends and bonuses are limited to shareholders and do not include employees. The consequential amendments to the Company’s Articles of Incorporation had been proposed by the Corporation’s board of directors on December 28, 2015 and are subject to the resolution of the shareholders in their meeting to be held on May 16, 2016. For information about the accrual basis of the employees’ compensation and remuneration to directors and supervisors and the actual appropriations, please refer to Note 44.

Legal reserve should be appropriated from earnings until the legal reserve equals the Corporation’s paid-in capital. Legal reserve may be used to offset deficit. If the Corporation has no deficit and the legal reserve has exceeded 25% of the Corporation’s paid-in capital, the excess may be transferred to capital or distributed in cash.

Under the Integrated Income Tax System, resident stockholders are allowed tax credits, based on the balance of the Imputation Credit Account (ICA) on the dividend distribution date, for the income tax paid by the Corporation on earnings generated since 1998.

The appropriation of earnings should be resolved by the stockholders in the following year and given effect to in the financial statements of that year.

On June 12, 2015 and June 20, 2014, the board of the stockholders approved the resolution on the appropriations from the earnings of 2014 and 2013, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	<b>Earnings Appropriation</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Legal reserve	\$ 1,083,622	\$ 830,400		
Reversal of special reserve	358,817	2,485,957		
Cash dividends	9,098,673	6,014,787	\$ 0.6	\$ 0.4

On March 28, 2016, the board of directors approved the 2015 appropriations of earnings were as follows:

	<b>2015</b>
Legal reserve	\$ 852,823
Special reserve	2,463,255
Cash dividends (NT\$0.5 per share)	7,487,006

The appropriation of earnings for 2015 is subject to the resolution of the shareholders' meeting (the right and functions executed by the board of directors meeting) in May 16, 2016.

Related information can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Balance at January 1	\$ 5,833,601	\$ 6,443,449
Attributable to non-controlling interests		
Share of profit for the year	86,944	85,289
Exchange difference on translation of foreign financial statements	(1,088)	(937)
Unrealized losses on available-for-sale financial assets	(2,343)	(887)
Actual losses arising from defined benefit plans	(680)	(266)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	-	(18)
Capital return of subsidiaries	-	(2,748,169)
Effect of change in consolidated subsidiaries	(2,207,847)	2,289,708
Payment of cash dividends	(101,675)	(132,441)
Non-controlling interest acquired by cash payment	-	(102,127)
Balance at December 31	<u>\$ 3,606,912</u>	<u>\$ 5,833,601</u>

### 36. TREASURY SHARES

Reason for Repurchase	Shares at Beginning of the Year (In Thousands)	Share Increase During the Year (In Thousands)	Share Decrease During the Year (In Thousands)	Shares at End of the Year (In Thousands)
For the year ended <u>December 31, 2015</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	323,232	-	-	323,232
Held by the Corporation to maintain its credit and stockholders' equity	<u>93,405</u>	<u>149,160</u>	<u>(242,565)</u>	<u>-</u>
	<u>416,637</u>	<u>149,160</u>	<u>(242,565)</u>	<u>323,232</u>
For the year ended <u>December 31, 2014</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	302,586	20,646	-	323,232
Held by the Corporation to maintain its credit and stockholders' equity	<u>-</u>	<u>93,405</u>	<u>-</u>	<u>93,405</u>
	<u>302,586</u>	<u>114,051</u>	<u>-</u>	<u>416,637</u>

The Corporation's shares held by subsidiaries are regarded as treasury stock. The Corporation's shares held by KGI Securities, calculated at the Corporation's stockholding percentage of book value on the completion day of acquisition and share swap date respectively, were treated as treasury stock. The market prices of the shares were \$2,490,281 thousand and \$3,056,117 thousand on December 31, 2015 and 2014, respectively. The Corporation's shares held by CDIB are also treated as treasury stock and recognized book value on the swap date. The market prices of the shares were \$169,918 thousand and \$208,526 thousand on December 31, 2015 and 2014.

On November 24, 2014, the board of directors resolved to buy back 200,000 thousand of the Corporation's shares between November 25, 2014 and January 23, 2015 under the regulations of Article 28-2 of the Securities and Exchange Act. The purpose of this buyback was to maintain the Corporation's reputation and the stockholders' equity; the buyback price was set at NT\$9.81 to NT\$11.08 per share and the buyback would be continued even when the stock price went down below the lower bound of the price interval set, in compliance with Article 2 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies. The Corporation had repurchased 188,888 thousand shares at an average price of NT\$10.03 per share and retired all the treasury stocks on May 18, 2015.

On August 24, 2015, the board of directors resolved to buy back 200,000 thousand of the Corporation's shares between August 25, 2015 and October 23, 2015 under the regulations of Article 28-2 of the Securities and Exchange Act. The purpose of this buyback was to maintain the Corporation's reputation and the stockholders' equity; the buyback price was set at NT\$8.16 to NT\$10.00 per share and the buyback would be continued even when the stock price went down below the lower bound of the price interval set, in compliance with Article 2 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies. As the end of December 28, 2015, the Corporation had repurchased 53,677 thousand shares at an average price of NT\$9.09 per share and retired all the treasury stocks on December 28, 2015.

On January 25, 2016, the board of directors resolved to buy back 150,000 thousand of the Corporation's shares between January 26, 2016 and March 25, 2016 under the regulations of Article 28-2 of the Securities and Exchange Act. The purpose of this buyback was to maintain the Corporation's reputation and the stockholders' equity; the buyback price was set at NT\$7.27 to NT\$10.00 per share and the buyback would be continued even when the stock price went down below the lower bound of the price interval set, in compliance with Article 2 of Regulations Governing Share Repurchase by Exchange-Listed and OTC-Listed Companies.

Under the Securities and Exchange Act, the Corporation should not acquire treasury stock in excess of 10% of its total shares outstanding. In addition, the Corporation should not spend more than the aggregate amount of the retained earnings, paid-in capital in excess of par value, and realized capital surplus arising from gains on disposal of properties and donated capital. The Corporation should not use treasury shares to secure any of its obligations and should not exercise any stockholders' rights on those shares.

### 37. NET INTEREST PROFIT

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Interest revenues</u>		
Discounts and loans	\$ 7,346,179	\$ 4,276,894
Margin loans and refinancing margin	2,638,629	2,750,231
Securities	1,594,424	1,633,090
Account receivable - forfeiting	941,838	1,408,498
Due from and call loans to banks	645,934	1,282,817
Deposits	451,901	604,387
Others	<u>627,084</u>	<u>855,100</u>
	<u>14,245,989</u>	<u>12,811,017</u>
<u>Interest expenses</u>		
Deposits	3,004,950	2,099,668
Notes and bonds issued under repurchase agreements	627,549	594,180
Borrowing interest expense	424,975	357,642
Corporate bonds	351,718	330,980
Structured products	185,410	317,561
Bank debentures	103,427	389,350
Others	<u>440,147</u>	<u>309,373</u>
	<u>5,138,176</u>	<u>4,398,754</u>
Interest revenues, net	<u>\$ 9,107,813</u>	<u>\$ 8,412,263</u>

### 38. NET SERVICE FEE REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Service fee revenue</u>		
Brokerage	\$ 8,959,469	\$ 7,805,219
Agency	556,766	120,691
Trust	402,449	174,887
Security lending	274,393	282,510
Others	<u>658,604</u>	<u>373,714</u>
	<u>10,851,681</u>	<u>8,757,021</u>
<u>Service fee expense</u>		
Brokerage	805,113	907,123
Agency	155,292	110,608
Dealing handling fee	91,680	68,431
Others	<u>228,363</u>	<u>151,573</u>
	<u>1,280,448</u>	<u>1,237,735</u>
Service fee, net	<u>\$ 9,571,233</u>	<u>\$ 7,519,286</u>

### 39. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Bonds	\$ 2,314,794	\$ 1,119,300
Call (put) warrants	732,335	330,873
Derivatives	702,501	(3,015,243)
Stocks	529,886	694,207
Operating securities	137,572	4,271,283
Others	<u>90,946</u>	<u>13,384</u>
	<u>\$ 4,508,034</u>	<u>\$ 3,413,804</u>

For the years ended December 31, 2015 and 2014, the Corporation and subsidiaries' financial assets and liabilities at fair value through profit or loss included interest revenue of \$2,124,766 thousand and \$1,361,222 thousand, respectively, dividend income of \$634,587 thousand and \$722,888 thousand, respectively and interest expense of \$160,945 thousand and \$22,575 thousand, respectively.

### 40. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain on bond disposal	\$ 1,598,719	\$ 333,700
Gain on stock disposal	1,161,677	4,829,892
Dividend income	996,458	845,042
Gain on conversion of convertible bonds interest	-	385,329
Others	<u>12,452</u>	<u>26,735</u>
	<u>\$ 3,769,306</u>	<u>\$ 6,420,698</u>

**41. IMPAIRMENT LOSS ON ASSETS**

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Financial assets measured at cost	\$ 853,183	\$ 486,002
Debts investment without active market	71,863	-
Available-for-sale financial assets	34,278	665,672
Others	<u>24,654</u>	<u>125,535</u>
	<u>\$ 983,978</u>	<u>\$ 1,277,209</u>

**42. GAIN ON FINANCIAL ASSETS MEASURED AT COST**

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Gain on security disposal	\$ 1,915,341	\$ 1,803,477
Dividend income	390,075	507,527
Distributions of fund capital gain	109,026	152,529
Others	<u>47,806</u>	<u>35,084</u>
	<u>\$ 2,462,248</u>	<u>\$ 2,498,617</u>

**43. NET OTHER NONINTEREST PROFIT AND GAIN**

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Revenue from underwriting	\$ 497,087	\$ 624,740
Commission revenues	453,247	319,129
Gain on debts investment without active market	328,230	3,224
Consignment settlement and delivery expense	(243,760)	(183,538)
Gain on sale of nonperforming	190,688	106,200
Revenue from providing agency service for stock affairs	141,195	145,827
Rental income	97,054	100,259
Gain on investment property	16,003	102,926
Others	<u>184,793</u>	<u>105,371</u>
	<u>\$ 1,664,537</u>	<u>\$ 1,324,138</u>

#### 44. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Employee benefit expense		
Salaries and wages	\$ 10,805,027	\$ 8,432,467
Employee insurance	602,151	479,420
Pension	395,411	320,071
Others	<u>759,775</u>	<u>851,211</u>
	<u>\$ 12,562,364</u>	<u>\$ 10,083,169</u>
Depreciation and amortization expenses	<u>\$ 1,432,844</u>	<u>\$ 1,229,923</u>

The Company's Articles of Incorporation provide that annual net income should be appropriated after deducting any accumulated losses and taxes and providing legal and special reserves and reversing special reserve. The remaining earnings will be used to pay the employee bonus and the remuneration to directors should not be less than 1% and more than 1%, respectively. For the year ended December 31, 2014, the bonus to employees and the remuneration to directors and supervisors were \$102,000 thousand and \$75,000 thousand, respectively. The bonus to employees and remuneration to directors and supervisors, which were estimated on the basis of the Company's Articles of Incorporation and past experience

To be in compliance with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. For the year ended December 31, 2015, the employees' compensation and the remuneration to directors and supervisors were \$87,000 thousand and \$75,000 thousand, respectively. The employees' compensation and remuneration to directors and supervisors for the year ended December 31, 2015 have been approved by the Corporation's board of directors on March 28, 2016 and are subject to the resolution of the amendments to the Company's Articles of Incorporation for adoption by the shareholders in their meeting to be held on May 16, 2016, and in addition thereto a report of such distribution shall be submitted to the shareholders' meeting.

Material differences between such estimated amounts and the amounts proposed by the board of directors on or before the date the annual consolidated financial statements are authorized for issue are adjusted in the year the bonus and remuneration were recognized. If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences are recorded as a change in accounting estimate. The Corporation's board of directors has approved the employees' compensation in stock which was the closing price after considering the effect of cash and stock dividends of the shares on the day immediately preceding the board's meeting.

The bonuses to employees and remuneration to directors and supervisors for 2014 and 2013 which have been approved in the shareholders' meetings on June 12, 2015 and June 20, 2014, respectively, were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2014</b>	<b>2013</b>
Bonus to employees	\$ 102,000	\$ 98,000
Remuneration of directors and supervisors	75,000	70,000

	<b>Bonus to Employees</b>	<b>Remuneration of Directors and Supervisors</b>
<u>For the year ended December 31, 2014</u>		
Amounts approved in shareholders' meetings	\$ 102,000	\$ 75,000
Amounts recognized in respective financial statements	<u>102,000</u>	<u>75,000</u>
	<u>\$ -</u>	<u>\$ -</u>

For the year ended December 31, 2013

Amounts approved in shareholders' meetings	\$ 98,000	\$ 70,000
Amounts recognized in respective financial statements	<u>98,000</u>	<u>70,000</u>
	<u>\$ -</u>	<u>\$ -</u>

The information on the proposed and approved bonuses to employees and the compensations to directors and supervisor is available on the Market Observation Post System (M.O.P.S.) website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

#### 45. OTHER GENERAL ADMINISTRATIVE EXPENSES

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Taxation	\$ 1,598,161	\$ 1,231,022
Rental	978,050	766,731
Professional services	835,665	633,910
Repair	503,704	354,316
Computer information	419,009	355,674
Postage	398,582	360,889
Others	<u>2,680,945</u>	<u>1,814,013</u>
	<u>\$ 7,414,116</u>	<u>\$ 5,516,555</u>

#### 46. INCOME TAX

Under Rule No. 910458039 issued by the Ministry of Finance on February 12, 2003, a financial holding company and its domestic subsidiaries holding over 90% of shares issued by the financial holding company for 12 months within the same tax year may choose to adopt the linked-tax system for income tax filings in accordance with Article 49 of Financial Holding Company Act and Article 40 of Business Mergers and Acquisitions Act. Thus, the Corporation adopted the linked-tax system for income tax filing with its eligible subsidiaries, income tax and unappropriated earnings tax filings.

The accounting treatment applied to linked-tax system for income tax filings is to adjust the difference between the consolidated current/deferred taxes and the individual current/deferred taxes of the Corporation and subsidiaries, and allocate income tax expense/benefit to the Corporation and each subsidiary's pro rata; related amounts are recognized as current tax assets or current tax liabilities.



a. Income tax expense recognized in profit or loss

The major components of tax expense were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Current income tax		
Current year	\$ 547,108	\$ 875,098
Prior years	<u>(158,277)</u>	<u>(322,755)</u>
	<u>388,831</u>	<u>552,343</u>
Deferred income tax		
Current year	<u>438,981</u>	<u>388,959</u>
Income tax expense recognized in profit or loss	<u>\$ 827,812</u>	<u>\$ 941,302</u>

b. The reconciliation of accounting income and current income tax expense adjustments were as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Income tax expenses at the statutory rate	\$ 3,598,069	\$ 4,506,687
Permanent differences	(3,051,980)	(4,071,659)
Unrecognized temporary differences	(68,600)	290,664
Unrecognized loss carryforwards	-	(2,734)
Effect of different tax rates of subsidiaries	-	(72,916)
Prior year's adjustments	(158,277)	(322,755)
Additional income tax under the Alternative Minimum Tax Act	351,450	407,413
Tax on unappropriated earnings	111,783	206,602
Others	<u>45,367</u>	<u>-</u>
Income tax expenses	<u>\$ 827,812</u>	<u>\$ 941,302</u>

The applicable tax rate used above is the corporate tax rate of 17% payable by the Corporation and subsidiaries in ROC, while the applicable tax rate used by subsidiaries in China is 25%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

As the status of 2016 appropriations of earnings is uncertain, the potential income tax consequences of 10% of 2015 unappropriated earnings are not reliably determinable.

c. Income tax expense (benefit) recognized in other comprehensive income was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Deferred income tax		
Unrealized gain (loss) on available-for-sale financial assets	\$ 858	\$ (257,096)
Actuarial gain (loss) on defined benefit plans	<u>(64,980)</u>	<u>30,930</u>
	<u>\$ (64,122)</u>	<u>\$ (226,166)</u>

d. Deferred tax assets and liabilities

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
<u>Deferred tax assets</u>		
Loss carryforwards	\$ 4,641,966	\$ 5,197,513
Allowance for bad debts	553,529	399,507
Defined benefit obligation	150,001	104,219
Collaterals assumed	63,841	73,428
Others	<u>152,588</u>	<u>60,143</u>
	<u>\$ 5,561,925</u>	<u>\$ 5,834,810</u>
<u>Deferred tax liabilities</u>		
Goodwill	\$ 909,342	\$ 909,342
Land value increment tax	406,642	406,642
Defined benefit plans	38,703	54,904
Others	<u>105,479</u>	<u>52,897</u>
	<u>\$ 1,460,166</u>	<u>\$ 1,423,785</u>

- e. Unused loss carryforwards and unused investment credits for which no deferred tax assets have been recognized in the consolidated balance sheets

The Corporation

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss carryforwards		
Expiry in 2018	\$ 503,243	\$ 503,243
Expiry in 2019	765,047	765,047
Expiry in 2021	<u>438,846</u>	<u>438,846</u>
	<u>\$ 1,707,136</u>	<u>\$ 1,707,136</u>

CDIB

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss carryforwards		
Expiry in 2018	\$ 1,100,330	\$ 1,100,330
Expiry in 2019	591,520	591,520
Expiry in 2021	<u>487,389</u>	<u>487,389</u>
	<u>\$ 2,179,239</u>	<u>\$ 2,179,239</u>

KGI Bank

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Loss carryforwards		
Expiry in 2018	\$ 5,494,558	\$ 5,494,558
Expiry in 2019	<u>3,487,795</u>	<u>3,487,795</u>
	<u>\$ 8,982,353</u>	<u>\$ 8,982,353</u>

- f. Information about unused investment credits, unused carryforward and tax-exemption as of December 31, 2015, investment tax credits comprised:

KGI Bank

<b>Remaining Creditable Amount</b>	<b>Expiry Year</b>
\$ 7,033,130	2017
13,762,127	2018
10,187,530	2019
2,624,589	2020
<u>1,240,412</u>	2021
<u>\$ 34,847,788</u>	

- g. Integrated income tax

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Imputation credits accounts - the Corporation	<u>\$ 1,101,373</u>	<u>\$ 1,363,552</u>

The Corporation's creditable tax ratio for the distribution of earnings of 2015 and 2014 were 8.11% (estimated) and 17.32%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident stockholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to stockholders of the Corporation was based on the balance of the Imputation Credit Accounts (ICA) as of the date of dividend distribution. Therefore, the expected creditable ratio for the 2015 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the stockholders.

The Corporation had no unappropriated earnings generated before January 1, 1998.

- h. Income tax assessments

The Corporation's income tax returns through 2010 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2007 to 2010 tax returns and thus filed tax appeals.

CDIB's income tax returns through 2010 had been examined by the tax authorities. However, CDIB disagreed with the tax authorities' assessments of its 2007 and 2010 tax returns and thus filed tax appeals.

Income tax returns of China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., and CDIB Capital Management Corporation (formerly CDIB Equity Inc.), through 2013 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2012 had been examined by the tax authorities. However, CDIB venture Capital Corporation disagreed with the tax authorities' assessments of its 2010 tax return and thus filed tax appeals.

The income tax returns of formerly Grand Cathay through 2010 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2007 to 2010 tax returns and thus filed tax appeals.

The income tax returns of KGI Securities for the years through 2011 and 2013 had been examined by the tax authorities. KGI Securities disagreed with the tax authorities' rejection of the tax withheld from interest income earned by predecessors, respective operating costs and other tax-exempt income of 2006 through 2011 and 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co., through 2014 had been examined by the tax authorities. Income tax returns of KGI Securities Investment Advisory Co., Ltd., GSFC, KGI Venture Capital Co. Ltd, KGI Futures Co., Ltd, and KGI Securities Investment Trust Co., Ltd. through 2013 had been examined by the tax authorities.

Income tax returns of KGI Bank, KGI Bank Insurance Brokerage Company, CDIB Management Consulting Corporation, and CDC Finance & Leasing Corp. for the years through 2013 had been examined by the tax authorities.

#### 47. EARNINGS PER SHARE

(New Taiwan Dollars)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Basic EPS	<u>\$ 0.58</u>	<u>\$ 0.73</u>
Diluted EPS	<u>\$ 0.57</u>	<u>\$ 0.73</u>

The earnings and weighted average number of common shares outstanding in the computation of EPS were as follows:

##### Net Profit for the Period

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Earnings used in the computation of EPS	<u>\$ 8,528,231</u>	<u>\$ 10,752,042</u>

## Weighted Average Number of Common Shares Outstanding (In Thousand Shares)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Weighted average number of common shares outstanding in computation of basic EPS	14,822,514	14,806,771
Effect of dilutive potentially common shares:		
Employee share options	7,968	6,058
Restricted shares	<u>10,827</u>	<u>579</u>
Weighted average number of common shares outstanding in computation of diluted EPS	<u>14,841,309</u>	<u>14,813,408</u>

## 48. SHARE-BASED PAYMENT ARRANGEMENTS

### a. Employee share option plan of the Corporation

The Corporation acquired 100% of KGI Bank share through a share swap. In accordance with this contract, the Corporation granted options to replace KGI Bank's options granted in May and August 2011. Qualified employees of KGI Bank were granted 30,862 options and 11,088 on conversion date. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 6.64 and 6.96 years and exercisable at certain percentages from now.

Besides, the Corporation granted 44,850 thousand employee stock options in October 2014. Each option entitles the holder to subscribe for one common share of the Company. The options granted are valid for 7 years and exercisable 2 years after the issuance date.

For any subsequent changes in the Corporation's capital surplus, the exercise price is adjusted accordingly.

Information on employee share options was as follows:

	<b>For the Year Ended December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Number of Options (In Thousands)</b>	<b>Weighted-average Exercise Price (NT\$)</b>	<b>Number of Options (In Thousands)</b>	<b>Weighted-average Exercise Price (NT\$)</b>
Balance at January 1	83,231	\$ 9.48	-	\$ -
Options granted	-	-	86,800	9.46
Options exercised	(4,963)	8.88	(1,332)	7.68
Options invalid	<u>(3,948)</u>	9.55	<u>(2,237)</u>	9.96
Balance at December 31	<u>74,320</u>	9.01	<u>83,231</u>	9.48
Options exercisable, end of period	<u>30,530</u>	8.93	<u>38,511</u>	9.40
Weighted-average fair value of options granted	<u>\$ -</u>		<u>\$ 1.496</u>	
Weighted-average remaining contractual life (years)	5.63		6.61	

The weighted-average share prices at the date of exercise of share options from January 1 to December 31, 2015 and from September 15 to December 31, 2014 were \$10.45 and \$9.90.

Options granted on conversion date were priced using the trinomial trees model and the inputs to the model were as follows:

Grant-date share price	\$9.54-\$10
Exercise price	\$7.29-\$9.99
Expected volatility	14.94%-15.45%
Expected life	6.64-7 years
Expected dividend yield	1.50%
Risk-free interest rate	1.5647%-1.6283%
Early exercise of the multiplier	1.63

Expected volatility was based on the historical share price volatility over the past 1 year.

Compensation costs for the years ended December 31, 2015 and 2014 were \$17,064 thousand and \$4,379 thousand.

b. Issue restricted share plan

The board of directors of the Corporation has decided to issue restricted shares plan which is \$40,597 thousand in total, and \$10 per face value totaled 4,060 thousand shares with issue price of \$0 (free issuance) at August 19, 2013. Further, the board of directors made August 26, 2013 as the base-date for capital increase. Fair value on the payment day of the stock was \$8.15.

The board of directors of the Corporation has decided to issue restricted shares plan which is \$60,833 thousand in total, and \$10 per face value totaled 6,083 thousand shares with issue price of \$0 (free issuance) at January 27, 2014. Further, the board of directors made January 27, 2014 as the base-date for capital increase. Fair value on the payment day of the stock was \$8.84.

The board of directors of the Corporation has decided to issue restricted shares plan which is \$56,997 thousand in total, and \$10 per face value totaled 5,700 thousand shares with issue price of \$0 (free issuance) at February 9, 2015. Further, the board of directors made February 13, 2015 as the base-date for capital increase. Fair value on the payment day of the stock was \$10.80.

The vesting portion of shares is summarized and managed year by year, and the vesting rate of the shares is 40%, 30% and 30% for 1-year, 2-year and 3-year respectively. Employees who have not met the vesting conditions cannot sell, pledge, transfer, donate, asking the Corporation to buy them back or in any other way dispose of these shares except inheritance. Besides, employees don't have preemptive rights when capital increase but do share the same rights of issued common stock (which includes but not confined to cash dividend, stock dividend, capital decrease, capital surplus cash (stock) or any rights that was originated from legal subject such as consolidation, split or stock-exchange which we called "allocated rights" thereafter). Allocated rights have to be in the trust before meeting the vesting conditions.

After the restricted shares are allocated to employees, the Corporation will retrieve and cancel the stocks with no reimbursement if the vesting conditions are not met. The Corporation will also retrieve the allocated rights at the rate of shares of vesting conditions not met divided by shares allocated, with no reimbursement. If it is stocks that are retrieved, they shall be cancelled in each year of the vesting period.

For the years ended December 31, 2015 and 2014, the Corporation recognized \$56,326 thousand and \$50,947 thousand as compensation cost.

#### 49. RELATED-PARTY TRANSACTIONS

The significant transactions and relationship with related parties (in addition to those disclosed in other notes) are summarized below:

##### a. Related parties

<u>Related Party</u>	<u>Relationship with the Corporation and Subsidiaries</u>
Others	Other related parties

##### b. Significant transactions with related-parties

###### 1) Cash in banks (recognized as cash and cash equivalents)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 166,736	1
December 31, 2014	8,769	-

For the years ended December 31, 2015 and 2014, the interest revenues from cash in bank were \$202 thousand and \$188 thousand, respectively.

###### 2) Due from banks (recognized as cash and cash equivalents)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 71,436	-
December 31, 2014	59,533	-

For the years ended December 31, 2015 and 2014, the interest revenues from due from banks were \$0 thousand.

###### 3) Call loans to banks (recognized as due from the central bank and call loans to banks)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 4,629,240	5
December 31, 2014	-	-

For the years ended December 31, 2015 and 2014, the interest revenues from call loans to banks were \$2,268 thousand and 2,321 thousand, respectively.

###### 4) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 26,574	-
December 31, 2014	16,218	-

5) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2015</u>		
Other related parties	\$ 1,709,013	\$ 6,274,423
<u>For the year ended December 31, 2014</u>		
Other related parties	4,447,609	3,318,534

6) Purchase and sale of securities

	<b>Purchase of Securities</b>	<b>Sale of Securities</b>
<u>For the year ended December 31, 2014</u>		
Other related parties	\$ 111,150	\$ -

7) Revenue receivable (recognized as receivables, net)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 67,745	-
December 31, 2014	2,421	-

8) Receivable on margin loans (recognized as receivables, net)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 15,503	-
December 31, 2014	10,070	-

9) Credit card receivable (recognized as receivables, net)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 27,612	-
December 31, 2014	8,272	-

10) Discounts and loans, net

	<b>Amount</b>	<b>%</b>	<b>Interest Rate (%)</b>
December 31, 2015	\$ 999,266	-	1.43-18.25
December 31, 2014	485,119	-	1.21-18.25

For the years ended December 31, 2015 and 2014, the interest revenues from discounts and loans were \$16,502 thousand and \$2,819 thousand, respectively.



**Balance as of December 31, 2015**

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	34	\$ 24,394	\$ 16,314	\$ 16,314	\$ -	-	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Real estate/ deposit	Yes

**Balance as of December 31, 2014**

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Consumer loans	20	\$ 12,883	\$ 11,888	\$ 11,888	\$ -	-	Yes
Residential mortgage loans	26	479,198	468,829	468,829	-	Real estate	Yes
Others	7	705,193	4,402	4,402	-	Real estate/ deposit	Yes

11) Guarantee deposits received in futures contracts (recognized as other financial assets)

	Amount	%
December 31, 2015	\$ -	-
December 31, 2014	64,255	-

12) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2015	\$ 50,000	-

13) Guaranteed price deposits received from securities borrowers (recognized as payables)

	Amount	%
December 31, 2015	\$ 45,987	-
December 31, 2014	36,099	-

14) Deposits payable for securities financing (recognized as payables)

	Amount	%
December 31, 2015	\$ 45,825	-
December 31, 2014	39,915	-

15) Deposits and remittances

	<b>Amount</b>	<b>%</b>	<b>Interest Rate (%)</b>
December 31, 2015	\$ 801,873	-	0-6.5
December 31, 2014	443,734	-	0-6.5

For the years ended December 31, 2015 and 2014, the interest expenses from deposits and remittances were \$8,372 thousand and \$4,041 thousand, respectively.

16) Short-term borrowings (recognized as other borrowings)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 223,396	1
December 31, 2014	324,605	1

For the years ended December 31, 2015 and 2014, the interest expenses from short-term borrowings were \$18,336 thousand and \$3,392 thousand, respectively.

17) Customers' equity accounts - futures

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 57,965	-
December 31, 2014	64,255	-

18) Brokerage service fee revenue (recognized as net service fee revenue)

	<b>For the Year Ended December 31</b>	
	<b>Amount</b>	<b>%</b>
2015	\$ 25,814	-
2014	23,069	-

19) Consulting service revenue

	<b>For the Year Ended December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Other related parties	\$ 576,302	53	\$ 83,000	4

20) Net other noninterest profit and gain

	<b>For the Year Ended December 31</b>	
	<b>Amount</b>	<b>%</b>
2015	\$ 17,595	1
2014	21,032	1

21) Donation (recognized as other operating and administrative expenses)

	<b>For the Year Ended December 31</b>	
	<b>Amount</b>	<b>%</b>
2015	\$ 61,000	1
2014	27,000	-

22) Other operating expense (recognized as other operating and administrative expense)

	<b>For the Year Ended December 31</b>	
	<b>Amount</b>	<b>%</b>
2015	\$ 8,316	-
2014	17,759	-

23) Outstanding derivative financial instruments

KGIB

December 31, 2015

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - November 17, 2016	\$ 1,913,574	\$ 415,513	Financial assets held for trading	\$ 18,890
					Financial liabilities held for trading	30,786

CDIB

December 31, 2014

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	February 7, 2014 - July 21, 2015	\$ 12,208,213	\$ (400,616)	Financial assets held for trading	\$ 27,325
					Financial liabilities held for trading	454,734

24) Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Salary and short-term benefits	\$ 327,511	\$ 374,798
Share-based payment	52,377	47,514
Post-employment benefits	<u>4,270</u>	<u>4,634</u>
	<u>\$ 384,158</u>	<u>\$ 426,946</u>

The terms of the transactions with related parties were similar to those for third parties, except for certain preferential interest rates for employees' savings in and borrowings from CDIB and KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by CDIB and KGI Bank to any related party were fully secured, and the other terms of these credits were similar to those for third parties.

- c. Related-party transactions were at costs or prices of at least NT\$100 million

The significant transactions and relationship of the Corporation's subsidiaries with related parties were summarized below:

CDIB and subsidiaries

<b>Related Party</b>	<b>Relationship with the Bank and Subsidiaries</b>
China Development Financial Holding Corporation	Parent company
KGI Securities Co., Ltd.	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company (Note 1)
Others	Other related parties (Note 2)

Note 1: Since CDFH acquired 100% equity of KGI Bank through a share swap, it became related party of CDIB.

Note 2: CDC Financial & Leasing Corporation was no longer the subsidiary of the CDIB after the transfer date of May 1, 2015.

- 1) Cash in banks (recognized as cash and cash equivalents)

	<b>December 31, 2015</b>	
	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 10,607,534	38

- 2) Due from banks (recognized as cash and cash equivalents)

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 12,613,249	45	\$ 111,968	1

- 3) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2015</u>		
Subsidiary of the parent company	\$ 1,583,244	\$ 2,211,662
<u>For the year ended December 31, 2014</u>		
Subsidiary of the parent company	5,289,157	3,947,399
Other related parties	-	100,053

4) Purchase and sale of securities

	<b>Purchase of Securities</b>	<b>Sale of Securities</b>
<u>For the year ended December 31, 2014</u>		
Other related parties	\$ 111,150	\$ -

5) Receivables from parent (recognized as current tax assets)

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Parent company	\$ 690,918	99	\$ 530,220	99

The receivables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

6) Discounts and loans, net

**Balance as of December 31, 2015**

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Others	Other related parties	\$ 100,000	\$ -	\$ -	\$ -	-	Yes

**Balance as of December 31, 2014**

(In Thousands of New Taiwan Dollars)

Category	Account Volume or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Is the Transaction at Arm's Length Commercial Term
Others	Other related parties	\$ 700,000	\$ -	\$ -	\$ -	-	Yes

7) Securities holding (recognized as available-for-sale financial assets)

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>Stock</u>				
Parent company	\$ 169,918	2	\$ 208,526	-

8) Payables to parent (recognized as current tax liabilities)

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Parent company	\$ 248,526	62	\$ 237,069	52

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

9) Deposits and remittances

	Amount	%	Interest Rate (%)
<u>December 31, 2014</u>			
Parent company	\$ 1,410,296	1	0-0.35
Subsidiary of the parent company	3,683,057	2	0-3.00

10) Short-term borrowings (recognized as other borrowings)

	<u>December 31, 2014</u>	
	Amount	%
Other related parties	\$ 109,297	2

11) Consulting service revenue

	<u>For the Year Ended December 31, 2015</u>	
	Amount	%
Other related parties	\$ 461,524	73

12) Outstanding derivative financial instruments

December 31, 2014

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	February 7 2014 - July 21, 2015	\$ 12,208,213	\$ (400,616)	Financial assets held for trading	\$ 27,325
					Financial liabilities held for trading	454,734
Subsidiary of the parent company	Interest rate swap contracts	April 1, 2010 - September 23, 2015	800,000	(5,403)	Financial assets held for trading	2,140
	Asset swap-option contracts	April 17, 2014 - July 14, 2017	103,900	(6,844)	Financial liabilities held for trading	6,844
	Asset swap-interest rate swap contracts	April 17, 2014 - July 30, 2017	103,900	2,071	Financial assets held for trading	2,071
	Equity option contracts	January 13, 2014 - October 27, 2015	7,832,000	853,057	Financial assets held for trading	1,019,026
	Exchange rate swap option contract	November 4, 2014 - June 15, 2015	532,457	3,870	Financial assets held for trading	3,870

13) Compensation of key management personnel

	<u>For the Year Ended December 31</u>	
	2015	2014
Salary and short-term benefits	\$ 109,443	\$ 136,399
Post-employment benefits	926	1,929
Share-based payment	<u>867</u>	<u>324</u>
	<u>\$ 111,236</u>	<u>\$ 138,652</u>

## KGI Securities and subsidiaries

<b>Related Party</b>	<b>Relationship with the KGI Securities and Subsidiaries</b>
China Development Financial Holding Corporation	Parent company
China Development Industrial Bank Inc.	Subsidiary of the parent company
KGI Commercial Bank Co., Ltd.	Subsidiary of the parent company (Note)
Others	Other related parties

Note: Since CDFH acquired 100% equity of KGI Bank through a share swap, it became related party of KGI Securities.

### 1) Cash in banks (recognized as cash and cash equivalents)

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 393,854	3	\$ 3,683,057	27
Other related parties	165,644	1	-	-

### 2) Available-for-sale financial assets- current

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<u>Stock</u>				
Parent company	\$ 2,490,281	34	\$ 3,056,117	40

### 3) Restricted assets (recognized as other current assets)

	<b>December 31</b>			
	<b>2015</b>		<b>2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Subsidiary of the parent company	\$ 829,941	2	\$ 886,521	3

### 4) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2015</u>		
Subsidiary of the parent company	\$ 9,488,960	\$ 6,070,655
Other related parties	1,709,013	6,274,423
<u>For the year ended December 31, 2014</u>		
Subsidiary of the parent company	3,947,399	5,289,157
Other related parties	4,447,609	3,218,481

5) Guarantee deposits received in futures contracts

	December 31			
	2015		2014	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 177,650	1	\$ 99,945	-

6) Amounts held for settlement (recognized as other current assets)

	December 31, 2015	
	Amount	%
Subsidiary of the parent company	\$ 1,531,123	4

7) Current tax assets

	December 31			
	2015		2014	
	Amount	%	Amount	%
Parent company	\$ 122,581	21	\$ 122,581	42

8) Short-term loans

	December 31			
	2015		2014	
	Amount	%	Amount	%
Other related parties	\$ 198,396	1	\$ 190,308	1

9) Current tax liabilities

	December 31			
	2015		2014	
	Amount	%	Amount	%
Parent company	\$ 506,024	48	\$ 411,405	20

10) Outstanding derivative financial instruments

a) Interest rate swap contracts

	December 31, 2014
	Contract Amount (Principal)
Subsidiary of the parent company	\$ 800,000



b) Asset swap IRS contracts

	<b>December 31, 2014</b>
	<b>Contract Amount (Principal)</b>
Subsidiary of the parent company	\$ 103,900

c) Asset swap option contracts - call

	<b>December 31, 2014</b>
	<b>Contract Amount (Principal)</b>
Subsidiary of the parent company	\$ 103,900

d) Equity option contracts

	<b>December 31, 2014</b>
	<b>Contract Amount (Principal)</b>
Subsidiary of the parent company	\$ 7,832,000

11) Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Salary and short-term benefits	\$ 131,416	\$ 133,358
Post-employment benefits	2,721	4,652
Share-based payment	<u>2,527</u>	<u>652</u>
	<u>\$ 136,664</u>	<u>\$ 138,662</u>

KGI Bank and subsidiaries

<b>Related Party</b>	<b>Relationship with the Bank and Subsidiaries</b>
China Development Financial Holding Corporation (CDFH)	Parent company
China Development Industrial Bank Inc. (CDIB)	Subsidiary of the parent company (Note)
KGI Securities Co., Ltd. (KGIB)	Subsidiary of the parent company (Note)
Others	Other related parties

Note: Since KGI Bank is acquired by CDFH of 100% equity through a share swap; it became the related party of the Corporation, CDIB and KGIS.

- 1) Call loans to banks (recognized as due from the central bank and call loans to banks)

	<b>December 31, 2015</b>	
	<b>Amount</b>	<b>%</b>
Other related parties	\$ 4,629,240	5

- 2) Receivables from securities sale (recognized as receivables)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 117,459	-

- 3) Purchase and sale of bonds

	<b>Purchase of Bonds</b>	<b>Sale of Bonds</b>
<u>For the year ended December 31, 2015</u>		
Subsidiary of the parent company	\$ 4,487,411	\$ 7,277,298

- 4) Deposits and remittances

	<b>Amount</b>	<b>%</b>	<b>Interest Rate (%)</b>
<u>December 31, 2015</u>			
Parent company	\$ 2,646,445	1	0-0.17
Subsidiary of the parent company	26,153,352	7	0-1.35
<u>December 31, 2014</u>			
Subsidiary of the parent company	998,489	1	0-0.17

- 5) Payable on securities purchased (recognized as payables)

	<b>Amount</b>	<b>%</b>
December 31, 2015	\$ 193,325	5

- 6) Payable on parent (recognized as current tax liabilities)

	<b>December 31, 2015</b>	
	<b>Amount</b>	<b>%</b>
Parent company	\$ 181,150	97

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns.

7) Outstanding derivative financial instrument

December 31, 2015

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Currency swap contracts	April 10, 2015 - November 17, 2016	\$ 1,913,574	\$ 415,513	Financial assets held for trading	\$ 18,890
					Financial liabilities held for trading	30,786

December 31, 2014

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiary of the parent company	Exchange rate swap option contracts	November 4, 2014 - June 15, 2015	\$ 532,457	\$ (371)	Financial liabilities held for trading	\$ 2,545

8) Compensation of key management personnel

For the Year Ended  
December 31,  
2015

Salary and short-term benefits	\$ 138,709
Post-employment benefits	2,247
Share-based payment	-
	<u>\$ 140,956</u>

50. PLEDGED ASSETS

The following assets had been (a) pledged to various financial institutions as guarantees and collaterals for short-term loans, commercial papers payable, long-term loans, and overdraft; (b) pledged with GreTai Securities Market for the government bond bidding; (c) required by the Central Bank for posting a bid bond and as a guarantee deposit for the bills business; (d) pledged as part of the requirements for filing a petition for tax reassessment; (e) pledged as compensation reserve; (f) pledged as guarantee deposit for overseas bonds sold with repurchase agreement; (g) pledged as foreign exchange margin trading; and (h) derivative transactions security deposit.

	December 31	
	2015	2014
Due from the Central Bank and call loans to banks	\$ 10,075,000	\$ 11,300,000
Property and equipment, net	4,773,042	4,807,872
Lease receivables	3,424,754	3,360,837
Available-for-sale financial assets - bonds and stocks	2,577,026	2,817,664
Operating guarantee deposits	1,447,740	1,957,465
Other financial assets - pledged time deposits	629,344	1,980,802
Guarantee deposits paid	532,456	732,877

(Continued)

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Competitive bid transactions guarantee	\$ 323,027	\$ 357,225
Investment property, net	170,336	380,773
Checking accounts - restricted for agent's stock transfer purposes	83,390	231,601
Financial assets at fair value through profit or loss - bonds and stocks	50,443	71,145
Restricted assets - impound account	49,178	53,759
Investments accounted for using the equity method	-	1,863,168
		(Concluded)

## 51. LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Corporation and subsidiaries, except for those disclosed in Notes 55 and 56 were summarized as follows:

- a. In April 2007, CDIB and Morgan Stanley entered into a CDS contract that was tied to a synthetic collateralized debt obligation on residential mortgage-backed securities. The representations made to CDIB by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB. CDIB has commenced an action against Morgan Stanley, et al. in the Supreme Court of the State of New York, County of New York on July 15, 2010. The litigation had not yet been concluded as of December 31, 2015.
- b. Securities and Futures Investors Protection Center sued Grand Cathay (KGI Securities as the survivor company after merging on June 22, 2013) and claimed that due to the fact that KGI Securities was the lead underwriter of Taiwan Kolin Co., Ltd. 2nd convertible bonds, KGI Securities must have but not performed sufficient audits on the contents disclosed in the prospectus of Taiwan Kolin Co., Ltd. 2nd convertible corporate bonds, which against the Article 20 and 32 of Securities and Exchange Act and the Article 184 and 185 of Civil Code. The plaintiffs sued KGI Securities and Taiwan Kolin Co., Ltd. with jointly liability amounted to \$133,308 thousand plus 5% interest. The lawsuit is currently preceded by the Taipei District Court. However, Taiwan Kolin Co., Ltd. is under the procedure of reorganization, this lawsuit is withdrawn now.
- c. Plaintiffs, Digital Imaging Solution Global Ltd. ("Digital") and Minda Consulting Ltd. ("Minda"), advocated that GT based on stock pledge generated from loans of HK\$10,000 thousand with Minda and Minda transferred its pledge right on Digital to GT, GT transferred a pledge right of 35,000 thousand shares of eCyber China to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyber China without Minda's approval and thus violated the pledge agreement. Therefore, Digital and Minda filed a lawsuit to the GT in November 2007 and requested for compensation of HK\$119,130 thousand and related expenses and interest. In February 2008, Digital and Minda added KGI Limited as a defendant. On July 21, 2008, the appeal was dismissed by courts of Hong Kong and the plaintiffs appealed to a higher court. In December 2008, the courts of appeals dismissed the appeal by Digital while the appeal by Minda is still pending in the courts of appeals. According to the loan contract signed on May 9, 2000, Global Treasure Investments Limited (GT) loaned HK\$10,000 thousand to Minda. Because Minda broke the contract by not making loan repayments, GT filed a lawsuit against Minda on October 31, 2002, and requested the return of HK\$9,192 thousand plus interest. The case is still pending in the courts of Hong Kong.

- d. Securities and Futures Investors Protection Center sued CDIB Capital Management Corporation (formerly named CDIB Equity Inc.) and claimed that due to the fact that CDIB Capital Management Corporation is the corporate director of Powercom Ltd., CDIB Capital Management Corporation have but not performed sufficient audits on the contents disclosed in the financial statements which failed to comply the obligation of being a good administrator. Therefore, the plaintiff demanded compensation of \$592,648 thousand and related interests from CDIB Capital Management Corporation and Powercom Ltd. CDIB Capital Management Corporation and Powercom Ltd. could not estimate the related possible loss because the case was currently pending with the Taipei District Court and the final outcome of the court is uncertain.
- e. In February 2008, during a financial crisis involving Far Eastern Air Transport Limited (FEAT), nine people, including Hu, Tsui and Chen, were sued by a state prosecutor after they were investigated. Hu, CDIB's former designated representative to FEAT's board of directors, was charged by the state prosecutor of dereliction of duty as an FEAT board member, resulting in financial loss to FEAT. FEAT also initiated a civil action against Hu and CDIB, claiming that they were jointly liable for damages of \$677,199 thousand plus interest. The criminal case brought by FEAT against Hu and CDIB was adjudicated on September 28, 2012, and both defendants were acquitted of the charge brought against them; thus, the civil lawsuit was also dismissed by the criminal court. FEAT disagreed with this judgment and filed for appeal of the court's decision on CDIB and Hu's criminal and civil cases, claiming that these two defendants were jointly liable for damages of \$660,000 thousand plus interest. The lawsuit was adjudicated on January 28, 2016, and both defendants, Hu and CDIB, were acquitted of the charge brought against them again; the civil lawsuit was also dismissed by the criminal court of the Taiwan High Court. However, since the manner of execution of the two judgements was uncertain as of March 28, 2016, CDIB could not ascertain the final outcome of the lawsuit. In July 2013, FEAT sued Yageo Corporation Limited, Feng Dan Bai Lu Corporation Limited, Yong Chun Corporation Limited and CDIB for failing to discharge its obligations as a good administrator, resulting in embezzlement FEAT, for which FEAT demanded the payment of \$100,000 thousand and interests. FEAT lost the lawsuit on December 30, 2014 claimed by the Taipei District Court and decided to appeal to Taiwan High Court. CDIB could not estimate the related possible loss because the final outcome of the lawsuit is uncertain.
- f. In order to protect claims, KGI Bank acted vigorously in regards to Prince Motors' overdue debt. In 2012, the court enforced an auction on Tucheng plant and Dun Nan building collateral and allocated \$3,935,303 thousand and \$1,971,721 thousand to the Bank respectively. Among which, \$3,897,202 thousand and \$1,808,039 thousand were allocated by the court as of December 31, 2012 and 2013. However, the Prince Motors objected to the amounts allocated to KGI Bank by the court, which affect Tucheng plant and Dun Nan Building amounting \$21,672 thousand and \$163,682 thousand, respectively. The former appeal abovementioned has been withdrawn by the court on February 27, 2014 and the other appeal has been announced that KGI Bank has won the lawsuit in the third quarter of 2013. Also, other creditors objected the amounts allocated to the Bank, which affect Tucheng plant amounting \$16,429 thousand and was withdrawn by the court in October 2012. As of the reporting date, all the above mentioned collaterals allocated by the court were withdrawn by the court, amounting \$3,935,303 thousand and \$1,971,721 thousand.

In December 2012, a third party regards the property rights of Dun Nan buildings as fraudulently infringing upon the rights of the creditors (credit litigation amounted to \$481,157 thousand). On February 14, 2014. The Taiwan District Court has judged that KGI Bank lost the lawsuit and has to return the amount received of \$1,786,318 thousand for re-allocation. KGI Bank has entrusted a lawyer. The lawyer judged that the case has ethical conflicts and insufficient evidence to support the judgment of the court. KGI Bank has appealed for second trial on March 10, 2014 and has a high possibility of winning the case.

- g. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource its IT operations to improve IT service levels and to rapidly respond to the business development and changes in external regulations. The board of directors' meeting held on October 30, 2012 approved the plan for outsourcing the IT operations to International Business Machines Corp., Taiwan (IBM Taiwan) for the next 10 years, starting from October 31, 2012. According to the IT outsource contract, besides extra services being charged according to professional rates, KGI Bank has to pay a total of \$1,022,700 thousand for the basic framework, support service, IT application service and integration and transformation of server and so on as annual services fees in the future contract periods, starting from December 31, 2015.

## 52. SIGNIFICANT SUBSEQUENT EVENTS

To extend the scale of overseas operation and enhance Group's regional distribution, KGI Securities' board of directors approved a 99% cash investment in PT Hasta Dana Sekuritas Indonesia ("PT Hasta") by KGI Capital Asia Ltd. on December 28, 2015. The purchased price was estimated at IDR81,974,000. This investment will take effect upon the approval by relevant authorities. The purchase price will be adjusted on the basis of the net asset value of PT Hasta after the closing date.

## 53. BUSINESS COMBINATION

- a. KGI Ong Capital Pte. Limited, TG Holborn (HK) Limited and KGI Asset Management Limited

KGI Asia (Holdings) Pte. Ltd., which is a subsidiary of KGI Securities, for the purpose of expanding foreign business, had acquired 100% of the voting rights of KGI Ong Capital Pte. Ltd.'s (KGI Ong) on April 29, 2014. KGI Ong is a non-listed company located in Singapore specialized in the futures related business.

For the purpose of expanding foreign operating scale and enhancing the group's business, KGI Limited acquired TG Holborn (HK) Limited and KGI Asset Management Limited ("TG Holborn and KGI Asset Management") 100% voting shares on December 22, 2014. TG Holborn and KGI Asset Management are a non-listed company located in Hong Kong specialized in the financial consult planning and the wealth management related business.

- 1) The fair value of KGI Ong's identifiable assets and liabilities on the acquisition date are as follows:

	<b>Fair Value on Acquisition Date</b>
Assets	
Financial assets (include cash and cash equivalent NT\$87,981)	\$ 7,396,296
Non-financial assets	<u>73,930</u>
Assets subtotal	<u>7,470,226</u>
Liabilities	
Financial liabilities	(6,780,125)
Non-financial liabilities	<u>(41,858)</u>
Liabilities subtotal	<u>(6,821,983)</u>
Identifiable net assets	<u>\$ 648,243</u>

- 2) Goodwill of KGI Ong \$620,738 thousand raised from the acquisition consideration (cash transaction cost of acquisition) \$1,243,830 thousand minus the fair value of identifiable net assets \$623,092 thousand.

Goodwill of TG Holborn and KGI Asset Management \$23,945 thousand raised from the acquisition consideration (cash transaction cost of acquisition) \$49,096 thousand minus the fair value of identifiable net asset \$25,151 thousand.

3) Effects of results of operations causing by business combination

From the acquisition date to December 31, 2014, net revenues from investee company is \$304,951 thousand, net loss before income tax is \$72,663 thousand. Should the acquisition occurred on the beginning of the accounting period, the pro-forma revenue and net income of the Company and subsidiaries' for the year ended would be \$30,623,070 thousand, and \$8,647,956 thousand, respectively. The above amount could not reflect the results of operations and revenues from the Company and subsidiaries if the acquisition were completed on the beginning of the accounting period, and also should not be used to predict future operation outcome.

b. KGI Bank

CDFH made KGI Bank a subsidiary through a share swap on September 15, 2014, in order to stabilize earnings streams, generate cross-selling synergies, and enhance shareholders' return on equity.

1) Acquisition cost and the type and amount of shares issued as a result of the acquisition:

	<b>Amount</b>
Cash payment	\$ 18,510,902
New shares issued	3,061,467
Issuance of employee share options	<u>67,625</u>
	<u>\$ 21,639,994</u>

2) Assets acquired and liabilities assumed at the date of acquisition

	<b>Amount</b>
Financial asset (cash and cash equivalents included \$7,113,213)	\$ 179,069,547
Property, equipment and investment property	5,886,778
Intangible asset	1,740,818
Other asset	6,088,102
Financial liability	(167,372,451)
Other liability	<u>(4,593,765)</u>
	<u>\$ 20,819,029</u>

3) Acquired KGI Bank goodwill \$820,965 thousand composed. Transaction cost of acquisition \$21,639,994 thousand as well as took net identifiable asset and identifiable intangible asset sum of \$20,819,029 thousand off.

4) Effects of results of operations causing by business combination

From the acquisition date to December 31, 2014, net revenues from investee company is \$1,851,235 thousand and net income is \$357,937 thousand. Should the acquisition occurred on the beginning of the accounting period, the pro-forma revenue and net income of the Company and subsidiaries' for the year ended would be \$33,115,519 thousand, and \$12,624,430 thousand, respectively. The above amount could not reflect the results of operations and revenues from the Company and subsidiaries if the acquisition were completed on the beginning of the accounting period, and also should not be used to predict future operation outcome.

c. KGI Fraser Securities Pte. Ltd.

KGI Asia (Holdings) Pte. Ltd., which is a subsidiary of KGI Securities, for the purpose of expanding foreign business, had acquired 100% of the voting rights of KGI Fraser Securities Pte. Ltd.'s (KGI Fraser) on January 30, 2015. KGI Fraser is a non-listed company located in Singapore specialized in the futures related business.

- 1) The fair value of KGI Fraser's identifiable assets and liabilities on the acquisition date were as follows:

	<b>Fair Value on Acquisition Date</b>
<b>Assets</b>	
Financial assets (include cash and cash equivalent \$1,040,544)	\$ 3,227,104
Other assets	<u>38,986</u>
Assets subtotal	<u>3,266,090</u>
<b>Liabilities</b>	
Financial liabilities	<u>(2,647,608)</u>
<b>Identifiable net assets</b>	<u><u>\$ 618,482</u></u>

- 2) KGI Fraser's goodwill, \$372,878 thousand, was resulted from the difference between consideration of the acquisition (cash transaction cost of acquisition) \$991,360 thousand and the fair value of identifiable net assets \$618,482 thousand.

- 3) Effects of results of operations caused by business combination

From the acquisition date to December 31, 2015, net revenue and net loss from acquiree were \$300,445 thousand and \$298,275 thousand. Should the acquisition occur on the beginning of the accounting period, the pro-forma revenue and net income of the Company and subsidiaries for the years ended would be \$30,622,048 thousand and \$8,605,435 thousand, respectively. The above amount could not reflect the results of operations and revenues from the Company and subsidiaries if the acquisition were completed on the beginning of the accounting period, and therefore it should not be used to predict future operation outcome.

#### 54. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, CDIB, KGI SECURITIES AND KGI BANK

##### Consolidated Profitability

(%)

<b>Items</b>		<b>December 31, 2015</b>	<b>December 31, 2014</b>
Return on total assets	Before income tax	1.06	1.50
	After income tax	0.96	1.38
Return on net worth	Before income tax	5.48	6.83
	After income tax	5.00	6.28
Profit margin		28.23	37.86



**Profitability of CDFH**

(%)

Items		December 31, 2015	December 31, 2014
Return on total assets	Before income tax	4.55	5.52
	After income tax	4.52	5.71
Return on net worth	Before income tax	5.09	6.20
	After income tax	5.09	6.46
Profit margin		91.46	96.20

**Profitability of CDIB**

(%)

Items		December 31, 2015	December 31, 2014
Return on total assets	Before income tax	1.76	1.99
	After income tax	1.80	1.89
Return on net worth	Before income tax	5.20	7.67
	After income tax	5.32	7.30
Profit margin		82.65	79.51

**Profitability of KGI Securities**

(%)

Items		December 31, 2015	December 31, 2014
Return on total assets	Before income tax	1.51	2.08
	After income tax	1.43	1.86
Return on net worth	Before income tax	4.39	5.57
	After income tax	4.17	4.99
Profit margin		28.93	33.21

**Profitability of KGI Bank (Note)**

(%)

Items		December 31, 2015	December 31, 2014
Return on total assets	Before income tax	1.07	1.08
	After income tax	0.95	0.93
Return on net worth	Before income tax	10.40	10.68
	After income tax	9.21	9.21
Profit margin		50.08	43.00

Note: The above information includes prior interests under joint control.

## 55. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

- 1) Level I fair values are quoted prices in active markets for financial instruments.
- 2) Level II fair values are those directly or indirectly observable inputs other than Level I quoted prices, such as the quoted prices of similar financial instruments in less active markets or price estimates arrived at through pricing models that use inputs such as interest rates, which are derived from or can be corroborated with observable market data.
- 3) Level III refers to inputs that are not based on observable market data.

b. Fair value

- 1) The fair value hierarchy of financial instruments was as follows:

December 31, 2015

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
<u>Nonderivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	\$ 14,037,985	\$ -	\$ -	\$ 14,037,985
Bond investments	55,316,866	37,364,773	-	92,681,639
Others	290,178	8,150,733	-	8,440,911
Financial assets designated as at FVTPL	234,787	19,921,689	188,401	20,344,877
Available-for-sale financial assets				
Stock investments	20,055,988	523,025	-	20,579,013
Bond investments	38,963,312	10,772,965	327,725	50,064,002
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,493,208	3,326,889	-	6,820,097
Financial liabilities designated as at FVTPL	-	4,352,498	-	4,352,498
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL	450,041	18,893,330	2,931,302	22,274,673
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	456,154	23,031,691	3,071,362	26,559,207
Financial liabilities designated as at FVTPL	-	2,166,377	-	2,166,377

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
<u>Nonderivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading				
Stock investments	\$ 17,745,383	\$ -	\$ -	\$ 17,745,383
Bond investments	60,392,112	42,970,217	-	103,362,329
Others	751,923	5,714,452	-	6,466,375
Financial assets designated as at FVTPL	-	-	233,686	233,686
Available-for-sale financial assets				
Stock investments	25,378,584	644,331	-	26,022,915
Bond investments	37,344,600	75,923,259	311,154	113,579,013
Others	8,672	-	-	8,672
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,065,703	2,260,381	-	5,326,084
Financial liabilities designated as at FVTPL	-	1,071,148	-	1,071,148
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	630,405	21,764,650	974,985	23,370,040
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	836,999	23,767,440	2,114,151	26,718,590
Financial liabilities designated as at FVTPL	-	-	1,966,485	1,966,485
Derivative financial liabilities for hedging	-	-	20,659	20,659

## 2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets, and derivative financial assets for hedging, fair value is determined at quoted market prices. When market prices of the Corporation and subsidiaries' various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Corporation and subsidiaries use for fair value estimation is consistent with that generally used in the market; the basis of the theory are commonly recognized by the industry. The type of relevant methodology can roughly divided into analytical solution model (for example: Black-school model) and numerical method model (for example Monet Carlo simulation).

## 3) Reconciliation of fair value

### a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions are dependent on the instrument type and available market data. However, certain model inputs may be less readily determinable from valuation techniques. In these circumstances, valuation model would adopt additional parameters and/or model assumptions such as model risk or Liquidity Risk and so on, to make fair value adjustment. According to our policies of Valuation management and relevant control procedure, the Corporation's management considers that Valuation adjustments are necessary and appropriate. To accepted approaches and principles for the making the appropriate adjustments, all parameters and price information should be evaluated thoroughly and rely on the market.

b) Credit risk valuation adjustments

Credit risk valuation adjustments are classifying into Credit value adjustments and Debit value adjustments, and definitions are on the following:

- The credit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the counterparty may default and that the Corporation may not receive the full market value of the transactions.
- The debit valuation adjustment is an adjustment to the valuation of OTC derivative contracts to reflect within fair value the possibility that the Corporation may default, and that the Corporation may not pay full market value of the transactions.

The Corporation and subsidiaries calculate their debit valuation adjustment on the basis of their internal assessment of counterparty's probability of default ("PD"), which is subject to standard supervisory parameters, take loss given default ("LGD") into consideration and multiplied by their estimates of the counterparty's exposure at default ("EAD").

The Corporation and subsidiaries calculate the counterparty's EAD with OTC derivative's market to market value and the counterparty's LGD, which is 60 percentage of EAD based on Taiwan Stock Exchange ("TWSE") guidance.

The Corporation and subsidiaries take Credit risk valuation adjustments for determining the fair value of financial instruments and reflect counterparty's credit risk and the Corporation's credit quality.

4) Transfer between the first level and the second level

	For the Year Ended December 31			
	2015		2014	
	Level One Converted Into Level Two	Level Two Converted Into Level One	Level One Converted Into Level Two	Level Two Converted Into Level One
Financial assets at FVTPL- bond investments	\$ 25,481,666	\$ 32,207,656	\$ 56,633,408	\$ 56,368,619
Available-for-sale financial assets- bond investments	1,643,248	234,787	8,001,566	-
Financial liabilities at FVTPL- Bond investments	203,695	203,802	447,529	497,254

Because of changes in market liquidity, evaluation sources applied by some NTD treasury bill will change. It makes the applicable level of bond's fair value change level one into level two or level two into level one.

5) Reconciliation of Level III items of financial instruments

The movements of financial assets with Level III fair value were as follows:

For the Year Ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial assets at FVTPL							
Financial assets held for trading	\$ 974,985	\$ 2,829,871	\$ 4,210,972	\$ 1,819	\$ (5,086,345)	\$ -	\$ 2,931,302
Financial assets designated as at FVTPL	233,686	(45,285)	-	-	-	-	188,401
Available-for-sale financial assets	311,154	16,571	-	-	-	-	327,725

For the Year Ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III (a), (b)	
Financial assets at FVTPL							
Financial assets held for trading	\$ 1,108,312	\$ 362,414	\$ 2,599,255	\$ -	\$ (2,908,508)	\$ (186,488)	\$ 974,985
Financial assets designated as at FVTPL	237,898	(4,212)	-	-	-	-	233,686
Available-for-sale financial assets	290,515	20,639	-	-	-	-	311,154
Derivative financial assets for hedging	19,568	-	-	-	(19,568)	-	-

- a) The main reason of recognition on items or date movement of financial instruments is policies of enterprise.
- b) Level III securities turn into Level II one resulted from that observable data is available.

The movements of financial liabilities with Level III fair value were as follows:

For the Year Ended December 31, 2015

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III	
Financial liabilities at FVTPL							
Financial liabilities held for trading	\$ 2,114,151	\$ 2,304,315	\$ 257,282	\$ 2,234	\$ (1,606,620)	\$ -	\$ 3,071,362
Financial liabilities designated as at FVTPL	1,966,485	(24,710)	888,400	-	(933,575)	(1,896,600)	-
Derivative financial liabilities for hedging	20,659	(20,659)	-	-	-	-	-

For the Year Ended December 31, 2014

(In Thousands of New Taiwan Dollars)

Items	Beginning Balance	Valuation Gains (Losses) Recognized as Current Income (Loss) or Other Comprehensive Income	Amount of Increase		Amount of Decrease		Ending Balance
			Purchase or Issue	Transfer to Level III	Sale, Disposal or Settlement	Transfer from Level III (a), (b)	
Financial liabilities at FVTPL							
Financial liabilities held for trading	\$ 1,059,957	\$ 662,831	\$ 1,158,855	\$ -	\$ (697,562)	\$ (69,930)	\$ 2,114,151
Financial liabilities designated as at FVTPL	1,084,495	(3,110)	1,413,000	-	(527,900)	-	1,966,485
Derivative financial liabilities for hedging	64,315	(43,656)	-	-	-	-	20,659

a) The main reason of recognition on items or date movement of financial instruments is policies of enterprise.

b) Level III securities turn into Level II one resulted from that observable data is available.

The total gains or losses for the years ended December 31, 2015 and 2014 included a gain of \$488,665 thousand and a loss of \$379,196 thousand relating to assets and liabilities measured at fair value on Level III fair value measurement and held at the end of reporting date.

#### 6) Quantitative information about significant unobservable inputs (Level 3)

##### CDIB and subsidiaries

Equity securities are classified fair value Level 3 financial asset by CDIB and subsidiaries. Quantitative information about the significant unobservable inputs is set out below:

	Fair Value at December 31, 2015	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	\$ 188,401	Market approach	Income multiplier lake of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lake of liquidity discount, the lower of fair value.

##### KGI Securities and subsidiaries

The explanation of quantitative information about significant unobservable inputs in fair value measurement and sensitivity analysis significant unobservable inputs used by repetitive basis to fair value Level 3 financial asset of KGI Securities and subsidiaries were as follows:

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Derivative instruments				
Financial assets at FVTPL				
Structured products - option	Martingale pricing technique	History volatility	16.11%-62.20%	According to condition of contract, fair value of asset may be higher or lower.

(Continued)

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	10.53%-66.72%	According to condition of contract, fair value of liabilities may be higher or lower.
Equity derivatives - premium - equity option (put option)	Martingale pricing technique	History volatility	28.09%-71.56%	According to condition of contract, fair value of liabilities may be higher or lower.
Financial liabilities designated as FVTPL - structured	Reduced from pricing technique	Credit spread	NA	NA
(Concluded)				

History volatility used by martingale pricing technique in KGI Securities depends on moving weighted average method, and sampling period refer to maturity in initial contract; if maturity is less than 6 months, sampling period is between 20 to 180 days; if maturity is between 6 months to 12 months, sampling period is between 20 to 360 days; if maturity is more than 12 months, sampling period is between 20 to initial maturity days. Besides, use of credit spread adopted by reduced form pricing technique has to follow the definition of input parameters regulated by the contract.

In addition to modify the evaluation technology of the credit linked structured commodity in the 2015, pricing techniques and significant unobservable inputs used in KGI Securities and subsidiaries on December 31, 2015 are the same compare with it used on December 31, 2014. The relationship of quantification information as well as inputs and fair value is in conformity with IFRS 13 transitional provisions. KGI Securities and subsidiaries have deferred to adopt transitional provisions of IFRS 13 since January 1, 2015 therefore KGI Securities and subsidiaries is not applicable to the comparative information disclosed before January 1, 2015.

KGI Securities and subsidiaries adopts pricing model and pricing parameters cautiously, producing reasonable fair value measurement, however, different pricing model or parameters may lead to different outcome. To those financial assets and liabilities categorized into Level 3, effects of current period net income or loss affected by changes in pricing parameters were as follows:

For the year ended December 31, 2015

Sensitivity Analysis of Relationship Between Inputs and Fair Value				
		Positive/ Negative	Recognized to Profit or Loss	
Inputs		Change	Positive Impact	Negative Impact
<u>Financial assets</u>				
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	\$ 249	\$ 170
Equity derivative instruments - premium - options (call options)	History volatility	+25%/-25%	-	-
			<u>\$ 249</u>	<u>\$ 170</u>
(Continued)				

Sensitivity Analysis of Relationship Between Inputs and Fair Value				
	Inputs	Positive/ Negative Change	Recognized to Profit or Loss	
			Positive Impact	Negative Impact
<u>Financial liabilities</u>				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	\$ 19	\$ 44
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	674	763
			<u>          </u>	<u>          </u>
			<u>\$ 693</u>	<u>\$ 807</u>
				(Concluded)

For the year ended December 31, 2014

Sensitivity Analysis of Relationship Between Inputs and Fair Value				
	Inputs	Positive/ Negative Change	Recognized to Profit or Loss	
			Positive Impact	Negative Impact
<u>Financial assets</u>				
Derivative instruments				
Structured notes - options	History volatility	+ 25%/-25%	\$ 1,432	\$ 1,342
FVTPL - bond investments	Prepayment rate	-20%/+20%	<u>-</u>	<u>-</u>
			<u>\$ 1,432</u>	<u>\$ 1,342</u>
<u>Financial liabilities</u>				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	\$ 38	\$ 37
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	38	99
Financial liabilities designated as FVTPL - structured	Credit spread	50bps/-50bps	15,126	15,410
			<u>          </u>	<u>          </u>
			<u>\$ 15,202</u>	<u>\$ 15,546</u>



### KGI Bank and subsidiaries

The table below lists quantitative unobservable inputs of Level 3 financial instruments:

	Fair Value at December 31, 2015	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Non-derivative financial assets Available-for-sale financial assets - bond investment	\$ 327,725	Discounted cash flow	3 months USD Libor	Inapplicable	Changes of 3 months USD Libor do not affect fair value apparently.
Derivative financial assets					
Financial assets at FVTPL	2,919,020	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.
Derivative financial liabilities					
Financial liabilities at FVTPL	3,043,322	HullWhite, Libor Market Model, discounted cash flow	Vol Factors	Inapplicable	When Vega is positive Volatility is proportional to fair value; when Delta is positive, yield curve is upward.

### 7) Pricing process of Level III fair value

#### CDIB and subsidiaries

CDIB's risk management department is in charge of conducting independent verification by independent sources to make valuations more close to market status and confirm that the source of information is independent, reliable, consistent with other resources and representative of exercise price. Besides, the department corrects pricing model periodically, implementing retrospective testing, update information and inputs that pricing model needed and other essential fair value adjustment to insure outcomes are reasonable. Investment Property is valued by CDIB and subsidiaries based on Financial Supervisory Commission's declaration of valuation method and parameters or committed to appraisers to make valuation.

#### KGI Securities and subsidiaries

When KGI Securities Co. has those derivatives that their fair value are hard to reach or they are categorized to financial assets no active market, reasonability of fair value of those financial assets are assessed by risk management department according to the Guidelines of Asset Valuation Operation set by KGI Securities Co., and the outcomes of the valuation will be recorded in the book by treasury department.

#### KGI Bank and subsidiaries

KGI Bank's risk management department is responsible for the pricing process of Level III fair value. The pricing models and conditions assumed are conforming to market practice; the basis of the theory is commonly recognized by the industry as a basis of valuation in conducting measurement of fair value. Further, the department confirms whether the sources of the information are independent or not, reasonably reflecting the prices in normal circumstances, and examines and adjusts fair value periodically to insure results of the valuation is reasonable.

c. Fair value of financial instruments not carried at fair value

1) Fair value information of financial instruments

Financial instruments measured at cost, excluding investment properties, bank debentures payable, investments accounted for using equity method - unlisted stocks and financial assets measured at cost, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

2) Fair value hierarchy of financial instruments

December 31, 2015

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
<u>Financial assets</u>				
Investments accounted for using the equity method	\$ 2,182,797	\$ -	\$ -	\$ 2,182,797
<u>Non-financial assets</u>				
Investment property, net	-	-	3,624,546	3,624,546
<u>Financial liabilities</u>				
Bank debentures payable	-	2,592,759	-	2,592,759

December 31, 2014

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
<u>Financial assets</u>				
Investments accounted for using the equity method	\$ 2,323,691	\$ -	\$ -	\$ 2,323,691
<u>Non-financial assets</u>				
Investment property, net	-	-	3,310,420	3,310,420
<u>Financial liabilities</u>				
Bank debentures payable	-	12,538,099	-	12,538,099

### 3) Measurement technique

- a) The carrying amounts of financial instruments such as cash and cash equivalents, due from the Central Bank and call loans to other banks, securities purchased under resell agreements, receivables, held-to-maturity financial assets, restricted assets, other financial assets, guarantee deposits paid, due to the Central Bank and other banks, funds borrowed from the Central Bank and other banks, securities sold under repurchase agreements, commercial paper payable, payables, deposits and remittances, other financial liabilities and guarantee deposits received and remittances approximate their fair values because of the short maturities of these instruments.
- b) Investments accounted for using the equity method - unlisted stocks and financial assets measured at cost both are unlisted financial assets, which have no quoted market prices in an active market owing to the variation interval of the estimate of the fair value is not quite small and the possibilities of the estimates in the interval cannot be assessed reasonably. The fair value cannot be reliably measured, thus the Corporation and subsidiaries do not disclose their fair value.
- c) Loan rate usually uses base rate (floating rate) because it can reflect market rate. Thus, using its carrying amount to consider the probability of repossession and estimate its fair value is reasonable.
- d) The fair values of bonds payable are determined by the present values of future cash flows, with the values discounted at the interest rates of similar bonds payable available for the Corporation.
- e) For fair value measurement of investment property, please refer to Note 20.

## 56. FINANCIAL RISK MANAGEMENT

### a. Risk management policies and framework

#### The Corporation

The Corporation has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including market, credit, operational and liquidity risks.

The Corporation has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. The Corporation also has a risk management department to plan and manage the risk management system, supervise the implementation of risk management of subsidiaries and provide related information to the management and the board of directors.

#### CDIB and subsidiaries

CDIB has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including market, credit, operational and liquidity risks.

CDIB has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. CDIB also has a risk management department to plan and manage the risk management system and provide related information to the management and the board of directors.

#### KGI Securities and subsidiaries

##### 1) Financial risk management objectives

The KGI Securities' Board of Director and senior management attach great importance to risk management, and continuously to raise risk management mechanism and aimed to strengthen the competitiveness of KGI Securities and subsidiaries. To reach the goal of risk management, controlling the expected or unexpected loss in operating is a passive way and in a positive way is to raise Risk Adjusted Return on Capital. In order to use the capital more efficiently, KGI Securities uses risk appetite as a base according to venture capital allocation. While setting risk appetite, KGI Securities takes the amount of liquid capital and financial and operational goal into consideration.

##### 2) Risk management organization

KGI Securities' risk management organization framework, which monitors, plans, and executes related risk management affairs, includes board of directors, risk management department, business department and other related departments. KGI Securities' business departments and back offices should comply with risk management regulations and reports all anomalies and their effects to Risk Management Committee (RMC) and Investment Review Committee (IRC) in time. Risk management organizations' functions and responsibilities are as follows:

Board of directors is the highest decisive department in KGI Securities, and it also bears ultimate responsibility while monitoring the execution of overall risk management system.

Functions and responsibilities of committees: RMS executes risk management decisions made by board of directors, which include reviewing KGI Securities' every department's risk-based budget, risk-based limit and their management system, reviewing guidelines regarding risk management, and inspecting related countermeasures according to risk reports submitted by departments; IRC examines underwriting of securities, assisting of business projects and general long-term investments; and Merchandise Review Committee (MRC) sets up the reviewing system of evaluating commodities and assessing the government examinations of commodities being traded on the market.

Business department is responsible for setting risk management systems, managing and reporting daily risks which belong to its department and executing internal controls effectively which correspond to the government regulations and risk management policies.

Risk management department's functions and responsibilities are ensuring the execution of policies approved by board of directors, making risk management rules and guidelines, controlling the measuring, monitoring and evaluating of daily risk, producing periodic (daily, weekly or monthly) risk management reports and submitting them to management, and developing or assisting the exploitation and maintenance of risk management information system.

Legal affair department's functions and responsibilities are providing legal consultations, drafting, reviewing and taking custody of major contracts and monitoring litigation and non-litigation cases.

Legal compliance department's functions and responsibilities are conveying laws, providing legal consultation, negotiating and facilitating communications. It is also responsible to make sure that all operations and management guidelines are updated accordingly as related regulations are amended. It also supervises as all units conduct an overview of the feasibility of legal compliance.

Fund dispatching department is responsible for KGI Securities' dispatching and usage of capital, setting up and maintaining finance credits with financial institution, lowering capital costs and managing liquidity risks.

Internal audit department's function and responsibilities are auditing execution of regulations and business operations, proposing amendments in time, and tracing improving progresses after reporting defects and anomalies to the board of directors.

Finance department, settlement department, information department and other related department should understand the risk facing in its industry thoroughly on the basis of risk management related regulations, take necessary risk control measures into consideration while setting up operating management guidelines to assist in completing the whole cooperation's various risk management tasks, and monitor transaction processes regarding valuation, confirmation of price information, preparation of income statement, processing and confirming of transaction, settling, verifying of accounts, asset control, information safety and maintenance of information.

### 3) Risk management system

KGI Securities has planned proper risk management system regarding market risk, credit risk, operating risk, liquidity risk and other risks related to the operation of company as a basis of following risk management procedures.

The risk management policies, various risk management standards and operation of merchandise guidelines are established by competent unit. The competent unit makes a draft and asks the related department for advices and opinions, and it will be conducted following the Cooperation's established guidelines and related standards after approving by RMC.

### 4) Risk management mechanism

The process of various risk managements include risk identification, risk measurement, risk monitoring and control and risk reports. The evaluation and strategies of important risk are explained as follows:

#### a) Market risk

KGI Securities restricts the risk level to which it is exposed to an acceptable level through structuring risk management system, enacting market risk management policies, and formulating merchandise operation guidelines. It also restraint risk through allocating venture capital, subject to management strategies and risk appetite, setting various risk-based limits, and conducting risk monitoring on a daily basis.

KGI Securities implemented the MSCI Risk Manager in June 2013, a market risk management system, as a quantitative management instrument. The system integrates all holding positions and provides in a daily basis various analyzing metrics and comprehensive computation results, including equity risk, interest rate risk, exchange rate risk, etc., as well as adjustment and application of diverse derivatives models. Also, the risk management department controls risk-based limits by business units on a daily basis to enforce venture capital allocation.

To establish reliability of value at risk (VaR) model, risk management department conducts back testing periodically. Additionally, it builds various scenarios for stress testing and scenario analysis, to understand the risk tolerance level of KGI Securities.

b) Credit risk

The risk management department applies for credit risk capital toward Board of Directors annually. Establish proper credit risk expected loss limitation amount relating to the firms, single credit valuation level. Also, set different risk limitation amount including countries, industries, groups, high-risk industries/groups, etc. Routinely examine KGI Securities' credit risk exposure and the use of various credit risk limitation amount.

KGI Securities sets proper credit limits by considering capital risk, KGI Securities' net value, risk measurement and concentration of risk, and by taking into account the credit rating of issuers or counterparties, the traits of transactions, and the characters of instruments, etc. KGI Securities would periodically inspect the credit records of counterparties, holding positions, and collaterals, then report the use of various credit risk limits to key management as well as related departments.

c) Liquidity risk

The liquidity risk could be divided into two categories: Market liquidity risk and fund liquidity risk. The measurement of market liquidity risk is the trading volume of holding position of KGI Securities and serves as the basis of information disclosure. The fund liquidity risk management has established independent fund transfer unit, considering the timing and net cash flow of need by various departments, to effectively control the fund liquidity risk.

The fund transfer unit routinely examines relative financial ratio to ensure the liquidity of assets and liabilities. Also, KGI Securities established fund-flow simulation analysis mechanism according to the anticipation of the future cash need and the fund transferring ability of KGI Securities made by fund transfer unit. The unit would also set proper fund safety inventory and emergency response measure to fulfill the future probable fund need.

d) Operating risk and other risks

All units conduct operation risk management respectively by their own business. This management contains authorization related to operation risk, process, operation content, plan following the division of front and back desk operation and principle of segregation of duties. Operation risk controls include information security and maintenance, clearing, trade confirmation, statements preparation, segregation of duties, relating party trade control as well as the internal control, etc.

The operation risk of each unit's business is examined and controlled by relative back desk unit such as clearing unit and the information department. In addition to the compliance of law and regulation, the internal audit department would implement control by the regulation and procedure of internal control system to ensure the effectiveness of risk management.

5) Risk hedge and mitigation strategy

KGI Securities has set up hedge instruments and risk mitigation measures in all operations based on KGI Securities' capital scale and risk tolerance. Such measures include: Risk acceptance, risk adverse, risk transfer and risk control. Reasonable risk avoidance mechanisms can effectively limit a company's risk within a pre-approved range. The actual execution of hedge, depending on the market dynamics, business strategies, product characteristics and risk management regulations, utilizes previously approved financial instruments to adjust the risk structure and risk level of the total exposure to an acceptable level.

### KGI Bank and subsidiaries

KGI Bank has planned proper risk management system regarding market risk, credit risk, and operating risk related to the operation of company as a basis of following risk management procedures.

KGI Bank also planned the mechanism of analysis, monitoring, and report related to overall risk management. Further, it reports to senior management, and committee or board of directors with risk management function; KGI bank keeps related information updated in response to the actual risks encountering significant changes in macroeconomics or financial market to monitor and response effectively.

KGI Bank's risk management not only focuses on individual department but consider the comprehensive effects from an overall corporation perspective.

KGI Bank undertakes risk identification with consistent asset portfolio classification as well as correlation between each other, and establishes a consistent measure according to the different types of exposure.

KGI Bank's risk management divisions are as follows:

1) Board of directors

The KGI Bank's Board of Director supervises the establishment of risk management structure and culture, ensures efficiency of operation in risk management, reviews important risk control report and bear the ultimate responsibility of risk management.

2) Risk management committee

KGI Bank has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues.

3) Business and management departments

The department is responsible for ensuring compliance of risk management regulations while conducting the operations to practice the control of daily risk.

4) Risk management department

KGI Bank establishes a risk management department which is independent from operating departments to take charge of planning and managing of risk management system and to provide overall risk management information to senior management and the board of directors.

5) Internal audit department

The department takes charge of establishment of all risk mechanisms and audit the compliance and implementation of mechanism.

Risk management is a joint duty to all KGI Bank's department including business, legal, compliance of law, finance, accounting, administration, operating, audit departments and so on, should all practice it actively, and through coordination of intra-departments to carry out the overall risk management.

## b. Credit risk

### CDIB and subsidiaries

#### 1) Sources and definition of credit risk

CDIB is exposed to credit risk due to default on contracts by borrowers, debtors or counter-parties and changes in credit quality. Financial assets contracts held by CDIB may entail risks of loss arising from loans, issuer of financial instruments, counter-parties, and underlying assets.

#### 2) Management policies

##### a) Strategy and objectives

For the objectives to enhance stockholder value and to ensure degree of risk tolerance, CDIB's credit risk strategy focuses on superior credit quality assets. CDIB offers clients' different product mixes based on their individual risk levels and with duration, risk mitigation, and graded pricing strategies to strengthen the credit review system. Through a regular review and adjustment of the portfolio structure, CDIB can achieve symmetry of the overall business risk and reward.

##### b) Policies and procedures

To have a common-language credit risk management, definition, communication and measurement, CDIB sets credit risk management policies to manage credit risk in accordance with international standards and CDFH's risk management policies. The procedures for CDIB's credit risk policy development are as follows:

Business units develop business strategies and objectives based on asset sizes. Management units and risk management units assess risks related to these strategies and objectives and then submit them to the Board for approval.

#### 3) Mitigation of risks or hedging of credit risk/monitoring mechanism of risk avoidance and mitigation instruments

Considering asset hedge market and liquidity, CDIB takes the necessary risk reduction strategies, mainly on corporate finance, for assets with doubt or a long period of duration, including methods adopted to increase collaterals. Collaterals have been appraised regularly by an assessment unit to ensure their continued effectiveness. If a client is found to have bad credit factors, CDIB will strengthen the monitoring of this credit and demand at the appropriate time an early repayment or additional collateral to mitigate risks. For cases with poor credit ratings, in addition to collateral requirements and financial restrictions, CDIB will avoid if their transaction terms and profitability cannot reflect risk costs. In addition, CDIB develops different credit limits for counter-parties involved in derivative transactions and enters into collateral support agreements with counter-parties to ensure that risks are under control.

#### 4) Maximum exposure to credit risk

Except for the following statement, CDIB's maximum amount of credit risk exposure was equal to its book value.



The amounts of financial contracts with off-balance-sheet credit risks as of December 31, 2015 and 2014 were as follows:

Items	December 31	
	2015	2014
Off-balance-sheet commitments and guarantees	\$ -	\$ 14,755,597

Many credit commitments are expected to expire without being drawn upon; thus, the total commitment amounts do not necessarily represent future cash requirements. The maximum amount of credit risk exposure is reference coefficient of customer credit risk. The total potential loss is equal to the above amounts, excluding the value of any collateral, if related commitments are completely drawn upon and the counter-parties default on contracts.

#### 5) Concentrations of credit risk exposure

Concentrations of credit risk exist when changes in economic, industry or other conditions similarly affect groups of counter-parties whose aggregate credit exposure is material in relation to CDIB's total credit exposure. For its protection, CDIB maintains a diversified portfolio, does not limit its exposure to any one geographic region, country or individual creditor, and monitors the exposure continually. As of December 31, 2015 and 2014, CDIB's most significant concentrations of credit risk were as follows:

##### a) Credit risk profile by counter-party

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Private sector	\$ -	-	\$ 127,992,280	99.85
Public enterprises	-	-	191,300	0.15
Natural person	-	-	2,758	-
Total	\$ -	-	\$ 128,186,338	100.00

##### b) Credit risk profile by industry sector

	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Electricity industry	\$ -	-	\$ 28,664,694	22.36
Chemistry	-	-	12,155,329	9.48
Information and communication industry	-	-	6,251,280	4.88
Others	-	-	81,115,035	63.28
Total	\$ -	-	\$ 128,186,338	100.00

#### 6) Credit quality and impairment assessment

Some financial assets such as cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, securities purchased under resell agreements, parts of receivables (including dividend receivable, interest receivable on bonds, spot foreign remittances receivable and interest receivable on interest rate swap contracts) and refundable deposits are regarded as having very low credit risk because of the good credit rating of counter-parties.

In addition to the above, credit analyses of other financial assets were as follows:

a) Credit quality analysis for discounts and loans and receivables

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,404,132	\$ 2,404,132	\$ 194,780	\$ 968,605	\$ 1,240,747
Discounts and loans	-	-	-	-	-	-	-	-	-	-

December 31, 2014	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)				With Objective Evidence of Impairment	With No Objective Evidence of Impairment	
Receivables	\$ 45,656,810	\$ -	\$ 1,039,894	\$ 46,696,704	\$ -	\$ 3,158,725	\$ 49,855,429	\$ 415,334	\$ 1,458,113	\$ 47,981,982
Discounts and loans	110,533,565	16,616,703	626,335	127,776,603	-	409,735	128,186,338	858,738	1,225,208	126,102,392

Note: The total of discounts and loans is the original amount without the adjustments for premiums or discounts.

- b) The credit analysis of discounts not impaired and past due and loans based on internal rating standards are as follows:

December 31, 2014	Neither Past Due Nor Impaired			
	Good/Moderate	Substandard	Unrated	Total
Consumer finance				
Micro credit	\$ -	\$ -	\$ 2,758	\$ 2,758
Corporate banking				
Secured	44,335,380	7,995,860	-	52,331,240
Unsecured	66,198,185	8,620,843	623,577	75,442,605
Total	110,533,565	16,616,703	626,335	127,776,603

Note: The total amount is the original amount without the nonperforming loans and the adjustments for premiums or discounts.

c) Credit analysis for marketable securities

December 31, 2015	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	\$ 161,308	\$ -	\$ -	\$ 161,308	\$ -	\$ -	\$ 161,308	\$ -	\$ 161,308

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of \$13,923,194 thousand, loss on valuation of \$4,867,019 thousand and accumulated impairment of \$35,154 thousand.

Note 2: Financial assets measured at cost have an initial cost of \$20,996,006 thousand and accumulated impairments of \$2,125,405 thousand.

Note 3: Debt instruments with no active markets have initial costs of \$1,837,737 thousand and accumulated impairments of \$218,035 thousand.

Note 4: Held-to-maturity financial assets measured at cost have an initial cost of \$102,564 thousand.

December 31, 2014	Neither Past Due Nor Impaired				Overdue But Not Yet Impaired (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Impairment Loss Recognized (D)	Net Total (A)+(B)+(C)-(D)
	Good/Moderate	Substandard	Unrated	Subtotal (A)					
Available-for-sale financial assets									
Investment in bonds	\$ 103,068,335	\$ -	\$ -	\$ 103,068,335	\$ -	\$ -	\$ 103,068,335	\$ -	\$ 103,068,335

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of \$21,874,206 thousand, loss on valuation of \$1,224,941 thousand and accumulated impairment of \$68,172 thousand.

Note 2: Financial assets measured at cost have an initial cost of \$31,807,057 thousand and accumulated impairments of \$1,649,398 thousand.

Note 3: Debt instruments with no active markets have initial costs of \$2,802,168 thousand and accumulated impairments of \$146,172 thousand.

7) CDIB and Subsidiaries' impairment of discounts and loans and receivables

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	\$ -	\$ 5,588,794	\$ -	\$ 858,738
With no objective evidence of impairment	Assessment of collective impairment	-	122,597,544	-	1,225,208

Items		Receivables		Allowance for Bad Debts	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	\$ 1,263,179	\$ 1,991,952	\$ 194,780	\$ 415,334
With no objective evidence of impairment	Assessment of collective impairment	1,140,953	47,863,477	968,605	1,458,113

Note: The amounts of loans or receivable do not include the amounts of allowance and adjustments for discounts (premiums).

8) CDIB and subsidiaries had no overdue but not yet impaired financial assets.

9) Management policies of collaterals assumed

CDIB and subsidiaries' collaterals assumed were mainly land and buildings. As of December 31, 2015 and 2014, the carrying amounts of the collaterals were \$118,804 thousand and \$153,631 thousand, respectively. Collaterals assumed are classified as other assets in the consolidated balance sheets.

10) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of overdue loans and receivable

Item		December 31, 2014				
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured	\$ -	\$ 52,416,960	-	\$ 976,048	-
	Unsecured	324,015	75,766,620	0.43	1,107,870	341.92
Consumer loan	Mortgage (Note 4)	-	-	-	-	-
	Cash card	-	-	-	-	-
	Micro credit (Note 5)	-	2,758	-	28	-
	Other (Note 6)	Secured	-	-	-	-
		Unsecured	-	-	-	-
Total		324,015	128,186,338	0.25	2,083,946	643.16
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card (Note 7)		\$ -	\$ -	-	\$ -	-
Account receivable - factored without recourse (Note 8)		-	1,108,976	-	11,090	-

Note 1: Overdue loans represent the amounts of overdue loans reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by the Ministry of Finance.

Note 2:  $\text{NPL ratio} = \text{NPL} / \text{Total loans}$ .

Note 3:  $\text{Coverage ratio} = \text{LLR} / \text{NPL}$ .

Note 4: Home mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower's spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Ref. No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: "Others" under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: CDIB does not engage in the credit card business.

Note 8: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factored without recourse.

Note 9: CDIB had no disclosures to make as regards the Banking Bureau's letter dated April 25, 2006 (Ref. No. 09510001270).

Note 10: CDIB had no disclosures to make as regards the Banking Bureau's letter dated September 15, 2008 (Ref. No. 09700318940).

b) Excluded overdue loans and receivables: None

c) Concentration of credit risk

**December 31, 2014**

**(In Thousands of New Taiwan Dollars, %)**

<b>Top 10 Ranking (Note 1)</b>	<b>Group (Industry Category) (Note 2)</b>	<b>Total Credit (Note 3)</b>	<b>Percentage of Net Worth</b>
1	A Group (011700 petroleum and coal products manufacturing)	\$ 8,810,256	7.75
2	B Group (016022 cable and other pay programs broadcasting)	4,551,280	4.00
3	C Group (011850 artificial fiber manufacturing)	4,044,000	3.56
4	D Group (016700 real estate development)	3,872,522	3.41
5	E Group (012641 LCD and related components manufacturing)	3,562,109	3.13
6	F Group (010319 manufacture of computers, electronic and optical products)	3,453,744	3.04
7	G Group (017112 engineering activities and related technical consultancy)	2,944,758	2.59
8	H Group (012611 IC manufacturing)	2,566,170	2.26
9	I Group (012630 Manufacture of Bare Printed Circuit Boards)	2,477,067	2.18
10	J Group (010315 manufacture of other non-metallic mineral products)	1,932,978	1.70

- Note 1: The list shows rankings of the top 10 borrowers by total amount of credit, endorsement or other transactions but excludes government-owned or state-run enterprises. If the borrower is a member of a group enterprise, the total amount of credit, endorsement or other transactions of the entire group enterprise must be listed and disclosed by code and line of industry. The industry of the Group enterprise should be presented as the industry of the member firm with the highest risk exposure. The lines of industry should be described in accordance with the Standard Industrial Classification System of the Republic of China of the Directorate-General of Budget, Accounting and Statistics under the Executive Yuan.
- Note 2: Under Article 6 of the “Supplementary Provisions to the Taiwan Stock Exchange Corporation criteria for the Review of Securities Listings”, “Group” refers to the entity that has a controlling or subordinate relationship with the counter-party that obtained loans from CDIB.
- Note 3: Credit balance means the sum of all the loans (including import bills negotiated, discounted export bills negotiated, overdrafts, short-term secured and unsecured loans, marginal receivables, medium-term secured and unsecured loans, long-term secured and unsecured loans, and overdue receivables), exchange bills negotiated, accounts receivable factored without recourse, acceptances receivable, and guarantees issued.

### KGI Securities and subsidiaries

#### 1) Source of credit risk

The credit risks that KGI Securities and subsidiaries/formerly Grand Cathay and subsidiaries are exposed to during financial transactions include issuer’s credit risk, counterparty credit risk and underlying assets credit risk.

- a) Issuer’s credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face while possessing financial debt instruments or deposits in banks when an issuer (or guarantor) or a bank defaults, files for bankruptcy or liquidates assets and in turn cannot honor the stipulations and fulfill the obligation of paying back (or fulfilling a guarantee).
- b) Counterparty credit risk refers to the risk of financial loss that KGI Securities and subsidiaries face when a counterparty in derivative financial instrument transactions or other counterparties do not complete a transaction or fulfill a payment obligation on the appointed date.

#### 2) Internal risk rating

KGI Securities and subsidiaries classify the credit risk of financial Assets into four levels; the definition of each level is listed as follows:

- a) Low risk: A debt issuer/counterparty that has a stronger capability to fulfill its financial commitment and is mostly able to repay the principal and interest on the appointed dates in the contract. This counterparty is capable of creating cash flow and is ranked as low risk to KGI Securities.
- b) Medium-low risk: A debt issuer/counterparty who has a good capability to fulfill its financial commitment related to the debt with a sound financial structure but its ability to repay on time might be affected by poor economic conditions or changes in the environment. A debt issuer/counterparty like this is ranked as medium-low risk to KGI Securities.

- c) Medium risk: A debt issuer/counterparty who has an acceptable capability to fulfill its financial commitment related to the debt but its ability to do so might be affected by poor business operations, financial or economic conditions. An issuer/counterparty like this is ranked as medium risk to KGI Securities.
- d) High risk: A debt issuer/counterparty who has a poor capability to fulfill its financial commitment related to the debt and its ability to do so solely depends on its business operation and the stability of the economic environment. A debt issuer/counterparty like this is ranked as high risk to KGI Securities.

The internal credit risk ratings used inside KGI Securities and subsidiaries is not related to external credit ratings. The chart below shows the similarities of the credit quality in KGI Securities' internal rating system and external rating system.

### Interior Risk Rating of KGI Securities and Subsidiaries

### Taiwan Ratings

Low risk

twAAA - twAA

Medium-low risk

twAA- - twA

Medium risk

twA- - twBBB-

High risk

twBB+ - under twC

### 3) Quality and past due of financial assets

#### December 31, 2015

(In Thousands of New Taiwan Dollars)

Financial Assets	Positions That are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	\$ 12,352,511	\$ 92,000	\$ 7,066	\$ -	\$ -	\$ -	\$ -	\$ 12,451,577
Financial assets measured at FVTPL - current	58,964,090	335,963	4,344,217	-	-	-	-	63,644,270
Available-for-sale financial assets - current	58,849	-	-	-	-	-	-	58,849
Bonds purchased under resell agreements	15,144,686	1,300,743	-	-	-	-	-	16,445,429
Receivables	45,570,769	10,540,052	720,553	5,584	-	-	-	56,836,958
Customers' margin accounts - futures	31,684,109	-	-	-	-	-	-	31,684,109
Stock borrowing collateral price and guarantee deposits - borrowed securities	4,706,715	2,302,991	-	-	-	-	-	7,009,706
Other financial assets - current	4,503,104	63,700	-	-	-	-	-	4,566,804
Other current assets	34,706,980	-	-	-	-	-	-	34,706,980
Financial assets measured at FVTPL - noncurrent	50,443	-	-	-	-	-	-	50,443
Available-for-sale financial assets - noncurrent	-	-	30,403	-	-	-	-	30,403
Held to maturity financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,549,546	-	200,169	-	-	-	-	3,749,715
Total	\$ 211,291,802	\$ 14,635,449	\$ 5,602,408	\$ 5,584	\$ -	\$ -	\$ -	\$ 231,535,243
Percentage	91.26%	6.32%	2.42%	0.00%	-	-	-	100.00%

#### December 31, 2014

(In Thousands of New Taiwan Dollars)

Financial Assets	Positions That are Neither Past Due Nor Impaired				Past Due But Unimpaired	Impaired	Impaired Reserve	Total
	Low	Medium-low	Medium	High				
Cash and cash equivalents	\$ 13,332,088	\$ 180,612	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,512,700
Financial assets measured at FVTPL - current	71,674,163	1,092,242	8,448,563	-	-	-	-	81,214,968
Available-for-sale financial assets - current	60,571	-	-	-	-	-	-	60,571
Bonds purchased under resell agreements	8,457,201	1,000,000	-	-	-	-	-	9,457,201
Receivables	55,661,329	12,816,313	1,150,477	59,796	-	-	-	69,687,915
Customers' margin accounts - futures	24,346,463	-	-	-	-	-	-	24,346,463
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,069,095	277,680	-	-	-	-	-	2,346,775
Other financial assets - current	7,511,423	42,400	-	-	-	-	-	7,553,823
Other current assets	26,737,703	26,100	-	-	-	-	-	26,763,803
Financial assets measured at FVTPL - noncurrent	71,145	-	-	-	-	-	-	71,145
Available-for-sale financial assets - noncurrent	-	-	31,176	-	-	-	-	31,176
Held to maturity financial assets - noncurrent	190,000	-	-	-	-	-	-	190,000
Others noncurrent assets	3,911,721	-	50,000	-	-	-	-	3,961,721
Total	\$ 214,022,902	\$ 15,435,347	\$ 9,680,216	\$ 59,796	\$ -	\$ -	\$ -	\$ 239,198,261
Percentage	89.48%	6.45%	4.05%	0.02%	-	-	-	100.00%

Financial assets for KGI Securities and subsidiaries are divided into the following three categories based on their credit quality: Positions that are neither past due nor impaired, past due but unimpaired, and impaired.



a) Cash and cash equivalents

Cash and cash equivalents of KGI Securities mainly are the securities deposit for futures transactions which is stored in a specific account. KGI Securities related department will evaluate financial, operating and credit risk situations periodically and take it as reference to management of credit risks. However, assessment results show that just few credit ratings of futures companies are middle risk degree. Because the percentage of middle risk rating is low, the credit risk is believed on the Company's controllable range.

b) Financial assets measured at fair value through profit or loss - current

Medium risk financial assets refer to the unsecured corporate bonds, convertible (exchangeable) corporate bonds and CB asset swap that KGI Securities has. Issuers of unsecured corporate bonds are listed/OTC companies or financial institutions. Issuers of convertible (exchangeable) corporate bonds are listed/OTC companies in Taiwan and partial of them are secured by bank; the other unsecured, most of the issuers' risk is medium. KGI Securities conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. KGI Securities also reviews the risk exposure of the position periodically and therefore the credit risk is effectively under control.

c) Receivables

Receivables are the amount of margin loan receivables and trading securities receivable that KGI Securities and subsidiaries shall collect from clients in credit transactions. If clients' risk ranked as medium (the collateral maintenance ratio from 140% to 130%) or high (the collateral maintenance ratio below 130%) collateral main risk, KGI Securities and subsidiaries will closely monitor market fluctuations and counterparties credit history, and also enforces related control measures to minimize the credit risk it faces.

d) Available-for-sale financial assets - noncurrent and Held to maturity financial assets - noncurrent

It refers to the principal and discounted value of coupon rate listed in unsecured subordinated debentures issued by Hwatai Bank that KGI Securities' subsidiary, GSFC, holds. This issuer is ranked as medium risk.

e) Other assets - noncurrent

The medium risk financial assets under this category include KGI Securities' guarantee deposits-out. KGI Securities evaluates all counterparties based on the amounted materiality. The result shows that only certain counterparties are ranked as medium risk. As for the rest of the counterparties, they have low withdrawal amount and credit risk is diversified and therefore, the risk is low.

### KGI Bank and subsidiaries

1) The source and definition of credit risk

Credit risk is the risk of financial loss to KGI Bank if a creditor, debtor or counterparty fails to meet its contractual obligations or changes credit quality. Credit risk management should be adopted in all operating activities that involved in credit risk, including loans, call loans to banks, investment in banking book, financial derivatives, transactions in repurchase agreement and other operating activities in relation to the credit risk.

## 2) Management policy of credit risk

KGI Bank has set standard control procedures on credit risk identification, measurement, and information on disclosures and reports to conduct rational identification, measurement, disclosures and effective control on credit risk. KGI Bank also deliberates the fluctuation in economics and adjusts the credit risk structure accordingly to control the risks in credit portfolio within the risk appetite. These procedures include criteria for targeted client, credit investigation, credit approval or rejection, approval on exceptions, risk control and management, credit review, management on non-performing loans and requests and control of all related documents and information. Based on the risk management policies, the illustration of management process carried out by the competent authority is as follows:

### a) Credit investigation

With respect to the criteria for targeted client, KGI Bank should ask for all necessary documents from the clients in order to filter client accurately and control credit portfolio within the acceptable range.

### b) Credit approval

Cases that have passed through the credit investigation are reviewed by the credit authority of each level. The credit authorities authorize credits in compliance with the credit limitation structure and authorization policies of KGI Bank. The credit limitation structure and authorization policies of KGI Bank are not only based on banking act and the rules stipulated by the authority, concerning the credit extended to same person or same affiliated enterprises/groups, stock collateral, industry and country, but also based on the professionalism of the credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities on occasional basis.

### c) Post-lending loan review mechanisms

The corporate banking business of KGI Bank strengthens the tracking control of the financial and business conditions on creditors, carry out risk assessment report of credit asset portfolio on a regular basis, set-up warning system and adjust business development strategy to cope with economic conditions and changes in asset quality through the account management scheme and regular reassessment system. As regards to delinquent loans, KGI Bank uses concentration management method, together with information systems and analysis model to conduct regular review to improve the performance on overdue to expedite the collection of nonperforming loans.

### d) Risk report and information disclosures

The risk management department is responsible for measuring risk, preparing quarterly risk report, including all risk management index and risk capital requirement assessment and reporting to the director of risk management, general manager, risk committee and board of directors.

## 3) Mitigation or hedging of risk

Considering the asset hedge market and liquidity, KGI Bank takes the necessary risk reduction strategies, mainly on loan objects and hedge transactions involving assets with doubtful collectability or a long period of duration, including methods for increasing appropriate collaterals with good liquidity, or transferring to credit guarantee institutions such as the Small and Medium Credit Guarantee Fund to maximize the collateral. For determining the value of foreclosed collaterals, liquid securities will be evaluated at their market value; other collaterals will be subject to field surveys by appraisal firms for their fair value assessment, which will be used as a basis for

demanding additional collaterals or adjusting the credit amount to ensure that risks are within KGI Bank's tolerance range.

If clients are found to have bad credit features, KGI Bank will strengthen the monitoring of the credit of borrower and guarantor and take measures, such as demanding an early repayment or additional collateral. In addition, KGI Bank sets different credit limits for counterparties involved in derivative transactions and enters into collateral support agreements with counterparties to ensure that risks are under control.

#### 4) Maximum exposure credit risk

Without taking collateral or other credit enhancement mitigation effect into account, the maximum exposure to credit risk of on-balance sheet financial assets is equal to their carrying values and the maximum exposure of credit risk of off-balance sheet financial instruments were as follows:

	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Irrevocable loan commitments guarantees and letters of credit	\$ 95,728,457	\$ 85,385,327

KGI Bank believe the adopting stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure of their off-balance sheet items.

KGI Bank's pledged collaterals associated with credit include discounts, loans and receivables which contain real estate, properties (eg: Machinery), rights certificates and securities (eg: Certificates of deposit, stocks), notes receivable arose from borrowing of business transactions, deposits guaranteed by authorities of treasury department of government, banks or guarantee institutions authorized by government (eg: SME credit guarantee fund and letter of credit guaranteed) and mortgages set in accordance with the laws including registration of land rights. Financial assets held by KGI Bank are part of corporate bonds guaranteed by financial institutions as credit enhancement.

#### 5) Concentrations of credit risk

Concentrations of credit risk arise when a number of counterparties or exposure have comparable economic characteristics, or such counterparties are engaged in similar activities, or operate in the same geographical areas or industry sectors, so that their collective ability to meet contractual obligations is uniformly affected by changes in economic or other conditions.

Credit risk concentration can arise in a bank's assets, liabilities, or off-balance sheet items, through the execution or processing of transactions (either product or service), or through a combination of exposures across these broad categories. It includes credit, loan and deposits, call loan to banks, investment, receivables and derivatives. KGI Bank maintains a diversified portfolio, limits its exposure on a continuous basis. KGI Bank's most significant concentrations of credit risk are summarized as follows:

##### a) By object

<b>Object</b>	<b>December 31, 2015</b>		<b>December 31, 2014</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
Public and private enterprise	\$ 144,211,746	65.28	\$ 28,104,073	27.80
Natural person	76,343,186	34.56	72,852,537	72.06
Non-profit organization	371,376	0.16	144,555	0.14
Total	\$ 220,926,308	100.00	\$ 101,101,165	100.00

b) By region

Region	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Domestic	\$ 178,752,940	80.91	\$ 92,928,504	91.92
Overseas	42,173,368	19.09	8,172,661	8.08
Total	\$ 220,926,308	100.00	\$ 101,101,165	100.00

c) By collateral

Collateral	December 31, 2015		December 31, 2014	
	Amount	%	Amount	%
Non-collateral	\$ 137,464,454	62.22	\$ 48,910,380	48.38
Collateral				
Financial collateral	6,047,359	2.74	1,226,009	1.21
Receivables	-	-	819,758	0.81
Property	58,966,463	26.69	45,311,877	44.82
Guarantee	13,689,559	6.20	4,456,092	4.41
Other	4,758,473	2.15	377,049	0.37
Total	\$ 220,926,308	100.00	\$ 101,101,165	100.00

6) The analysis of financial assets credit quality and impairment of overdue credit

Some financial assets such as cash and cash equivalents, due from Central Bank and call loan to banks, securities purchased under resell agreements, financial assets at fair value through profit or loss, part of receivable, refundable deposits, operation guarantee deposits and clearing and settlement fund are regarded as very low credit risk owing to the good credit rating of counterparties.

Apart from the abovementioned, the analysis of remaining financial assets quality is as follows:

a) Discount, loans and receivables

December 31, 2015	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	\$ 31,474,699	\$ 54,359	\$ 82,095	\$ 31,611,153	\$ 44,059	\$ 441,654	\$ 31,125,440
- other	9,003,149	5,637	1,890,064	10,898,850	1,178,715	84,500	9,635,635
Discount and loans	218,352,917	1,578,720	994,671	220,926,308	517,140	2,598,556	217,810,612

December 31, 2014	Neither Overdue Nor Impaired Amount (A)	Overdue But Not Impaired (B)	Impaired (C)	Total (A)+(B)+(C)	Loss Recognized (D)		Net Amount (A)+(B)+(C)-(D)
					With Objective Evidence of Impairment	Without Objective Evidence of Impairment	
Receivables							
- credit card and credit business	\$ 8,330,949	\$ 42,659	\$ 73,213	\$ 8,446,821	\$ 40,359	\$ 89,268	\$ 8,317,194
- other	682,670	3,380	1,491,471	2,177,521	975,476	3,770	1,198,275
Discount and loans	98,620,331	1,328,635	1,152,199	101,101,165	452,115	911,178	99,737,872

Note: The total of discounts and loans is the original amount without the adjustments for premiums or discounts.

- b) When the discount and loan of KGI Bank incurs no overdue nor impaired, the analysis is based on the credit quality of the client

December 31, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	\$ 17,864,395	\$ 8,315,062	\$ 9,373	\$ -	\$ 26,188,830
- cash card	8,616,261	2,757,230	721,108	3,317,166	15,411,765
- micro credit loans	15,765,075	2,048,055	94,379	86,296	17,993,805
- other-secured	12,592,495	1,076,063	116,301	83,256	13,868,115
- other - unsecured	54,469	-	-	4,794	59,263
Corporate banking					
- secured	16,074,747	21,936,111	9,384,955	3,016,334	50,412,147
- unsecured	20,983,684	52,954,031	16,647,518	3,833,759	94,418,992
Total	\$ 91,951,126	\$ 89,086,552	\$ 26,973,634	\$ 10,341,605	\$ 218,352,917

December 31, 2014	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	\$ 16,173,010	\$ 8,316,938	\$ 17,173	\$ -	\$ 24,507,121
- cash card	8,563,226	2,934,221	652,072	3,926,071	16,075,590
- small-scale credit loans	14,503,294	1,880,094	112,833	109,733	16,605,954
- other-secured	11,278,202	1,327,377	106,743	33,029	12,745,351
- other-unsecured	69,070	-	-	7,668	76,738
Corporate banking					
- secured	1,527,483	3,980,268	6,102,909	644,588	12,255,248
- unsecured	4,749,644	6,633,052	4,426,048	545,585	16,354,329
Total	\$ 56,863,929	\$ 25,071,950	\$ 11,417,778	\$ 5,266,674	\$ 98,620,331

December 31, 2015	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	\$ 772,327	\$ 565,877	\$ 801,291	\$ 422,276	\$ 2,561,771
- credit card and acceptances - forfeiting	14,699,335	9,825,446	-	2,160,340	26,685,121
- accounts receivable factoring - no recourse	43,968	499,491	6,454	684,919	1,234,832
- acceptances	54,073	917,910	20,992	-	992,975
Total	\$ 15,569,703	\$ 11,808,724	\$ 828,737	\$ 3,267,535	\$ 31,474,699

December 31, 2014	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	\$ 662,666	\$ 450,289	\$ 889,440	\$ 397,732	\$ 2,400,127
- credit card and acceptances - forfeiting	5,804,956	-	-	-	5,804,956
- accounts receivable factoring - no recourse	-	-	94,829	1,055	95,884
- acceptances	-	-	29,982	-	29,982
Total	\$ 6,467,622	\$ 450,289	\$ 1,014,251	\$ 398,787	\$ 8,330,949

c) Securities investment credit quality analysis

December 31, 2015	Neither Overdue Nor Impaired				Overdue but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets - investment in bonds	\$ 49,813,442	\$ -	\$ -	\$ 49,813,442	\$ -	\$ -	\$ 49,813,442	\$ -	\$ 49,813,442

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of \$6,574,790 thousand, loss on valuation of \$1,137,565 thousand and accumulated impairment of \$0 thousand.

Note 2: Financial assets measured at cost have an initial cost of \$301,299 thousand and accumulated impairments of \$38,380 thousand.

December 31, 2014	Neither Overdue Nor Impaired				Overdue but Not Impaired Amount (B)	Impaired Amount (C)	Total (A)+(B)+(C)	Loss Recognized (D)	Net Amount (A)+(B)+(C)-(D)
	Excellent	Good	Normal	Total (A)					
Available-for-sale financial assets - investment in bonds	\$ 10,107,777	\$ -	\$ -	\$ 10,107,777	\$ -	\$ -	\$ 10,107,777	\$ -	\$ 10,107,777

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of \$1,502 thousand, loss on valuation of \$5,496 thousand and accumulated impairment of \$0 thousand.

Note 2: Held-to-maturity financial assets measured at cost have an initial cost of \$18,600,000 thousand and accumulated impairments of \$0 thousand.

Note 3: Financial assets measured at cost have an initial cost of \$261,199 thousand and accumulated impairments of \$38,380 thousand.

7) Aging analysis of financial assets overdue but not yet impaired

Delays in processing payments by borrowers and other administrative reasons could result in financial assets overdue but not yet impaired. According to KGI Bank's credit regulations, financial assets overdue within 90 days are not considered as impairment, unless other evidence supported.

The aging analysis of financial assets overdue but not yet impaired is as follows:

	<b>December 31, 2015</b>		
	<b>1 Month</b>	<b>Over 1 Month - 3 Months</b>	<b>Total</b>
Credit card business	\$ 29,346	\$ 25,013	\$ 54,359
Discount and loans			
Consumer banking			
- mortgage loans	265,087	58,556	323,643
- cash card	287,792	71,877	359,669
- small-scale credit loans	481,712	68,717	550,429
- other - secured	240,793	25,445	266,238
- other - unsecured	1,361	-	1,361
Corporate banking			
- secured	50,367	22,141	72,508
- unsecured	2,258	2,614	4,872
Total	\$ 1,329,370	\$ 249,350	\$ 1,578,720

	<b>December 31, 2014</b>		
	<b>1 Month</b>	<b>Over 1 Month - 3 Months</b>	<b>Total</b>
Credit card business	\$ 21,998	\$ 20,661	\$ 42,659
Discount and loans			
Consumer banking			
- mortgage loans	232,061	71,494	303,555
- cash card	316,982	81,040	398,022
- small-scale credit loans	382,806	50,771	433,577
- other - secured	107,607	19,948	127,555
- other - unsecured	844	33	877
Corporate banking			
- secured	20,938	33,642	54,580
- unsecured	3,499	6,970	10,469
Total	\$ 1,064,737	\$ 263,898	\$ 1,328,635

## 8) Analysis of impairment for financial assets

Analysis of impairment for discounts, loans and receivables and accumulated impairment are as follows:

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	\$ 209,879	\$ 374,516	\$ 84,667	\$ 40,003
	Assessment of collective impairment	784,792	777,683	432,473	412,112
Without objective evidence of impairment	Assessment of collective impairment	219,931,637	99,948,966	2,598,556	911,178
Total		\$ 220,926,308	\$ 101,101,165	\$ 3,115,696	\$ 1,363,293

Items		Receivables		Allowance for Bad Debts	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
With objective evidence of impairment	Assessment of individual impairment	\$ 1,884,175	\$ 1,480,505	\$ 1,169,447	\$ 966,988
	Assessment of collective impairment	87,984	84,179	53,327	48,847
Without objective evidence of impairment	Assessment of collective impairment	40,537,844	9,059,658	526,154	93,038
Total		\$ 42,510,003	\$ 10,624,342	1,748,928	\$ 1,108,873

## 9) Management of foreclosed collateral

Foreclosed collateral is recorded at cost, using lower-at-cost or market approach as at balance sheet date. If collateral is not disposed of within the statutory period, KGI Bank should apply for an extension of the disposal period and increase its provision for possible losses if necessary.

The foreclosed collateral includes securities, land and property. As of December 31, 2015 and 2014, the carrying amounts of the collaterals both were \$0 thousand. The foreclosed collateral recognized as other assets in balance sheet.



10) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of nonperforming loan and overdue credits

Item			December 31, 2015				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 198,376	\$ 50,656,014	0.39%	\$ 609,454	307.22%
	Unsecured		156,970	94,575,365	0.17%	1,225,613	780.79%
Consumer loan	Mortgage (Note 4)		22,106	26,545,251	0.08%	356,874	1,614.38%
	Cash card		228,108	16,187,477	1.41%	479,420	210.17%
	Micro credit (Note 5)		130,395	18,753,073	0.70%	253,514	194.42%
	Other (Note 6)	Secured	14,303	14,147,202	0.10%	189,988	1,328.31%
		Unsecured	2,686	61,926	4.34%	833	31.00%
Total			752,944	220,926,308	0.34%	3,115,696	413.80%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			40,847	2,693,158	1.52%	56,968	139.47%
Account receivable - factored without recourse (Note 7)			84	1,234,916	0.01%	18,010	21,428.45%

Item			December 31, 2014				
			Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)
Corporate loan	Secured		\$ 56,544	\$ 12,559,544	0.45%	\$ 23,514	41.59%
	Unsecured		30,115	16,585,924	0.18%	223,713	742.87%
Consumer loan	Mortgage (Note 4)		27,867	24,849,910	0.11%	7,987	28.66%
	Cash card		209,291	16,899,221	1.24%	751,452	359.05%
	Micro credit (Note 5)		91,479	17,233,192	0.53%	351,785	384.55%
	Other (Note 6)	Secured	14,212	12,893,974	0.11%	4,552	32.03%
Unsecured		-	79,400	- %	290	- %	
Total			429,508	101,101,165	0.42%	1,363,293	317.41%
			Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio
Credit card			\$ 32,465	\$ 2,515,931	1.29%	\$ 84,931	261.61%
Account receivable - factored without recourse (Note 7)			44	95,952	0.05%	4,079	9,256.49%

Note 1: Nonperforming loans are reported to the authorities and disclosed to the public, as required by the “Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/Non-accrued Loans.”

Nonperforming credit card receivables are reported to the authorities and disclosed to the public, as required by the Banking Bureau’s letter dated July 6, 2005 (Ref. No. 0944000378).

Note 2: For loan business:  $\text{NPL ratio} = \text{Nonperforming loans} \div \text{Total loan balance}$ .

For credit card business:  $\text{Delinquency ratio} = \text{Overdue credit card receivables} \div \text{Credit card receivables balance}$ .

Note 3: Coverage ratio of loans:  $\text{Allowance for possible losses for loans} \div \text{Nonperforming loans}$ .

Coverage ratio of credit card receivables:  $\text{Allowance for possible losses for credit card receivables} \div \text{Overdue credit card receivables}$ .

Note 4: The mortgage loan is for house purchase or renovation and is fully secured by housing that is purchased (owned) by the borrower or the spouse or the minor children of the borrower.

Note 5: Based on the Banking Bureau’s letter dated December 19, 2005 (Ref. No. 09440010950), small-scale credit loans are unsecured, involve small amounts, and exclude credit cards and cash cards.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Ref. No. 094000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factored without recourse.

b) Exemption of nonperforming loans and overdue receivables

Items	December 31, 2015		December 31, 2014	
	Discounts and Loans	Allowance for Possible Losses	Discounts and Loans	Allowance for Possible Losses
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 53,096	\$ 216	\$ 76,408	\$ 325
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	37,718	4,831	47,724	3,684
Total	\$ 90,814	\$ 5,047	\$ 124,132	\$ 4,009

Note 1: The disclosure of excluded NPLs and excluded overdue receivables resulting from debt negotiations and loan agreements is based on the Banking Bureau letter dated April 25, 2006 (Ref. No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letter dated September 15, 2008 (Ref. No. 09700318940).

c) Concentration of credit extensions

**December 31, 2015**

**(In Thousands of New Taiwan Dollars, %)**

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group-016100 Telecommunication industry	\$ 5,881,320	10.20
2	B Group-016700 Real estate brokerage	4,265,522	7.39
3	C Group-012711 Computer manufacturing	3,914,028	6.79
4	D Group-012740 Data storage media	3,650,000	6.33
5	E Group-015100 Civil Aviation Transportation	3,148,506	5.46
6	F Group-012641 LCD and related components manufacturing	3,084,530	5.35
7	G Group-017112 Engineering activities and related technical consultancy	2,965,947	5.14
8	H Group- 012630 Printed Circuit Boards Manufacturing	2,896,983	5.02
9	I Group-012413 Iron and Steel Rolls over Extends and Crowding	2,656,132	4.61
10	J Group-012641 LCD and related components manufacturing	2,547,683	4.42

December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	K Group-130220 Offshore Companies, Firms, Group	\$ 634,360	3.35
2	L Group-016700 Real Estate Construction and Development	450,800	2.38
3	M Group-012831 Electric Wire and Cable Manufactory	414,923	2.19
4	N Group-016812 Real Estate Brokerage	380,000	2.01
5	O Group-015510 Short-term Stay Service	364,533	1.93
6	P Group- 016631 Investment Advisory Services	346,944	1.83
7	Q Group- 130100 Offshore Financial Institution	317,180	1.68
8	R Group-130220 Offshore Companies, Firms, Group	317,180	1.68
9	S Group-130220 Offshore Companies, Firms, Group	317,180	1.68
10	T Group-015911 Films Manufacturing	316,400	1.67

c. Liquidity risk

CDIB

1) Source and definition of liquidity risk

Liquidity risk is defined as CDIB is unable to meet its obligation for the asset funding within a reasonable time, which causes the risk of earnings or economic capital loss.

2) Management policies

Pursuant to liquidity risk control, CDIB calculates the maximum cumulative cash outflow (maximum cumulative outflows, or MCO) to monitor daily funding gap by each major currency. There were various measures such as valuating possible future capital requirements and deconcentrating of capital sources, to assure the Bank could acquire capital at any time and have the ability to pay liabilities when due, and to maintain adequate liquidity at best cost to volume.

3) Maturity gap analysis of financial assets and nonderivative financial liabilities held for liquidity purpose

a) Financial assets held for liquidity management

CDIB holds cash and highly liquid and high grade carry assets to pay off obligations and meet the potential emergency funding events. That is the assets held for liquidity management include cash and cash equivalents, due from the Central Bank and call loans to banks, financial assets at fair value through profit or loss, discounts, loans, and available-for-sale financial assets.

b) Nonderivative financial liabilities

The following tables show the cash outflows of CDIB's nonderivative financial liabilities based on the duration of contract maturities. The amounts disclosed were based on contractual cash flows; therefore, some of them will not relatively match with those shown on the consolidated balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Bank debentures payable	-	-	-	-	-	-
Other capital outflow on maturity	58,158	166,209	4,956	6,660	922,179	1,158,162
Subtotal	\$ 58,158	\$ 166,209	\$ 4,956	\$ 6,660	\$ 922,179	\$ 1,158,162

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 4,555,100	\$ 215,704	\$ 259,430	\$ 253,740	\$ -	\$ 5,283,974
Notes and bonds issued under repurchase agreements	7,058,297	-	-	-	-	7,058,297
Payables	305,475	41,911	18,655	1,038	-	367,079
Deposits and remittances	20,573,553	26,176,002	40,443,980	4,567,915	4,668	91,766,118
Bank debentures payable	10,071,148	-	1,000,000	-	2,750,000	13,821,148
Other capital outflow on maturity	748,807	373,762	13,205	6,026	1,328,265	2,470,065
Subtotal	\$ 43,312,380	\$ 26,807,379	\$ 41,735,270	\$ 4,828,719	\$ 4,082,933	\$ 120,766,681

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes and bonds issued under repurchase agreements	-	-	-	-	-	-
Payables	-	-	-	-	-	-
Deposits and remittances	-	-	-	-	-	-
Other capital outflow on maturity	-	-	-	-	13,855	13,855
Subtotal	\$ -	\$ -	\$ -	\$ -	\$ 13,855	\$ 13,855

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 135,000	\$ -	\$ -	\$ -	\$ -	\$ 135,000
Notes and bonds issued under repurchase agreements	728,574	857,481	187,119	-	-	1,773,174
Payables	1,291	1,507	926	483	-	4,207
Deposits and remittances	1,912,304	210,908	300,092	119,167	-	2,542,471
Other capital outflow on maturity	20,966	2,525	197	-	11,995	35,683
Subtotal	\$ 2,798,135	\$ 1,072,421	\$ 488,334	\$ 119,650	\$ 11,995	\$ 4,490,535

4) Maturity analysis of derivative instruments

a) Net settled derivative instruments

Net settled derivative instruments of CDIB include:

Equity derivatives instruments: Equity option contracts and others.

Assessment of contractual maturities was a basis of understanding derivative instruments presented in the consolidated balance sheet. Amounts disclosed in the table are based on as the contractual cash flows; thus, some amounts will not match those in the consolidated balance sheets. Maturity analyses of net settled derivative instruments were as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Equity derivatives instruments	\$ 4,665	\$ -	\$ -	\$ -	\$ -	\$ 4,665

b) Gross settled derivative instruments

Gross settled derivative instruments of CDIB include:

- i. Foreign currency derivatives instruments: Foreign currency future contracts, currency swap contracts and forward exchange contracts.
- ii. Interest rate derivatives instruments: Interest rate swap contracts, cross-currency swap contracts, asset swap contracts and interest rate future contracts.

The following tables show the cash outflows on CDIB's gross-settled derivative instruments by period from the consolidated balance sheet dates to contract maturity dates. Assessment of contractual maturities was a basis of understanding derivative instruments presented in the consolidated balance sheets. Amounts disclosed in the tables were based on the contractual cash flows; thus, some amounts will not match those in the consolidated balance sheets. Maturity analyses of gross settled derivative instruments were as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (147,438,705)	\$ (184,409,292)	\$ (38,203,727)	\$ (28,640,724)	\$ -	\$ (398,692,448)
Cash inflow	136,466,137	185,324,338	58,780,013	28,041,051	-	408,611,539
Interest rate derivatives instruments						
Cash outflow	(1,698,393)	(1,398,701)	(9,942,210)	(4,142,367)	(52,040,127)	(69,221,798)
Cash inflow	188,739	1,338,243	8,316,423	900,000	1,241,199	11,984,604
Cash outflow subtotal	(149,137,098)	(185,807,993)	(48,145,937)	(32,783,091)	(52,040,127)	(467,914,246)
Cash inflow subtotal	136,654,876	186,662,581	67,096,436	28,941,051	1,241,199	420,596,143
Net cash flow	\$ (12,482,222)	\$ 854,588	\$ 18,950,499	\$ (3,842,040)	\$ (50,798,928)	\$ (47,318,103)

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (6,161,353)	\$ (6,294,339)	\$ (1,959,846)	\$ (1,015,204)	\$ -	\$ (15,430,742)
Cash inflow	6,530,571	6,241,225	1,294,217	1,051,239	-	15,117,252
Interest rate derivatives instruments						
Cash outflow	(31,961)	(88,811)	(91,544)	(48,329)	(97,808)	(358,453)
Cash inflow	31,715	57,856	88,893	18,140	40,000	236,604
Cash outflow subtotal	(6,193,314)	(6,383,150)	(2,051,390)	(1,063,533)	(97,808)	(15,789,195)
Cash inflow subtotal	6,562,286	6,299,081	1,383,110	1,069,379	40,000	15,353,856
Net cash flow	\$ 368,972	\$ (84,069)	\$ (668,280)	\$ 5,846	\$ (57,808)	\$ (435,339)

5) Maturity analysis of off-balance sheet items

The following table sorts CDIB's off-balance sheet items by period from the consolidated balance sheet dates to contract maturity dates. Amounts disclosed in the table were based on as the contractual cash flows; thus some amounts will not match those in the consolidated balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments, guarantees, and letters of credit	\$ 770,777	\$ 1,272,047	\$ 824,525	\$ 2,241,210	\$ 9,647,038	\$ 14,755,597

6) Maturity analysis of lease commitments and capital outflow commitments

CDIB and subsidiaries' lease commitments included operating and finance leases. Operating lease commitments were the future minimum payments under non-cancellable operating lease where the Bank or its subsidiary is the lessee or lessor. The maturity analyses of lease commitments and capital outflow commitments are as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2014	Within 1 Year	Over 1 Year-5 Years	Over 5 Years	Total
Financial lease gross incomes (lessor)	\$ 3,803,497	\$ 3,506,051	\$ -	\$ 7,309,548
Financial lease present value incomes (lessor)	3,447,214	3,271,053	-	6,718,267

7) Regulations Governing the Preparation of Financial Reports by Public Banks, and the required disclosures are summarized as follows:

a) Maturity analysis of New Taiwan dollars of CDIB

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	\$ 884,933	\$ 713,673	\$ 12,205,182	\$ 513,495	\$ 1,109,081	\$ 55,552,135	\$ 70,978,499
Cash outflow	50,626	7,532	166,209	4,956	6,660	69,400,808	69,636,791
Gap	834,307	706,141	12,038,973	508,539	1,102,421	(13,848,673)	1,341,708

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	\$ 90,433,015	\$ 152,257,282	\$ 206,757,042	\$ 81,932,528	\$ 43,649,775	\$ 121,793,742	\$ 696,823,384
Cash outflow	67,049,956	132,561,787	225,263,197	105,298,185	58,947,274	199,327,243	788,447,642
Gap	23,383,059	19,695,495	(18,506,155)	(23,365,657)	(15,297,499)	(77,533,501)	(91,624,258)

b) Maturity analysis of U.S. dollars of CDIB

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	\$ 34	\$ -	\$ -	\$ -	\$ 1,208	\$ 1,242
Cash outflow	-	-	-	-	45,467	45,467
Gap	34	-	-	-	(44,259)	(44,225)

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	\$ 8,183,423	\$ 7,064,215	\$ 2,047,725	\$ 2,062,273	\$ 1,168,346	\$ 20,525,982
Cash outflow	9,139,587	7,717,169	2,858,597	1,624,469	892,844	22,232,666
Gap	(956,164)	(652,954)	(810,872)	437,804	275,502	(1,706,684)

## KGI Securities and subsidiaries

### 1) Cash flow analysis

#### Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2015	Collection Period					Total
	Spot	In 3 Months	3-12 Months	1-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 5,839,696	\$ 6,611,881	\$ -	\$ -	\$ -	\$ 12,451,577
Financial assets measured at FVTPL - current	62,155,405	9,365,078	6,510,869	416,553	212,593	78,660,498
Financial assets at cost - current	891,740	-	-	-	-	891,740
Available-for-sale financial assets - current	7,361,442	-	-	-	-	7,361,442
Bond purchased under resale agreements	-	16,432,569	-	-	-	16,432,569
Receivable	33,383,882	3,647,879	16,383,520	3,421,677	-	56,836,958
Customers' margin accounts	31,684,109	-	-	-	-	31,684,109
Stock borrowing collateral price and guarantee deposits - borrowed securities	5,349,578	608,916	1,051,212	-	-	7,009,706
Other financial assets - current	-	-	4,566,804	-	-	4,566,804
Income tax assets	-	-	11,114	6	562,305	573,425
Other current assets	33,972,455	375,795	358,730	-	-	34,706,980
Financial assets measured at FVTPL - noncurrent	-	-	51,000	-	-	51,000
Financial assets at cost - noncurrent	-	-	-	415	917,684	918,099
Available-for-sale financial assets - noncurrent	-	30,403	-	-	251,401	281,804
Held-to-maturity finance asset - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,102,991	2,102,991
Others noncurrent assets	-	-	-	231,589	3,555,338	3,786,927
Total	\$ 180,638,307	\$ 37,072,521	\$ 28,933,249	\$ 4,070,240	\$ 7,902,312	\$ 258,616,629
Percentage	69.85%	14.33%	11.19%	1.57%	3.06%	100.00%

#### Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2015	Payment Period					Total
	Spot	In 3 Months	Over 3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 15,800,326	\$ -	\$ -	\$ -	\$ 15,800,326
Commercial papers payable, net	-	5,102,353	-	-	-	5,102,353
Financial liabilities measured at FVTPL - current	3,613,207	3,456,835	5,013,474	1,744,111	211,648	14,039,275
Bonds sold under repurchase agreements	-	58,659,345	-	-	-	58,659,345
Payables	41,587,463	1,560,608	5,265,050	340,386	-	48,753,507
Guarantee deposits - borrowed securities	-	1,757,169	4,906,343	-	-	6,663,512
Futures customers' equity	30,716,503	-	-	-	-	30,716,503
Other current liabilities	4,014,203	1,317,802	2,172,534	106	-	7,504,645
Other financial liability - current	-	12,079,347	2,609	-	-	12,081,956
Income tax liability	-	-	197,482	852,172	-	1,049,654
Long-term liabilities - current portion	-	-	1,006,520	-	-	1,006,520
Bonds payable	-	-	-	7,000,000	-	7,000,000
Liabilities reserve - noncurrent	-	-	-	23,248	132,326	155,574
Others noncurrent liabilities	-	-	-	616,578	78,746	695,324
Total	\$ 79,931,376	\$ 99,733,785	\$ 18,564,012	\$ 10,576,601	\$ 422,720	\$ 209,228,494
Percentage	38.20%	47.67%	8.87%	5.06%	0.20%	100.00%

#### Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2015	Collection Period					Total
	Spot	In 3 Months	Over 3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 180,638,307	\$ 37,072,521	\$ 28,933,249	\$ 4,070,240	\$ 7,902,312	\$ 258,616,629
Cash outflow	79,931,376	99,733,785	18,564,012	10,576,601	422,720	209,228,494
Amount of cash flow gap	\$ 100,706,931	(62,661,264)	\$ 10,369,237	\$ (6,506,361)	\$ 7,479,592	\$ 49,388,135

**Statement of Cash Flow Analysis for Financial Assets**

(In Thousands of New Taiwan Dollars)

December 31, 2014	Collection Period					Total
	Spot	In 3 Months	3-12 Months	1-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 6,938,833	\$ 6,573,867	\$ -	\$ -	\$ -	\$ 13,512,700
Financial assets measured at FVTPL - current	75,930,453	8,620,059	14,156,780	143,940	66,476	98,917,708
Financial assets at cost - current	374,818	-	-	-	-	374,818
Available-for-sale financial assets - current	4,617,323	-	3,056,117	-	-	7,673,440
Bond purchased under resale agreements	-	9,427,733	-	-	-	9,427,733
Receivable	38,132,891	7,011,254	21,464,255	3,079,515	-	69,687,915
Customers' margin accounts	24,346,463	-	-	-	-	24,346,463
Stock borrowing collateral price and guarantee deposits - borrowed securities	1,832,480	-	514,295	-	-	2,346,775
Other financial assets - current	-	-	7,553,823	-	-	7,553,823
Income tax assets	-	-	18,456	4	270,951	289,411
Other current assets	25,323,644	884,690	555,469	-	-	26,763,803
Financial assets measured at FVTPL - noncurrent	-	20,450	1,000	51,000	-	72,450
Financial assets at cost - noncurrent	-	-	-	9,268	1,068,031	1,077,299
Available-for-sale financial assets - noncurrent	-	-	-	31,176	112,593	143,769
Held-to-maturity financial assets - noncurrent	-	-	190,000	-	-	190,000
Investments accounted for using the equity method	-	-	-	-	2,222,317	2,222,317
Others noncurrent assets	-	-	200,000	359,740	3,473,394	4,033,134
Total	\$ 177,496,905	\$ 32,538,053	\$ 47,710,195	\$ 3,674,643	\$ 7,213,762	\$ 268,633,558
Percentage	66.07%	12.11%	17.76%	1.37%	2.69%	100.00%

**Statement of Cash Flow Analysis for Financial Liabilities**

(In Thousands of New Taiwan Dollars)

December 31, 2014	Payment Period					Total
	Spot	In 3 Months	Over 3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ 15,928,632	\$ 10,554,787	\$ -	\$ -	\$ -	26,483,419
Commercial papers payable, net	-	9,258,974	-	-	-	9,258,974
Financial liabilities measured at FVTPL - current	2,620,787	2,756,717	4,749,195	1,731,368	70,683	11,928,750
Bonds sold under repurchase agreements	-	64,141,723	-	-	-	64,141,723
Payables	40,958,027	748,879	6,598,447	635,676	-	48,941,029
Guarantee deposits - borrowed securities	-	2,737,946	7,367,695	-	-	10,105,641
Futures customers' equity	23,790,080	-	-	-	-	23,790,080
Other current liabilities	526,013	1,471,442	2,447,202	73	-	4,444,730
Other financial liability - current	-	13,480,317	8,218	-	-	13,488,535
Income tax liability	-	829,760	57,789	1,149,100	9,211	2,045,860
Long-term liability matured in one year or the operating cycle	-	3,100,000	-	-	-	3,100,000
Bonds payable	-	-	-	1,020,680	-	1,020,680
Liabilities reserve - noncurrent	-	-	-	-	197,613	197,613
Others noncurrent liabilities	-	-	-	353,703	43,867	397,570
Total	\$ 83,823,539	\$ 109,080,545	\$ 21,228,546	\$ 4,890,600	\$ 321,374	\$ 219,344,604
Percentage	38.21%	49.73%	9.68%	2.23%	0.15%	100.00%

**Statement of Capital Liquidation Gap**

(In Thousands of New Taiwan Dollars)

December 31, 2014	Collection Period					Total
	Spot	In 3 Months	Over 3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 177,496,905	\$ 32,538,053	\$ 47,710,195	\$ 3,674,643	\$ 7,213,762	\$ 268,633,558
Cash outflow	83,823,539	109,080,545	21,228,546	4,890,600	321,374	219,344,604
Amount of cash flow gap	\$ 93,673,366	\$ (76,542,492)	\$ 26,481,649	\$ (1,215,957)	\$ 6,892,388	\$ 49,288,954

KGI Securities has established statement of capital liquidation gap to estimate how all financial assets and liabilities in future cash flows can affect KGI Securities and subsidiaries when it comes to fund dispatching. Cash flow gap statement from December 31, 2015 and 2014, show that the sums from deducting cash outflow from cash inflow are \$49,388,135 thousand and \$49,288,954 thousand, respectively, all indicating sufficient fund liquidity.



Due to operational characteristics of securities firms, an observation of fund inflow and outflow in different periods of time shows that current and receivable items contribute to the most of the financial assets of KGI Securities and subsidiaries, taking up to nearly 69.85% of the entire financial assets. This shows that most of these financial assets can be liquidated immediately and therefore have high liquidity. As for financial liabilities, there is no particular period with a high number of due payments which will put stress on fund dispatching.

Although an analysis of funds gap shows that the cash outflow exceeded cash inflow within 3 months period and 1 to 5 years period, the main differentiating factor is that the financial assets of KGI Securities and subsidiaries have high liquidity, which causes financial assets and liabilities to have different impacts during different cash flow periods. On December 31, 2015 and 2014, net cash inflow calculated from net spot financial assets are respectively \$100,706,931 thousand and \$93,673,366 thousand, which are sufficient to cover the net cash outflows of \$69,167,625 thousand and \$77,758,449 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

## 2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures. KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

- a) Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.
- b) Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to KGI Securities.

## KGI Bank and subsidiaries

### 1) The source and definition of liquidity risk

Liquidity risk of KGI Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments. Liquidity risk is inherent risk in banking operations and can be affected by various industry-specific or overall market events, including but are not limited to credit events, mergers or acquisitions, systemic shocks and natural disasters.

2) Management policy of liquidity risk

To control liquidity risk, the Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The Bank also actively deconcentrates funding sources, due dates of funding settlement, and the counterparties to the due from other banks and call loans to other banks, as well as maintains an adequate amount of corporate cash in banks to enhance its liquidity position.

3) To manage liquidity risk of financial assets held and non-derivative financial liabilities maturity analysis

a) To manage liquidity risk of financial assets held

The financial assets include cash and assets that are of highly liquid and high quality for the purpose of paying liabilities and capital movement during emergency. The assets held for managing liquidity risk include cash and cash equivalents, due from the central bank and call loans to banks, financial assets at FVTPL, discounts and loans, available-for-sale financial assets, and held-to-maturity financial assets.

b) Maturity analysis for non-derivative financial liabilities

KGI Bank's non-derivative financial liabilities are based both on the maturing of assets and liabilities, and the corresponding interest rate and controlled gaps that do not match. As the transaction conditions are uncertain and are of different types, the maturity of assets and liabilities usually does not match. This may result in gains or losses. The following table shows the maturity analysis of liquidity based on liabilities.

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the central bank and banks	\$ 1,184,126	\$ 233,883	\$ 259,430	\$ 649,290	\$ -	\$ 2,326,729
Notes and bonds issued under repurchase agreement	3,555,537	439,228	-	-	-	3,994,765
Deposits and remittances	38,936,723	74,633,425	38,705,271	62,391,930	19,763,994	234,431,343
Bank debentures payable	-	-	1,056,148	-	2,750,000	3,806,148
Other capital outflow on maturity	1,149,059	626,503	329,557	210,316	993,105	3,308,540
Total	\$ 44,825,445	\$ 75,933,039	\$ 40,350,406	\$ 63,251,536	\$ 23,507,099	\$ 247,867,525

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the central bank and banks	\$ 1,729,026	\$ 32,752	\$ -	\$ 460,002	\$ -	\$ 2,221,780
Notes and bonds issued under repurchase agreement	4,848,420	680,194	-	-	-	5,528,614
Deposits and remittances	10,100,322	16,956,209	20,665,931	35,277,871	32,022,727	115,023,060
Other capital outflow on maturity	826,248	607,584	49,143	275,383	361,245	2,119,603
Total	\$ 17,504,016	\$ 18,276,739	\$ 20,715,074	\$ 36,013,256	\$ 32,383,972	\$ 124,893,057

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the central bank and banks	\$ 72,000	\$ 129,000	\$ -	\$ -	\$ -	\$ 201,000
Notes and bonds issued under repurchase agreement	1,326,354	397,933	-	-	-	1,724,287
Deposits and remittances	1,615,814	562,184	532,550	367,017	14,143	3,091,708
Bank debentures payable	-	-	-	-	99,690	99,690
Other capital outflow on maturity	4,570	7,355	2,647	446	9,713	24,731
Total	\$ 3,018,738	\$ 1,096,472	\$ 535,197	\$ 367,463	\$ 123,546	\$ 5,141,416

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits and remittances	\$ 62,919	\$ 68,828	\$ 82,555	\$ 76,690	\$ 106,783	\$ 397,775
Other capital outflow on maturity	853	251	88	45	20	1,257
Total	\$ 63,772	\$ 69,079	\$ 82,643	\$ 76,735	\$ 106,803	\$ 399,032

## 4) Maturity analysis of derivative financial instruments

The valuation of the maturity of the contracts is essential for presenting the financial instruments on the balance sheet. The amount disclosed in the balance sheet is prepared based on the cash flows of the contract. Thus, a part of the amount disclosed deviates from the balance sheet. The maturity analysis of financial instruments is as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (210,247,189)	\$ (193,308,282)	\$ (154,000,151)	\$ (16,434,098)	\$ (327,000)	\$ (574,316,720)
Cash inflow	208,228,429	193,153,076	112,725,144	36,762,530	-	550,869,179
Interest rate derivatives instruments						
Cash outflow	(1,311,706)	(642,549)	(24,974)	(1,001,557)	(11,936,792)	(14,917,578)
Cash inflow	186,298	430,290	33,537	-	52,369	702,494
Others						
Cash outflow	(770)	-	-	-	-	(770)
Cash inflow	-	-	-	-	-	-
Cash outflow subtotal	(211,559,665)	(193,950,831)	(154,025,125)	(17,435,655)	(12,263,792)	(589,235,068)
Cash inflow subtotal	208,414,727	193,583,366	112,758,681	36,762,530	52,369	551,571,673
Net cash flow	\$ (3,144,938)	\$ (367,465)	\$ (41,266,444)	\$ 19,326,875	\$ (12,211,423)	\$ (37,663,395)

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (7,415,898)	\$ (6,183,680)	\$ (3,596,863)	\$ (1,520,370)	\$ (62,396)	\$ (18,779,207)
Cash inflow	7,281,650	6,166,764	4,903,978	831,482	72,396	19,256,270
Interest rate derivatives instruments						
Cash outflow	(9,019)	(19,479)	(6,388)	(3,985)	(193,715)	(232,586)
Cash inflow	7,759	17,486	4,269	3,615	-	33,129
Others						
Cash outflow	(460)	-	-	-	-	(460)
Cash inflow	259	-	-	-	-	259
Cash outflow subtotal	(7,425,377)	(6,203,159)	(3,603,251)	(1,524,355)	(256,111)	(19,012,253)
Cash inflow subtotal	7,289,668	6,184,250	4,908,247	835,097	72,396	19,289,658
Net cash flow	\$ (135,709)	\$ (18,909)	\$ 1,304,996	\$ (689,258)	\$ (183,715)	\$ 277,405

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Derivative financial instruments at fair value through profit or loss						
Foreign exchange derivatives instruments						
Cash outflow	\$ (3,094)	\$ -	\$ -	\$ -	\$ -	\$ (3,094)
Cash inflow	3,093	-	-	-	-	3,093
Net cash flow	\$ (1)	\$ -	\$ -	\$ -	\$ -	\$ (1)

## 5) Maturity analysis of off-balance sheet items

The table below shows the maturity analysis of the off-balance sheet items based on the remaining time between the reporting date and the contractual period. For the issued financial guarantee contracts, the maximum guaranteed amount included in the guarantee may be required to be fulfilled in the earliest period. The disclosures in the table below are prepared based on the contractual cash flows. Therefore, the partial accounts illustrated below may not match with the corresponding accounts on the balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees and letters of credit	\$ 3,955,556	\$ 7,293,085	\$ 8,414,438	\$ 29,975,155	\$ 46,090,223	\$ 95,728,457

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Irrevocable loan commitments guarantees, and letters of credit	\$ 6,091,204	\$ 9,975,067	\$ 6,482,447	\$ 25,716,416	\$ 37,120,193	\$ 85,385,327

## 6) The maturity analysis of lease agreement

The lease contracts of KGI Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition. Financial lease means net future lease payments under finance lease condition.

Lease maturity analysis of contractual commitments is as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2015	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	\$ 3,719,977	\$ 3,742,954	\$ -	\$ 7,462,931
Financial lease present value income (lessor)	3,408,517	3,532,798	-	6,941,315
Operating lease payment (lessee)	250,983	475,217	3,630	729,830
Operating lease income (lessor)	36,748	63,091	-	99,839
Present value of financial lease payment (lessee)	3,916	876	-	4,792

(In Thousands of New Taiwan Dollars)

December 31, 2014	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Operating lease payment (lessee)	\$ 174,511	\$ 301,580	\$ 8,498	\$ 484,589
Operating lease income (lessor)	11,292	25,994	1,056	38,342
Present value of financial lease payment (lessee)	7,431	4,683	-	12,114

7) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of assets and liabilities in New Taiwan dollars

(In Thousands of New Taiwan Dollars)

December 31, 2015	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 125,323,653	\$ 236,796,241	\$ 225,304,405	\$ 139,833,808	\$ 70,212,758	\$ 90,356,431	\$ 887,827,296
Main capital outflow on maturity	94,800,542	188,125,816	322,057,926	234,885,133	108,241,802	130,644,304	1,078,755,523
Gap	\$ 30,523,111	\$ 48,670,425	\$ (96,753,521)	\$ (95,051,325)	\$ (38,029,044)	\$ (40,287,873)	\$ (190,928,227)

(In Thousands of New Taiwan Dollars)

December 31, 2014	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 13,912,567	\$ 16,409,900	\$ 8,917,720	\$ 10,252,388	\$ 16,379,230	\$ 73,163,710	\$ 139,035,515
Main capital outflow on maturity	8,511,991	14,748,966	27,927,085	27,092,743	61,423,347	87,333,507	227,037,639
Gap	\$ 5,400,576	\$ 1,660,934	\$ (19,009,365)	\$ (16,840,355)	\$ (45,044,117)	\$ (14,169,797)	\$ (88,002,124)

b) Maturity analysis of assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

December 31, 2015	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 10,051,229	\$ 7,117,708	\$ 5,277,364	\$ 1,372,405	\$ 622,496	\$ 24,441,202
Main capital outflow on maturity	11,105,526	8,622,456	5,122,254	1,894,680	418,621	27,163,537
Gap	\$ (1,054,297)	\$ (1,504,748)	\$ 155,110	\$ (522,275)	\$ 203,875	\$ (2,722,335)

(In Thousands of U.S. Dollars)

December 31, 2014	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 68,584	\$ 102,984	\$ 22,721	\$ 53,360	\$ 213,130	\$ 460,779
Main capital outflow on maturity	65,839	72,834	83,889	79,208	130,170	431,940
Gap	\$ 2,745	\$ 30,150	\$ (61,168)	\$ (25,848)	\$ 82,960	\$ 28,839

d. Market risk

CDIB and subsidiaries

1) Source and definition of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading.

2) Risk management policies

To have a common-language of market risk management, definition, communication and measurement, CDIB has developed “Market Risk Policy” based on Regulations Governing the Capital Adequacy Ratio of Banks and on market risk calculation tables announced by FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of Banks related market risk calculation tables and CDIB’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, CDIB sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

3) The procedure of market risk measuring, monitoring, and reporting

CDIB’s market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through CDIB’s risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

CDIB’s market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of CDIB independently performs daily market risk limit controls, and monthly reports to both the risk management committee and CDFH’s risk management committee. Besides, the above reports are regularly presented to the Board for reference.

4) Mitigation of risks or hedging of market risk

CDIB's market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions. Market Risk Limits are regularly reviewed and controlled based on the revaluation results.

5) Valuation techniques of market risk

CDIB uses the VaR model and/or stress testing to evaluate the potential and/or extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

(In Thousands of New Taiwan Dollars)

	December 31, 2015			December 31, 2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Value at risk of foreign exchange rate	\$ -	\$ -	\$ -	\$ 8,322	\$ 17,544	\$ 1,955
Value at risk of interest rate	-	-	-	65,735	100,306	6,725
Value at risk of equity stocks	-	-	-	15,416	18,764	12,103
Total value at risks	-	-	-	69,064	-	-

6) Foreign currency rate risk information

The financial assets and liabilities denominated in foreign currency and with material influence on the Bank and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 277,125	33.066	\$ 9,163,406
HKD	128,796	4.266	549,495
RMB	46,867	5.033	238,862
KRW	6,146,111	0.028	172,816
Investment accounted for using the equity method			
USD	39,808	33.066	1,316,305
RMB	252,073	5.033	1,266,917
<u>Financial liabilities</u>			
Monetary items			
USD	18,379	33.066	607,724

December 31, 2014			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 4,545,083	31.718	\$ 144,160,953
RMB	2,245,478	5.103	11,459,573
HKD	280,055	4.090	1,145,342
EUR	21,178	38.550	816,398
AUD	12,695	25.960	329,557
JPY	1,171,895	0.265	310,786
KRW	6,202,560	0.029	180,339
Nonmonetary items			
HKD	446,456	4.090	1,825,869
RMB	20,364	5.103	103,918
Investment accounted for using the equity method			
RMB	137,655	5.103	702,508

Financial liabilities

Monetary items			
USD	3,253,661	31.718	103,199,634
RMB	1,597,356	5.103	8,151,944
NZD	17,638	24.853	438,346
EUR	9,844	38.550	379,477
AUD	10,141	25.960	263,250
JPY	920,698	0.265	244,169
KRW	5,504,389	0.029	160,040
ZAR	37,845	2.740	103,687

7) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

**Analysis of Interest Rate-sensitive Assets and Liabilities**  
December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 12,623,859	\$ -	\$ -	\$ 161,308	\$ 12,785,167
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	12,623,859	-	-	161,308	12,785,167
Net worth					68,478,629
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					19



**Analysis of Interest Rate-sensitive Assets and Liabilities**  
**December 31, 2014**

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 115,356,492	\$ 5,359,256	\$ 383,709	\$ 76,625,179	\$ 197,724,636
Interest rate-sensitive liabilities	71,204,777	38,250,410	4,560,290	3,825,816	117,841,293
Interest rate sensitivity gap	44,151,715	(32,891,154)	(4,176,581)	72,799,363	79,883,343
Net worth					110,436,045
Ratio of interest rate-sensitive assets to liabilities (%)					168
Ratio of interest rate-sensitive gap to net worth (%)					72

Note 1: The above amounts included only New Taiwan dollar amounts held in the domestic and overseas branches (i.e., excluding foreign currencies).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities are in New Taiwan dollars).

b) Analysis of interest rate-sensitive assets and liabilities (U.S. dollars)

**Analysis of Interest Rate-sensitive Assets and Liabilities**  
**December 31, 2015**

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 34	\$ -	\$ -	\$ -	\$ 34
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	34	-	-	-	34
Net worth					31,612
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					-

**Analysis of Interest Rate-sensitive Assets and Liabilities**  
**December 31, 2014**

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 1,985,592	\$ 456,352	\$ 660,575	\$ 1,843,532	\$ 4,946,051
Interest rate-sensitive liabilities	3,844,267	487,211	119,167	-	4,450,645
Interest rate sensitivity gap	(1,858,675)	(30,859)	541,408	1,843,532	495,406
Net worth					105,291
Ratio of interest rate-sensitive assets to liabilities (%)					111
Ratio of interest rate-sensitive gap to net worth (%)					471

Note 1: The above amounts included only U.S. dollar amounts held in the domestic and overseas branches and OBU (i.e., excluding contingency assets and liabilities).

Note 2: Interest rate-sensitive assets and liabilities refer to interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (interest rate-sensitive assets and interest rate-sensitive liabilities are in U.S. dollars).

#### KGI Securities and subsidiaries

Market risk is the risk of potential economic value reduction for securities or financial contracts that KGI Securities and subsidiaries hold due to the fluctuations of the market risk factors. Such factors include interest rates (including credit spread) and risk of equity securities and exchange rates and Commodity risk KGI Securities and subsidiaries utilize risk factor sensitivity and value at risk to measure and contain market risks. KGI Securities also holds regular stress test to help the management understand the extent to which KGI Securities can handle stress in this dire economic environment.

#### 1) Risk factor sensitivity

Using product identification and analysis procedure held by KGI Securities, the corresponding market risk factor can be determined. Individual risk factor's entire exposure can be measured by observing how the value of a financial instrument changes as each risk factor changes. KGI Securities and subsidiaries monitor the following risk factor sensitivities:

- a) Interest rate risk sensitivity: Measured by the change of present value of future cash flows of the measured holding with each yield curve or credit spread moved 0.01% horizontally.
- b) Equity securities risk sensitivity: Measured by the change of the value of investment portfolio with the price of the underlying assets linked to the equity securities (as the potential loss amount given that the TAIEX and stock of respective companies drop 1%).
- c) Exchange rate risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with exchange rate for each currency (as the potential loss amount given that the foreign currencies depreciate 1% against NTD).
- d) Commodity risk sensitivity: Measured by the change of present values of corresponding holdings of currencies with commodity for each currency (as the potential loss amount given that commodity currencies depreciate 1% against NTD).

The risk sensitivities in the portfolio held by KGI Securities and subsidiaries are as follows:

#### **Comparisons of Risk Sensitive Factors**

**(In Thousands of New Taiwan Dollars)**

<b>Risk Sensitivity</b>	<b>December 31, 2015</b>	<b>December 31, 2014</b>
Interest rate risk	\$ 12,186	\$ 9,004
Equity securities risk	15,566,569	15,841,025
Exchange rate risk	589,868	1,245,900
Commodity risk	4,465	-

## 2) Value at Risk

Value at risk (“VAR”) is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct back testing daily to ensure the reliability of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries are as follows:

	<b>For the Year Ended December 31, 2015</b>			<b>December 31, 2015</b>
	<b>Average VAR</b>	<b>Minimum VAR</b>	<b>Maximum VAR</b>	<b>Ending VAR</b>
Equity securities	\$ 485,026	\$ 169,082	\$1,034,615	\$ 329,128
Interest rate	82,291	41,766	152,689	71,769
Exchange rate	13,417	2,825	45,515	6,310
Commodity	2,018	-	5,174	1,228

	<b>For the Year Ended December 31, 2014</b>			<b>December 31, 2014</b>
	<b>Average VAR</b>	<b>Minimum VAR</b>	<b>Maximum VAR</b>	<b>Ending VAR</b>
Equity securities	\$ 374,660	\$ 55,489	\$ 538,744	\$ 326,952
Interest rate	68,342	45,461	103,474	84,617
Exchange rate	21,763	7	283,963	11,457

## 3) Stress test

Stress test mainly examines the effects of extreme changes in market risk factors in an investment portfolio. It can serve as an assistive tool in monitoring and controlling of VAR. Since VAR is only an estimated value under certain statistical assumptions, it only reflects possible losses under normal market situations especially since it does not take into considerations the liquidity of an investment portfolio. Stress test can help a company’s management understand how potential extreme incidents can affect the market risk sensitivity and the profit/loss of an investment portfolio.

The main methods of stress test are sensitivity test and scenario analysis. Scenario analysis includes historic and hypothetical scenario analysis.

### a) Sensitivity test

For certain risk factors in an investment portfolio, this test analyzes possible changes of profit/loss in exposure under given changes.

### b) Scenario analysis

- i. Historic scenario analysis: Using incidents that strongly impacted the market before such as Lehman Brothers in 2008 and subprime mortgage crisis in 2007, and this analysis applies the continuous changes of the risk factors of these incidents to the current market and portfolios and analyze how the profit/loss changes accordingly.

ii. Hypothetical scenarios analysis

- i) This analysis utilizes pressure scenarios defined by Derivative Policy Group. Test items include yield curve horizontal shift, yield curve twist, yield curve horizontal shift and twist, changes in stock index and changes in exchange rates in major countries.
- ii) Expected incidents: considering the economic and political developments inside and outside Taiwan and referring to similar experience from the past, this analysis predicts all kinds of possible impacts to the market when a certain incident takes place in the future and examines the possible changes to the profit/loss of KGI Securities' holding position. For example, the increasing possibility of war due to the rising intensity in Middle East may lead to the booming price of energy such as crude oil. Meanwhile, the global financial market would have greater fluctuation, resulting in expected inflation. Therefore, anticipate the potential policy adopted by Central Bank to determine the effect of series events on the risk factor of holding position, and further analyze the possible exposure.

Results of stress test based on the change of sensitivity as follows:

Risk Factor	Risk Indicators	Changes	Loss	
			December 31	
			2015	2014
Interest exposures	Yield curve	+ 50 bps	\$ (609,298)	\$ (450,117)
Equity exposures	Equity index	- 25%	(3,891,642)	(3,960,256)
Exchange rate exposures	Exchange rate to USD	- 7%	(41,291)	(87,213)
Commodity exposures	Price of commodity	- 25%	(1,116)	-

4) Foreign currency exchange rate financial assets and liabilities information

(In Thousands of Foreign Currencies New Taiwan Dollars)

December 31, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,986,796	33.07	\$ 65,631,077
JPY	3,174,913	0.27	867,667
RMB	142,098	5.03	715,099
HKD	42,428	4.26	180,852
EUR	4,387	35.89	157,479
Nonmonetary items			
USD	678,354	33.07	22,430,463
RMB	569,182	5.03	2,864,465
Investments accounted for using the equity method			
USD	63,490	33.07	2,099,349

(Continued)

<b>December 31, 2015</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 3,019,284	33.07	\$ 99,771,345
RMB	239,563	5.03	1,205,603
JPY	3,084,976	0.27	842,970
EUR	4,159	35.88	149,214
Nonmonetary items			
USD	208,276	33.07	6,886,852
RMB	468,906	5.03	2,359,815
			(Concluded)

<b>December 31, 2014</b>			
	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>New Taiwan Dollars</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,707,274	31.72	\$ 54,144,135
RMB	865,261	5.10	4,415,774
HKD	138,252	4.09	565,282
Nonmonetary items			
USD	1,079,037	31.72	34,224,909
RMB	1,346,593	5.10	6,872,202
HKD	144,710	4.09	591,822
Investments accounted for using the equity method			
USD	69,872	31.72	2,216,211

<u>Financial liabilities</u>			
Monetary items			
USD	3,265,209	31.72	103,558,649
RMB	1,068,724	5.10	5,454,127
HKD	28,071	4.09	114,674
Nonmonetary items			
USD	314,816	31.72	9,985,342
RMB	158,675	5.10	809,782
HKD	34,360	4.09	140,522

#### KGI Bank and subsidiaries

##### 1) Source and definition of market risk

Market risk is defined as an unfavorable change in macroeconomic and financial market variables, (such as interest rates, exchange rates, stock prices and commodity prices) which may cause a potential loss on financial assets held for trading.

## 2) Risk management policies

In order to have a common-language of market risk management, definition, communication and measurement, the KGI Bank has developed “Market Risk Policy” based on Regulations Governing the Capital Adequacy Ratio of Banks and on market risk calculation tables announced by FSC, international standards, and CDFH’s market risk management policy framework.

The “Market Risk Policy” is applicable to “Trading Book” positions defined by the Regulations Governing the Capital Adequacy Ratio of the KGI Bank related market risk calculation tables and the KGI Bank’s book management approach to financial instrument handling.

Following the “Market Risk Policy”, the KGI Bank sets up the “Market Risk Management Procedure to Trading Activities” to manage market risk throughout the Firm. This procedure includes risk identification and assessment, risk measurement, risk monitoring and response, risk reporting and contingency management processes.

## 3) The procedure of market risk measuring, monitoring, and reporting

The KGI Bank’s market risk limits include position sensitivities, stop-loss limits, Value-at-Risk (VaR).

Risk factors analyzed through the KGI Bank’s risk measurement systems are sufficient to determine all market risks of trading positions on balance sheet, including interest rates risk, foreign exchange risk, equity risk and commodity risk, as well as volatility risks which arise out of the option transactions.

The KGI Bank’s market risk report includes profit or loss on trading positions, limits usage, stress testing, trading portfolio risk assessment, as well as significant exception if any.

The risk management unit of the KGI Bank independently performs daily market risk limit controls, and monthly reports to both the Risk Management Committee and CDFH’s Risk Management Committee. Besides, the above reports are regularly presented to the Board for reference.

## 4) Mitigation of risks or hedging of market risk

The KGI Bank’s market risk positions or hedging positions are marked to market on a daily base through techniques such as model evaluation. All market parameters are updated at least daily in accordance with changes in market conditions. Market Risk Limits are regularly reviewed and controlled based on the revaluation results.

## 5) Valuation techniques of market risk

The KGI Bank uses the VaR model and/or stress testing to evaluate the potential and/or extreme risk of trading portfolios. Through variations of the assumptions on market conditions, these techniques can be used to assess the market risk of positions held and the maximum expected loss.

VaR is calculated using a one-day time horizon with a 95% confidence level.

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31, 2015			For the Year Ended December 31, 2014		
	Average	Highest	Lowest	Average	Highest	Lowest
Price risk of interest rate instruments	\$ 47,779	\$ 118,218	\$ 11,394	\$ 344	\$ 3,506	\$ -
Price risk of equity instruments (includes hedged position)	15,831	28,568	7,542	5,254	12,926	1,627
Price risk of exchange rate instruments	8,539	27,412	1,514	1,466	7,868	12

6) Interest rate risk in banking book

The scope of interest rate risk in banking book includes interest rate sensitivity of assets and liabilities, but do not include risk management of trading book. Interest rate risk in banking book measures the adverse effects on net interest income of assets, liabilities and off-balance sheet as a result of adverse fluctuations in interest. Risk assessment not only builds the sensitivity gap between assets and liabilities, but also quantifies through the dimension of retained earnings and economic value perspectives.

7) Interest rate risk management of the banking book

The interest rate risk management strategy involving the KGI Bank's banking book is to minimize the negative impact of changes in interest rates on net interest income and the net economic value of equity. The asset-liability management committee (ALMCO) approves the annual banking book interest rate risk limits and monitors the Bank's interest rate risk exposures every day. The interest rate risk management processes involving the banking book include risk identification, risk measurement, risk control, risk monitor and others. The unit monitoring the banking book interest rate risk reports interest rate risk exposures regularly to ALMCO, and adjust the structure of assets and liabilities according to the report, lowering the amount of exposure. For risk monitoring, the asset and liability management system outputs an analysis report, which is provided to the interest rate risk execution unit and top management. If risk missing or excess of limit occurred from monitor, written notices will be passed to interest rate risk implementation units to adjust and improve the program reported to ALMCO.

8) Concentration of currency risk information

The financial assets and liabilities denominated in foreign currency and with material influence on KGI Bank and subsidiaries were as follows:

(In Thousands of New Taiwan Dollars/Foreign Currencies)

	December 31, 2015		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 7,048,458	33.07	\$ 233,064,309
EUR	107,545	36.14	3,886,770
RMB	589,247	5.03	2,965,446
JPY	6,099,692	0.27	1,675,585
HKD	287,940	4.27	1,228,467
GBP	4,641	49.04	227,599
AUD	7,311	24.16	176,650
Nonmonetary items			
HKD	377,926	4.27	1,612,385
			(Continued)

December 31, 2015			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 7,400,004	33.07	\$ 244,688,523
EUR	73,888	36.14	2,670,401
JPY	9,047,194	0.27	2,485,264
AUD	53,950	24.16	1,303,487
GBP	16,720	49.04	819,945
HKD	152,150	4.27	649,133
NZD	20,986	22.69	476,137
RMB	72,551	5.03	365,121
(Concluded)			

December 31, 2014			
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 437,070	31.72	\$ 13,862,985
RMB	1,663,010	5.10	8,487,005
ZAR	238,781	2.74	654,213
AUD	13,812	25.96	358,569
JPY	859,866	0.27	228,036

Financial liabilities

Monetary items			
USD	402,089	31.72	12,753,461
RMB	1,658,465	5.10	8,463,812
ZAR	239,106	2.74	655,103
AUD	13,747	25.96	356,883
JPY	859,402	0.27	227,913

- 9) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

- a) Analysis of interest rate-sensitive assets and liabilities (New Taiwan dollars)

December 31, 2015

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 250,256,425	\$ 9,228,268	\$ 3,692,381	\$ 50,790,267	\$ 313,967,341
Interest rate-sensitive liabilities	114,720,285	80,048,442	40,511,307	7,387,827	242,667,861
Interest rate sensitivity gap	135,536,140	(70,820,174)	(36,818,926)	43,402,440	71,299,480
Net worth					56,366,901
Ratio of interest rate-sensitive assets to liabilities (%)					129.38
Ratio of interest rate-sensitive gap to net worth (%)					126.49



December 31, 2014

(In Thousands of New Taiwan Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 113,329,501	\$ 548,131	\$ 559,239	\$ 11,029,425	\$ 125,466,296
Interest rate-sensitive liabilities	38,021,959	53,112,486	24,723,823	4,960,563	120,818,831
Interest rate sensitivity gap	75,307,542	(52,564,355)	(24,164,584)	6,068,862	4,647,465
Net worth					18,853,918
Ratio of interest rate-sensitive assets to liabilities (%)					103.85
Ratio of interest rate-sensitive gap to net worth (%)					24.65

Note 1: The above amounts included only New Taiwan dollar amounts held by KGI Bank excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in New Taiwan dollars): Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

b) Analysis of interest rate-sensitive assets and liabilities (U.S. dollars)

December 31, 2015

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 2,312,571	\$ 233,877	\$ 333,663	\$ 1,936,818	\$ 4,816,929
Interest rate-sensitive liabilities	4,292,300	488,931	221,621	113,833	5,116,685
Interest rate sensitivity gap	(1,979,729)	(255,054)	112,042	1,822,985	(299,756)
Net worth					38,963
Ratio of interest rate-sensitive assets to liabilities (%)					94.14
Ratio of interest rate-sensitive gap to net worth (%)					(769.34)

December 31, 2014

(In Thousands of U.S. Dollars, %)

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 295,573	\$ 14,235	\$ 3,005	\$ 30,803	\$ 343,616
Interest rate-sensitive liabilities	115,409	205,609	76,690	-	397,708
Interest rate sensitivity gap	180,164	(191,374)	(73,685)	30,803	(54,092)
Net worth					1,993
Ratio of interest rate-sensitive assets to liabilities (%)					86.40
Ratio of interest rate-sensitive gap to net worth (%)					(2,714.10)

Note 1: The above amounts included only U.S. dollars amounts held by KGI Bank, excluded contingent assets and contingent liabilities.

Note 2: Interest rate-sensitive assets and liabilities are interest-earning assets and interest-bearing liabilities with revenues or costs affected by interest rate changes.

Note 3: Interest rate sensitivity gap = Interest rate-sensitive assets - Interest rate-sensitive liabilities.

Note 4: Ratio of interest rate-sensitive assets to liabilities = Interest rate-sensitive assets/Interest rate-sensitive liabilities (in U.S. dollars).

e. Transfers of financial assets

KGI Securities and subsidiaries

1) Transferred financial assets not qualifying for full derecognition

Among daily operations of KGI Securities and subsidiaries (KGI Securities), most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities held by counterparties as collateral under repurchase agreements or equity securities lent under securities lending agreements. As the substance of these transactions is secured borrowing, securities that has transferred to counterparties during the transaction causes KGI Securities' right to receive cash flows of the financial assets transferred to the counterparties; KGI Securities and subsidiaries only recognized related liabilities reflecting the obligation to repurchase the transferred financial assets at a fixed price in the future, and the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Securities does not derecognize it entirely because KGI Securities remains exposed to interest rate risk, credit risk and market risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

December 31, 2015					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Financial assets at FVTPL					
Transactions with agreements	\$ 58,663,263	\$ 58,601,838	\$ 58,663,263	\$ 58,601,838	\$ 61,425
Transaction - borrowed securities	54,860	76,804	54,860	76,804	(21,944)

2) Transferred financial assets qualifying for full derecognition

KGI Securities uses convertible bonds acquired by an underwriter or dealer as the trading object of the asset swap transaction, then KGI Securities receives consideration by selling it, and exchange interests arise from convertible bonds for compensation interests according to the contracts, meanwhile acquire the right to redeem the bonds at any time before the maturity date. KGI Securities does not retain the control over the transferred assets and derecognized them since counterparties have the ability to sell financial assets to third party and no restrictions will be made when counterparties differs. KGI Securities still retain the call option of the object, and the maximum exposure of the loss is the book value of the pledged instruments. Related information of transferred financial assets and liabilities qualifying for full derecognition are as follows:

December 31, 2015					
Types of Continuing Involvement	Outflows of Repurchased Transferred Financial Assets (Derecognized)	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
		Financial Assets at FVTPL	Assets	Liabilities	
Call option	\$ 11,345,800	\$ 447,127	\$ 447,127	\$ -	\$ 447,127

The following table is repurchased transferred financial assets' undiscounted cash flow maturity analysis. Information of cash flow is disclosed according to the circumstances of every balance sheet day.

December 31, 2015						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	\$ -	\$ 835,600	\$ 3,293,700	\$ 7,216,500	\$ -	\$ 11,345,800

The following table shows gains or losses recognized from continuing involvement - call option at the assets transferred day, continuing involvement of derecognized financial assets until balance sheet day and revenues and expenses recognized during the period.

December 31, 2015			
Types of Continuing Involvement	Gains Or Losses Recognized at Balance Sheet Day	Revenues or Expenses Recognized from Continuing Involvement of Derecognized Financial Assets Until Balance Sheet	Revenues or Expenses Recognized During the Period
Call option	\$ (176,259)	\$ (257,532)	\$ (433,791)

#### KGI Bank and subsidiaries

Among daily operations of KGI Bank, most of the transactions of transferred financial assets not qualifying for full derecognition are debt securities under repurchase agreements. As KGI Bank's right to receive cash flows of the financial assets transferred to the counterparties, and reflecting the obligation to repurchase the transferred financial assets for a fixed price at a future date, the transferred financial assets cannot be used, sold or pledged in the duration of the transaction. KGI Bank does not derecognize it entirely because KGI Bank remains exposed to interest rate risk and credit risk on these pledged instruments.

Related information of financial assets and liabilities not qualifying for full derecognition are listed below:

December 31, 2015					
Category	Carrying Amount of Transferred Financial Assets	Carrying Amount of Related Financial Liabilities	Fair Value of Transferred Financial Assets	Fair Value of Related Financial Liabilities	Net Position of Fair Value
Notes and bonds issued under repurchase agreements					
Financial assets at FVTPL	\$ 37,960,373	\$ 35,862,865	\$ 37,960,373	\$ 35,862,865	\$ 2,097,508
Available-for-sale financial assets	26,418,401	25,014,339	26,418,401	25,014,339	1,404,062

f. Offsetting financial assets and financial liabilities

CDIB

CDIB has no transactions of financial instruments that correspond to the provisions of IAS 32-42, but there are enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if not. One can choose net settlement if the other side of the transaction is in the breach of contract.

December 31, 2014						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 22,073,934	\$ -	\$ 22,073,934	\$ 6,649,308	\$ 141,921	\$ 15,282,705
Securities purchased under resell agreements	23,414,342	-	23,414,342	23,414,342	-	-
Total	\$ 45,488,276	\$ -	\$ 45,488,276	\$ 30,063,650	\$ 141,921	\$ 15,282,705

December 31, 2014						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 23,279,859	\$ -	\$ 23,279,859	\$ 6,649,308	\$ 5,884,374	\$ 10,746,177
Notes and bonds issued under repurchase agreements	63,299,830	-	63,299,830	63,299,830	-	-
Total	\$ 86,579,689	\$ -	\$ 86,579,689	\$ 69,949,138	\$ 5,884,374	\$ 10,746,177

Note: Financial instruments include master netting arrangements and non-cash collateral.

KGI Securities and subsidiaries

KGI Securities and subsidiaries' (KGI Securities) transactions of derivative assets and liabilities do not correspond to the provisions of IAS, only in the circumstances of default, insolvency or bankruptcy will KGI Securities have the rights to offset derivative assets and liabilities.

KGI Securities has signed securities repurchase contracts with counterparties, and the agreements stating that KGI Securities to provide securities as collateral, meanwhile KGI Securities signed securities resell contracts with counterparties and receive securities as collateral which do not recognized in the balance sheet. Such contracts do not correspond to the provisions of IAS and bear the right to offset only in the circumstances of default, insolvency or bankruptcy, therefore, related securities sell with repurchase agreements and securities purchased with resell agreement are presented in the balance sheet respectively.

Related information of offsetting financial assets and financial liabilities are as follows:

December 31, 2015						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 1,857,035	\$ -	\$ 1,857,035	\$ -	\$ 76,126	\$ 1,780,909
Securities purchased under resell agreements	16,445,429	-	16,445,429	16,445,429	-	-
Total	\$ 18,302,464	\$ -	\$ 18,302,464	\$ 16,445,429	\$ 76,126	\$ 1,780,909

December 31, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 4,284,302	\$ -	\$ 4,284,302	\$ -	\$ 656,140	\$ 3,628,162
Notes and bonds issued under repurchase agreements	58,601,838	-	58,601,838	58,601,838	-	-
Total	\$ 62,886,140	\$ -	\$ 62,886,140	\$ 58,601,838	\$ 656,140	\$ 3,628,162

December 31, 2014						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 1,759,443	\$ -	\$ 1,759,443	\$ -	\$ 10,181	\$ 1,749,262
Securities purchased under resell agreements	9,457,201	-	9,457,201	9,457,201	-	-
Total	\$ 11,216,644	\$ -	\$ 11,216,644	\$ 9,457,201	\$ 10,181	\$ 1,749,262

December 31, 2014						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Derivative financial instruments	\$ 3,701,786	\$ -	\$ 3,701,786	\$ -	\$ 856,449	\$ 2,845,337
Notes and bonds issued under repurchase agreements	63,998,162	-	63,998,162	63,998,162	-	-
Total	\$ 67,699,948	\$ -	\$ 67,699,948	\$ 63,998,162	\$ 856,449	\$ 2,845,337

Note: Financial instruments include master netting arrangements and non-cash collateral.

#### KGI Bank and subsidiaries

KGI Bank has no transactions of financial instruments that correspond to the provisions of IAS 32-42, but there are enforceable master netting arrangements or similar agreements signed with counterparty, and the financial assets and financial liabilities can be offset when both sides of the transaction have decided to, but gross settlements if have not. One can choose net settlement if the other side of the transaction is in the breach of contract.

Related information of offsetting financial assets and financial liabilities are as follows:

December 31, 2015						
Financial Assets Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Assets (a)	Gross Amounts of Recognized Financial Liabilities Offset in the Balance Sheet (b)	Net Amounts of Financial Assets Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Securities purchased under resell agreements	\$ 36,176,824	\$ -	\$ 36,176,824	\$ 36,176,824	\$ -	\$ -
Derivative financial instruments	19,974,577	-	19,974,577	7,673,054	510,105	11,791,418
Total	\$ 56,151,401	\$ -	\$ 56,151,401	\$ 43,849,878	\$ 510,105	\$ 11,791,418

December 31, 2015						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	\$ 61,010,030	\$ -	\$ 61,010,030	\$ 60,540,403	\$ 469,627	\$ -
Derivative financial instruments	21,832,157	-	21,832,157	7,673,054	7,390,082	6,769,021
Total	\$ 82,842,187	\$ -	\$ 82,842,187	\$ 68,213,457	\$ 7,859,709	\$ 6,769,021

December 31, 2014						
Financial Liabilities Subject to Offsetting, Enforceable Master Netting Arrangements or Similar Agreements						
Types of Financial Instruments	Gross Amounts of Recognized Financial Liabilities (a)	Gross Amounts of Recognized Financial Assets Offset in the Balance Sheet (b)	Net Amounts of Financial Liabilities Presented in the Balance Sheet (c)=(a)-(b)	Amounts not Offset in the Balance Sheet (d)		Net Amount (e)=(c)-(d)
				Financial Instruments (Note)	Cash Collateral Received	
Notes and bonds issued under repurchase agreements	\$ 5,528,614	\$ -	\$ 5,528,614	\$ 5,528,614	\$ -	\$ -

Note: Financial instruments include master netting arrangements and non-cash collateral.

## 57. CAPITAL MANAGEMENT

### a. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2015		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$165,157,125	\$ 188,455,852
CDIB	100.00	14,497,173	1,067,612
KGI	100.00	20,503,870	9,042,459
KGIB	100.00	53,303,814	28,497,462
Deduct items		186,684,329	186,684,329
Subtotal		66,777,653 (A)	40,379,056 (B)
Group's CAR (C)=(A)÷(B)			165.38 (C)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2014		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 170,289,931	\$ 194,153,928
CDIB	100.00	45,327,171	20,453,387
KGI	100.00	23,195,681	10,147,407
KGIB	100.00	16,294,778	10,139,165
Deduct items		192,309,403	192,309,403
Subtotal		62,798,158 (A)	42,584,484 (B)
Group's CAR (C)=(A)÷(B)			147.47 (C)

Note 1: Group's capital adequacy ratio = Group's eligible capital, net/Group's legal capital demand

b. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	December 31	
	2015	2014
Common stock	\$ 151,124,071	\$ 153,438,493
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	-	-
Reserve for raising capital	1,370	5,969
Capital surplus	654,803	590,923
Legal reserve	4,161,475	3,077,853
Special reserve	765,041	1,123,858
Retained earnings	13,580,644	15,378,140
Equity adjustment	(2,746,831)	(20,368)
Deduction: Capital items	<u>(2,383,448)</u>	<u>(3,304,937)</u>
	<u>\$ 165,157,125</u>	<u>\$ 170,289,931</u>

The Group's CARs were 165.38% and 147.47% as of December 31, 2015 and 2014, respectively. Since the Financial Holding Company Act and related regulations require, the Group's CAR should be at least 100%, the Group's CARs met its requirement.

CDIB and subsidiaries

a. Objectives

CDIB's eligible capital should be higher than statutorily required capital and should meet the authorities' minimum requirements for capital adequacy ratio. This is the fundamental principle of capital management.

Capital is needed to cover any future losses. Capital management is the main tool of financial institutions to developing business and risk strategies. To effectively manage CDIB's capital as well as meet the regulatory authorities' minimum requirements, CDIB follows the principle "Capital bears risk as well as requires compensation", thus, under an effective capital management framework, CDIB balances risk control and business development and achieves the business objective of maximizing stockholder value.

b. Capital management procedures

CDIB had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according with the "Regulations Governing the Capital Adequacy and Capital Category of Banks".



c. Capital adequacy ratio

Year			December 31, 2015	December 31, 2014
Items				
Eligible capital	Common stockholders' equity		\$ 14,497,173	\$ 45,327,171
	Other Tier 1 capital		-	-
	Tier 2 capital		-	-
	Eligible capital		14,497,173	45,327,171
Risk-weighted assets	Credit risk	Standardized approach	4,880,609	213,061,881
		Internal rating-based approach	NA	NA
		Securitization	-	-
	Operational risk	Basic indicator approach (Note 4)	6,668,563	12,540,050
		Standardized approach/alternative standardized approach	NA	NA
		Advanced measurement approach	NA	NA
	Market risk	Standardized approach	1,795,975	30,065,413
		Internal model approach	NA	NA
	Total risk-weighted assets		13,345,147	255,667,344
Capital adequacy ratio			108.63%	17.73%
Ratio of common stockholders' equity to risk-weighted assets			108.63%	17.73%
Ratio of Tier 1 capital to risk-weighted assets			108.63%	17.73%
Leverage ratio			89.92%	7.71%

Note 1: The above table was filled in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The Bank should disclose the capital adequacy ratios of the current and previous periods in annual financial reports. For semiannual financial reports, the Bank should disclose the capital adequacy ratios of the current and previous periods, and of the previous year-end.

Note 3: The formulas used in calculating the above table entries were as follows:

- 1) Eligible capital = Common stockholder's equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirement for operational risk + Capital requirements for market risk) × 12.5.
- 3) Capital adequacy ratio = Eligible capital/Total risk-weighted assets.
- 4) Ratio of common stockholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Stockholders' equity + Other Tier 1 capital)/Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital/Total exposure.

Note 4: Included the amount of change from transfer of business.

KGI and subsidiaries

The main objective of KGI and subsidiaries in capital management is to maintain a healthy credit rating and capital ratio to support the Corporation's operation and maximize shareholders' interests. KGI and subsidiaries will manage and adjust the capital structure based on the economic situation, possibly by adjusting dividends, returning capital or issuing new shares.

## KGI Bank and subsidiaries

### a. Objectives

The calculation of self-owned capital should be conducted according to the regulations of the authorities. The basic management objective includes sufficient capital to meet the requirements of the regulation and achieve the minimum capital adequacy ratio so as to control all risks within the risk appetite.

In order to undertake all kinds of risk, KGI Bank conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

### b. Capital management procedures

KGI Bank had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital is calculated according with the "Regulations Governing the Capital Adequacy and Capital Category of Banks"

### c. Capital adequacy ratio

Year			December 31, 2015	December 31, 2014
Items				
Eligible capital	Common stockholders' equity		\$ 53,124,545	\$ 16,294,778
	Other Tier 1 capital		-	-
	Tier 2 capital		179,269	-
	Eligible capital		53,303,814	16,294,778
Risk-weighted assets	Credit risk	Standardized approach	296,938,821	113,492,529
		Internal rating-based approach	NA	NA
		Securitization	-	-
	Operational risk	Basic indicator approach	18,407,174	11,389,552
		Standardized approach/alternative standardized approach	NA	NA
		Advanced measurement approach	NA	NA
	Market risk	Standardized approach	40,872,275	1,857,484
		Internal model approach	NA	NA
	Total risk-weighted assets		356,218,270	126,739,565
Capital adequacy ratio			14.96%	12.86%
Ratio of common stockholders' equity to risk-weighted assets			14.91%	12.86%
Ratio of Tier 1 capital to risk-weighted assets			14.91%	12.86%
Leverage ratio			9.28%	8.59%

Note 1: The above table was filled in accordance with the "Regulations Governing the Capital Adequacy Ratio of Banks" and related calculation tables.

Note 2: The formulas used in calculating the above table entries were as follows:

- 1) Eligible capital = Common stockholder's equity + Other Tier 1 capital + Tier 2 capital.
- 2) Total risk-weighted asset = Risk-weighted assets for credit risk + (Capital requirement for operational risk + Capital requirements for market risk) × 12.5.
- 3) Capital adequacy ratio = Eligible capital/Total risk-weighted assets.
- 4) Ratio of common stockholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.

- 5) Ratio of Tier 1 capital to risk-weighted assets = (Stockholders' equity + Other Tier 1 capital)/Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital/Total exposure.

## 58. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

- a. The balance sheets and income statements of the trust accounts and trust property accounts of CDIB were as follows:

### Balance Sheets of Trust Accounts December 31, 2014

(In Thousands of New Taiwan Dollars)

Trust Assets		Trust Liabilities	
Bank deposits	\$ 585,031	Payables	\$ 2,210
Financial assets at FATPL	5,076,358	Other liabilities - beneficiary	1,280,000
Financial assets measured at cost	1,400,000	Trust capital	6,500,406
Real estate, net	797,943	Reversal and cumulative deficit	
Other assets	<u>1,117,998</u>	Accumulated deficit	1,156,851
		Appropriation of income	(100,391)
		Net income	<u>138,254</u>
		Total capital surplus and related earnings	<u>1,194,714</u>
Total	<u>\$ 8,977,330</u>	Total	<u>\$ 8,977,330</u>

### Income Statements of Trust Accounts For the Years Ended December 31, 2015 and 2014

(In Thousands of New Taiwan Dollars)

	2015 (Note)	2014
Trust income and gains		
Gain on financial assets at FATPL, net	\$ 225,466	\$ -
Interest income	15,721	73,483
Rental income	1,025	12,098
Dividend revenue	-	150,406
Total trust income and gains	<u>242,212</u>	<u>235,987</u>
Trust expenses		
Interest expense	(19,635)	(45,645)
Trust administrative expense	(188)	(4,197)
Loss on financial assets at FATPL, net	-	(45,579)
Other expenses	<u>(34)</u>	<u>(2,312)</u>
Total trust expenses	<u>(19,857)</u>	<u>(97,733)</u>
Net income before income tax	<u>\$ 222,355</u>	<u>\$ 138,254</u>

Note: CDIB will not engage in trust operations from the date of transfer of business on May 1, 2015.

The above income from trust operations were excluded from CDIB's income.

**Trust Property Accounts  
December 31, 2014**

(In Thousands of New Taiwan Dollars)

**Investment Portfolio**

Bank deposits	\$ 585,031
Financial assets at FVTPL	5,076,358
Financial assets measured at cost	1,400,000
Real estate, net	797,943
Payments for others	1,115,230
Other assets	<u>2,768</u>
	<u>\$ 8,977,330</u>

- b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

**Balance Sheets of Trust Accounts  
December 31, 2015 and 2014**

(In Thousands of New Taiwan Dollars)

Trust Assets	2015	2014	Trust Liabilities	2015	2014
Bank deposits	\$ 876,118	\$ 819,113	Payables	\$ 30,124	\$ 19,781
Financial assets	22,837,422	18,687,157	Trust capital	23,578,392	18,177,476
Receivables	<u>99,904</u>	<u>34,370</u>	Reserves and retained earnings	<u>204,928</u>	<u>1,343,383</u>
Total	<u>\$ 23,813,444</u>	<u>\$ 19,540,640</u>	Total	<u>\$ 23,813,444</u>	<u>\$ 19,540,640</u>

**Income Statements of Trust Accounts  
December 31, 2015 and 2014**

(In Thousands of New Taiwan Dollars)

	2015	2014
Trust income	\$ 2,136,357	\$ 2,172,161
Trust expenses	<u>(2,327,314)</u>	<u>(972,288)</u>
Income before income tax	<u>\$ (190,957)</u>	<u>\$ 1,199,873</u>

The above income from trust operations were excluded from KGI Securities' income.

**Trust Property Accounts**  
**For the Years Ended December 31, 2015 and 2014**

(In Thousands of New Taiwan Dollars)

<b>Investment Portfolio</b>	<b>2015</b>	<b>2014</b>
Bank deposits	\$ 876,118	\$ 819,113
Stocks	10,046,448	9,769,102
Funds	7,320,525	5,768,699
Lending securities	5,423,949	3,049,388
Structured notes	46,500	99,968
Receivables	<u>99,904</u>	<u>34,370</u>
Total	<u>\$ 23,813,444</u>	<u>\$ 19,540,640</u>

- c. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Bank were as follows:

**Balance Sheets of Trust Accounts**  
**December 31, 2015 and 2014**

(In Thousands of New Taiwan Dollars)

<b>Trust Assets</b>	<b>2015</b>	<b>2014</b>	<b>Trust Liabilities</b>	<b>2015</b>	<b>2014</b>
Bank deposits	\$ 654,161	\$ 184,143	Payables	\$ 154,615	\$ 155,241
Short-term investment	31,338,483	35,482,654	Other liabilities	1,336,311	3,741
Receivables	51,927	132	Trust capital	37,805,193	36,467,188
Payments for others	1,166,813	-	Accumulated earnings	<u>795,758</u>	<u>25,746</u>
Financial assets measured at cost	1,401,010	-			
Financial assets at FVTPL	3,697,006	-			
Real estate, net	797,943	-			
Intangible assets - surface rights	984,534	984,534			
Other assets	<u>-</u>	<u>453</u>			
Total	<u>\$ 40,091,877</u>	<u>\$ 36,651,916</u>	Total	<u>\$ 40,091,877</u>	<u>\$ 36,651,916</u>

**Income Statements of Trust Accounts**  
**For the Years Ended December 31, 2015 and 2014**

(In Thousands of New Taiwan Dollars)

	<b>2015</b>	<b>2014</b>
Trust income and gains		
Profit income	\$ 157,838	\$ 2,215
Interest income	1,624,518	1,490,120
Rental income	30,922	28,028
Gain on financial assets at FATPL, net	190,454	-
Others income	<u>915</u>	<u>532</u>
Total trust income and gains	<u>2,004,647</u>	<u>1,520,895</u>
Property transaction losses	<u>(1,576,080)</u>	<u>(151,777)</u>
		(Continued)

	2015	2014
Trust expenses		
Administrative expenses	\$ (36,612)	\$ (32,672)
Interest expenses	(45,650)	-
Operating expenses	-	(222)
Taxation	-	(34)
Other expenses	(12,445)	(4,544)
Total trust expenses	<u>(94,707)</u>	<u>(37,472)</u>
Net income	<u>\$ 333,860</u>	<u>\$ 1,331,646</u> (Concluded)

The above income from trust operations were excluded from KGI Bank's income.

**Trust Property Accounts**  
**December 31, 2015 and 2014**

(In Thousands of New Taiwan Dollars)

Investment Portfolio	2015	2014
Bank deposits	\$ 654,161	\$ 184,143
Short-term investments		
Funds	29,808,756	34,503,272
Bonds	1,113,036	574,247
Common shares	81,400	86,120
Structured notes	215,507	286,689
ETF	119,784	32,326
Financial assets at FVTPL	3,697,006	-
Payment for others	1,166,813	-
Financial assets measured at cost	1,401,010	-
Real estate, net	797,943	-
Intangible assets - surface	984,534	984,534
Other assets	<u>51,927</u>	<u>585</u>
Total	<u>\$ 40,091,877</u>	<u>\$ 36,651,916</u>

- d. Trust business operations under the Trust Enterprises Act: Please refer to Note 1 to the consolidated financial statements.

**59. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT**

Please refer to Table 9 (attached).

**60. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF THE CORPORATION AND ITS SUBSIDIARIES**

Please refer to Table 10 (attached).

**61. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCE SHARING BETWEEN THE CORPORATION AND SUBSIDIARIES**

For the resource sharing between the Corporation and subsidiaries, please refer to Note 49 to the consolidated financial statements.

**62. CONTINGENCIES AND COMMITMENT, DISASTROUS DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES**

Please refer to Note 51 to the consolidated financial statements. Information on disaster damages: None.

**63. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK**

Please refer to Notes 54 and 56 to the consolidated financial statements.

**64. SPECIFIC RISK FROM FUTURES DEALING**

The futures dealer needs to maintain adequate liquidity in case its clients fail to fulfill the contracts in the futures transactions with the features of low financial leverage nature and unpredictable market fluctuation. If the dealing business fails to maintain the amount of margin, the open contracts may be closed. Thus, the margin may be lost entirely and may require further payment of deficiency.

**65. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARY**

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	December 31				Standard	Meet Standard
		2015		2014			
		Formula	%	Formula	%		
17	Equities	\$1,965,939	=4.83	\$1,011,350	=2.17	≥ 1	Yes
	Total liabilities minus customers' equity accounts	\$407,338		\$466,132			
17	Current assets	\$2,320,730	=9.71	\$1,434,251	=10.01	≥ 1	Yes
	Current liabilities	\$238,942		\$143,281			
22	Equities	\$1,965,939	=491.48%	\$1,011,350	=252.84%	≥ 60%	Yes
	Capital stock	\$400,000		\$400,000		≥ 40%	
22	Adjusted net capital	\$1,417,650	=656.50%	\$658,514	=142.16%	≥ 20%	Yes
	Client and proprietary account	\$215,941		\$463,206		≥ 15%	

b. KGI Futures Corp.

Rule No.	Formula	December 31				Standard	Meet Standard
		2015		2014			
		Formula	%	Formula	%		
17	Equities	\$2,624,668	= 7.05	\$2,330,514	= 11.45	≥ 1	Yes
	Total liabilities minus customers' equity accounts	\$372,168		\$203,524			
17	Current assets	\$20,589,705	= 1.11	\$13,763,599	= 1.14	≥ 1	Yes
	Current liabilities	\$18,589,073		\$12,063,412			
22	Equities	\$2,624,668	= 345.35%	\$2,330,514	= 306.65%	≥ 60%	Yes
	Capital stock	\$760,000		\$760,000		≥ 40%	
22	Adjusted net capital	\$2,221,296	= 60.66%	\$1,978,098	= 85.61%	≥ 20%	Yes
	Client and proprietary account	\$3,662,040		\$2,310,489		≥ 15%	

## 66. ACCOUNT RECLASSIFICATION

KGI Securities and its subsidiaries did not intend to sell the following financial assets held for trading within the short term because of economic instability and deterioration of the world's financial markets in 2008. Thus, under the newly amended Statement of Financial Accounting Standards No. 34 - "Financial Instruments: Recognition and Measurement," KGI Securities and its subsidiaries reclassified its financial assets held-for-trading financial assets to available-for-sale financial assets. The fair values at the reclassification date were as follows:

	Before Reclassification	After Reclassification
<u>KGI Securities and subsidiaries</u>		
Financial assets at FVTPL - held for trading	\$ 3,831,236	\$ -
Available-for-sale financial assets	<u>-</u>	<u>3,831,236</u>
	<u>\$ 3,831,236</u>	<u>\$ 3,831,236</u>

The carrying amounts and fair values of the reclassified financial assets as of December 31, 2015 and 2014 were as follows:

	December 31			
	2014		2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>KGI Securities and subsidiaries</u>				
Available-for-sale financial assets	\$ 4,358,869	\$ 4,358,869	\$ 4,448,814	\$ 4,448,814



The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2015 and 2014) for the years ended December 31, 2015 and 2014 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Year Ended December 31			
	2014		2013	
	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Losses
<u>KGI Securities and subsidiaries</u>				
Available-for-sale financial assets	\$ -	\$ (88,944)	\$ -	\$ 19,728

## 67. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

KGI's investments in foreign enterprises are registered in a country whose securities and futures market regulators are not members of the International Organization of Securities Commissions (IOSCO), and these companies have no Multilateral Memorandum of Understanding (MMOU) members or didn't get the securities or futures licenses signed by the IOSCO. Thus, KGI disclose their foreign investees' business conditions and information on related-party transactions as follows:

- a. Balance sheet: Tables 13-1 to 13-5 (attached).
- b. Income statement: Tables 14-1 to 14-5 (attached).
- c. Securities held: None.
- d. Derivative instruments and related capital resources: None.
- e. Asset management revenues, service and litigation matters: Note 51(c).
- f. Related party transactions or dealings among foreign enterprises: None.

## 68. ADDITIONAL DISCLOSURES

- a. and b. following are the additional disclosures required by the Securities and Futures Bureau for the Corporation and subsidiaries:
  - 1) Financing provided: Not applicable to the Corporation, CDIB and KGI Bank. For other subsidiaries' information: Please refer to Table 1 (attached).
  - 2) Collaterals/guarantees provided: Not applicable to the Corporation, CDIB and KGI Bank. For other subsidiaries' information: Please refer to Table 2 (attached).
  - 3) Marketable securities held: Not applicable to the Corporation, CDIB, KGI Bank, and KGI Securities and subsidiaries. For other subsidiaries' information: Please refer to Table 3 (attached).
  - 4) Subsidiaries are acquired and disposed of, at cost or price of at least NT\$300 million or 10% of the issued capital (subsidiaries acquired and disposed of marketable securities, at cost or price of at least NT\$300 million or 10% of the issued capital): For the Corporation: None. Not applicable to KGI Securities and subsidiaries. For CDIB, KGI Bank and other subsidiaries' information: Please refer to Table 4 (attached).

- 5) Acquisition of individual real estate at cost of at least NT\$300 million or 10% of the issued capital:  
For the Corporation and other subsidiaries' information: None.
  - 6) Disposal of individual real estate at price of at least NT\$300 million or 10% of the issued capital:  
For the Corporation and other subsidiaries' information: None.
  - 7) Discount on service fees received from related parties amounting to NT\$5 million: For the Corporation and other subsidiaries' information: None.
  - 8) Receivables from related parties amounting to NT\$300 million or 10% of the issued capital:  
Please refer to Note 49 and Table 5 (attached).
  - 9) Sold nonperforming loans: Please refer to Table 7 (attached).
  - 10) For related information on the subsidiaries' securitization products approved under the Regulation on Financial Asset Securitization: None.
  - 11) Other significant transactions which may affect the decisions of financial statement users: None.
  - 12) The information of investees: Please refer to Table 6 (attached).
  - 13) Derivative transactions of the Corporation and subsidiaries: Please refer to Notes 8, 55 and 56 to the consolidated financial statements.
- c. Subsidiaries investment in Mainland China: Please refer to Table 11 (attached).
- d. Business relationships and significant transactions among the Corporation and its subsidiaries: Please refer to Table 12 (attached).

## 69. SEGMENT INFORMATION

The reportable segments of the Corporation are Industrial banking, Securities and Commercial banking. Under the Regulations Governing the Establishment Criteria and Administration of Industrial Banks and relevant regulations, Industrial Banking engaged in principal investment business, global financial market business and corporate banking business. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Under The Banking Act of The Republic of China and relevant regulations, Commercial banking engaged in consumer banking, corporate banking and global market and financial institution.

The accounting policies of the operating segments are the same as the Corporation's accounting policies described in Note 4. The Corporation uses income after tax as the measurement for segment profit and the basis of performance assessment. The net profit, income before income tax, assets and liabilities are composed of revenues and expenses directly attributable to an operating segment.

a. Segment revenues and results

Following is an analysis of the Corporation and subsidiaries' operating revenue and results by reportable segment:

	<b>Industrial Banking</b>	<b>Securities</b>	<b>Commercial Banking</b>	<b>Other</b>	<b>Total</b>
For the year ended <u>December 31, 2015</u>					
Interest profit (loss), net	\$ 1,416,871	\$ 2,248,502	\$ 6,177,117	\$ (734,677)	\$ 9,107,813
Noninterest profit, net	<u>4,547,186</u>	<u>13,676,540</u>	<u>3,124,729</u>	<u>66,254</u>	<u>21,414,709</u>
Net profit (loss)	5,964,057	15,925,042	9,301,846	(668,423)	30,522,522
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	205,757	(205,017)	329,049	-	329,789
Operating expenses	<u>(2,309,926)</u>	<u>(12,834,713)</u>	<u>(4,977,069)</u>	<u>(1,287,616)</u>	<u>(21,409,324)</u>
Income (loss) before income tax	3,859,888	2,885,312	4,653,826	(1,956,039)	9,442,987
Income tax benefit (expense)	<u>33,574</u>	<u>(327,330)</u>	<u>(528,379)</u>	<u>(5,677)</u>	<u>(827,812)</u>
Net income (loss)	<u>\$ 3,893,462</u>	<u>\$ 2,557,982</u>	<u>\$ 4,125,447</u>	<u>\$ (1,961,716)</u>	<u>\$ 8,615,175</u>
For the year ended <u>December 31, 2014</u>					
Interest profit (loss), net	\$ 4,717,128	\$ 2,680,364	\$ 1,342,978	\$ (328,207)	\$ 8,412,263
Noninterest profit, net	<u>7,357,228</u>	<u>12,284,661</u>	<u>505,476</u>	<u>62,359</u>	<u>20,209,724</u>
Net profit (loss)	12,074,356	14,965,025	1,848,454	(265,848)	28,621,987
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(29,867)	(44,078)	119,238	(59,000)	(13,707)
Operating expenses	<u>(2,951,536)</u>	<u>(11,105,364)</u>	<u>(1,485,773)</u>	<u>(1,286,974)</u>	<u>(16,829,647)</u>
Income (loss) before income tax	9,092,953	3,815,583	481,919	(1,611,822)	11,778,633
Income tax benefit (expense)	<u>(771,043)</u>	<u>(524,363)</u>	<u>(80,897)</u>	<u>435,001</u>	<u>(941,302)</u>
Net income (loss)	<u>\$ 8,321,910</u>	<u>\$ 3,291,220</u>	<u>\$ 401,022</u>	<u>\$ (1,176,821)</u>	<u>\$ 10,837,331</u>

b. Segment assets and liabilities

	<b>Industrial Banking</b>	<b>Securities</b>	<b>Commercial Banking</b>	<b>Other</b>	<b>Total</b>
<u>December 31, 2015</u>					
Assets	<u>\$ 48,569,509</u>	<u>\$ 267,093,626</u>	<u>\$ 548,775,549</u>	<u>\$ 2,280,491</u>	<u>\$ 866,719,175</u>
Liabilities	<u>\$ 2,885,387</u>	<u>\$ 209,307,827</u>	<u>\$ 459,034,084</u>	<u>\$ 26,721,139</u>	<u>\$ 697,948,437</u>
<u>December 31, 2014</u>					
Assets	<u>\$ 472,026,367</u>	<u>\$ 275,341,172</u>	<u>\$ 170,120,501</u>	<u>\$ 2,213,178</u>	<u>\$ 919,701,218</u>
Liabilities	<u>\$ 352,533,842</u>	<u>\$ 218,503,782</u>	<u>\$ 146,900,607</u>	<u>\$ 25,739,280</u>	<u>\$ 743,677,511</u>

c. Geographical information

The Group's revenue from external customers by location of operations and information about its non-current assets by location of assets is detailed below.

	<b>Revenue from External Customers</b>	
	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Taiwan	\$ 22,127,160	\$ 22,689,126
Hong Kong	5,895,999	4,111,335
British Virgin Islands	1,224,025	975,413
Malaysia	483,605	468,406
Grand Cayman	395,164	17,786
China	308,492	277,696
Others	<u>88,077</u>	<u>82,225</u>
	<u>\$ 30,522,522</u>	<u>\$ 28,621,987</u>

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2015 and 2014.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## FINANCINGS PROVIDED

FOR THE YEAR ENDED DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Interest Rate	Nature of Financing Provided	Transaction Amount	Financing Reasons	Allowance for Bad Debt	Collateral		Financial Limit for Each Borrowing Company	Limit on Financier's Total Financing
													Item	Value		
1	Richpoint Company Limited	KG Investments Holdings Limited	Receivables, net	Yes	\$ 7,274,520	\$ 7,274,520	\$ 3,703,392	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 15,609,945 (Note 1)	\$ 15,609,945 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,621,220	5,621,220	-	Floating	Short-term financing	-	Working capital	-	-	-	15,609,945	
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	3,141,270	1,653,300	-	Floating	Short-term financing	-	Capital increase	-	-	-	16,670,111 (Note 2)	16,670,111 (Note 2)
		KGI Futures (Hong Kong) Limited	Receivables, net	Yes	991,980	-	-	Floating	Short-term financing	-	Capital increase	-	-	-	16,670,111	
		KGI International Finance Limited	Receivables, net	Yes	4,959,900	4,959,900	1,239,975	Floating	Short-term financing	-	Working capital	-	-	-	16,670,111	
		KGI Ong Capital Pte. Ltd	Receivables, net	Yes	119,203	117,087	117,087	Floating	Short-term financing	-	Capital increase	-	-	-	16,670,111	

Note 1: Richpoint Company Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 2: KGI International Holdings Limited's financing limit is based on the "Loan of Funds Making Guideline". The guideline states that, for each and for all of the borrowing companies, the total amount available for financing should not exceed the net worth of the financing company.

Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEE PROVIDED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/Guarantee Amounts	Maximum Balance for the Period	Ending Balance	Actual Amount Drawn Down	Carrying Value (as of Balance Sheet Date) of Properties Guaranteed by Collateral	Ratio of Accumulated Amount of Collateral to Net Asset Value of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable	Provision of Endorsements by Parent Company to Subsidiary	Provision of Endorsements by Subsidiary to Parent Company	Provision of Endorsements to the Company in Mainland China
		Name	Nature of Relationship										
1	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	\$ 7,776,988	\$ 5,349,071	\$ 3,405,798	\$ 1,752,498	\$ -	218.97%	\$ 7,776,988 (Note 2)	No	No	Yes
2	KGI Securities Co., Ltd.	KGI Fraser Securities Pte. Ltd.	Note 1	6,128,271	1,249,498	1,170,735	1,170,735	-	1.91%	24,513,083 (Note 3)	No	No	No
		KGI Ong Capital Pte Ltd.	Note 1	6,128,271	1,249,498	1,170,735	1,170,735	-	1.91%		No	No	No
3	KGI International Holdings Limited	KGI Asia Limited	Note 1	16,670,111	970,652	970,619	342,332	-	5.82%	16,670,111 (Note 4)	No	No	No
		KGI Alliance Corporation	Note 1	16,670,111	1,983,960	-	-	-	-		No	No	No
		KGI International Finance Limited	Note 1	16,670,111	661,320	661,320	-	-	3.97%		No	No	No
		KGI Asia Limited/KGI International Finance Limited	Note 1	-	2,479,950	2,479,950	552,103	-	14.88%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	16,670,111	198,396	198,396	-	-	1.19%		No	No	No
		KGI Finance Limited	Note 1	16,670,111	82,665	82,665	-	-	0.50%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	16,670,111	991,980	991,980	-	-	5.95%		No	No	No
		KGI International Finance Limited/KGI International (Hong Kong) Limited/KGI Finance Limited	Note 1	-	224,849	224,849	-	-	1.35%		No	No	No
		KGI International Finance Limited/KGI International (Hong Kong) Limited	Note 1	-	1,355,706	1,355,706	-	-	8.13%		No	No	No
		KGI Capital (Singapore) Pte. Ltd.	Note 1	16,670,111	165,330	-	-	-	-		No	No	No
		KGI Asia Limited/KGI Futures (Hong Kong) Limited	Note 1	-	49,599	49,599	-	-	0.30%		No	No	No
		KGI Ong Capital Pte. Ltd.	Note 1	16,670,111	661,320	661,320	-	-	3.97%		No	No	No
		KGI Asia (Holdings) Pte Limited	Note 1	16,670,111	1,081,457	1,053,648	1,053,648	-	6.32%		No	No	No

Note 1: The Corporation and subsidiary owns directly or indirectly over 50% ownership of the investee company.

Note 2: CDIB Management Consulting Corporation: The total amount of guarantee provided should not exceed 5 times of the Company's net asset value of the latest financial report.

Note 3: The limit of maximum guarantee provided by KGI Securities Co., Ltd.'s is based on "Corporate Endorsement, Guarantee Making Guideline". For each company, the amount of guarantee should not exceed 10% of the guarantee provider's net asset value. The total amount available for collaterals or guarantee should not exceed 40% of the guarantee provider's net asset value.

Note 4: The limit of maximum guarantee provided by KGI International Holdings Limited is based on the "Corporate Endorsement, Guarantee Making Guideline". For each and all company, the amount of guarantee provided should not exceed the guarantee provider's net asset value.

Note 5: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Management Inc. (formerly CDIB Equity Inc.)	<u>Stocks</u>							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	660,000	\$ 50,622	0.41	\$ 50,622	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	65,660	4,622	0.05	4,622	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	199,229	2,600	0.18	2,600	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	101,240	1,659	0.17	1,659	
	Giga Solution Tech. Co., Ltd.	-	Available-for-sale financial assets	440,916	8,884	0.37	8,884	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	23,790	0.68	23,790	
	Initio Corporation	-	Financial assets measured at cost	93,285	684	0.52	613	
	Arcoa Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	17,326	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	924	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	744,058	12,060	1.44	6,769	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	1,442,883	13,645	2.16	17,222	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	1,080	
	Progate Group Corporation	-	Financial assets measured at cost	27,274	325	0.08	269	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	219,725	100.00	219,725	
	CDIB CME Fund Ltd.	Subsidiary	Investments accounted for using the equity method	1,500,000	14,476	1.00	14,476	
	CDIB Biomedical Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,750,000	17,048	1.00	17,048	
	CDIB Innovation Advisors Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,200,000	11,999	60.00	11,999	
CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u>							
	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK\$ 5,685	65.00	HK\$ 5,685	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 220	4.53	HK\$ 220	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	<u>Stocks</u>							
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 3,826	93.02	RMB 3,826	
CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	<u>Fund</u>							
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 3,935	-	RMB 3,935	
CDIB Venture Capital Corporation	<u>Stocks</u>							
	Iron Force Industrial Co., Ltd.	-	Available-for-sale financial assets	100,000	15,800	0.13	15,800	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	160,763	1.91	160,763	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	87,718	3.69	87,718	
	Macroblock, Inc.	-	Available-for-sale financial assets	250,000	10,900	0.77	10,900	
	Taihan Precision Technology Co., Ltd.	-	Available-for-sale financial assets	4,117,158	33,843	6.56	33,843	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	30,387	1.17	30,387	
	Formosa Advanced Technologies Co., Ltd.	-	Available-for-sale financial assets	100,000	2,025	0.02	2,025	
	Chicony Power Technology Co., Ltd.	-	Available-for-sale financial assets	4,008,322	168,350	1.09	168,350	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	101,717	1.41	101,717	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	2,337,996	49,067	0.27	49,067	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	44,859	0.43	44,859	
	Gallant Precision Machine Co., Ltd.	-	Available-for-sale financial assets	1,247,499	21,519	0.76	21,519	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	77,603	0.34	77,603	
	Hua Jung Co., Ltd.	-	Available-for-sale financial assets	2,021,275	10,773	1.13	10,773	
	Chipsip Technology Co., Ltd.	-	Available-for-sale financial assets	428,928	3,689	1.02	3,689	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	20,331	6.36	20,331	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	16,894	0.37	16,894	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Venture Capital Corporation	<u>Stocks</u>							
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	223,663	\$ 10,456	0.36	\$ 10,456	
	Hotron Precision Electronic Industrial Co., Ltd.	-	Available-for-sale financial assets	1,273,387	19,929	2.01	19,929	
	ADDA Corp.	-	Available-for-sale financial assets	4,015,430	26,422	2.75	26,422	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	57,933	1.58	57,933	
	Aces Connectors Co., Ltd.	-	Available-for-sale financial assets	2,850,421	81,665	2.30	81,665	
	China Communications Media Group Co., Ltd.	-	Available-for-sale financial assets	1,110,000	44,733	2.93	44,733	
	FocalTech Corporation, Ltd.	-	Available-for-sale financial assets	495,352	16,916	0.17	16,916	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	2,594,562	121,296	0.45	121,296	
	Enterex International Limited	-	Available-for-sale financial assets	3,750,000	109,500	3.73	109,500	
	Trea Xtal Technology Corp.	-	Available-for-sale financial assets	4,250,961	9,182	2.23	9,182	
	HIM International Music Inc.	-	Available-for-sale financial assets	1,136,960	124,497	2.68	124,497	
	Capital Securities Corporation	-	Available-for-sale financial assets	884,887	8,769	0.04	8,769	
	Andes Technologies Co., Ltd.	-	Available-for-sale financial assets	930,385	68,579	2.59	68,579	
	Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	743,847	12,645	0.73	12,645	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	6,400,000	4,806	0.42	4,806	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	202,480	12,744	0.34	12,744	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	16,411	
	Allied Biotech Corp.	-	Financial assets measured at cost	2,750,000	27,500	2.91	35,750	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	4,638	
	Chain Yarn Co., Ltd.	-	Financial assets measured at cost	843,653	11,504	0.55	5,737	
	Compliance Certification Services Inc.	-	Financial assets measured at cost	749,271	15,000	2.12	21,324	
	Kentec Inc.	-	Financial assets measured at cost	1,512,000	45,720	1.64	29,839	
	Top Green Technologies Inc.	-	Financial assets measured at cost	2,000,000	20,000	0.89	10,153	
	Biodenta Corporation	-	Financial assets measured at cost	4,333,333	32,500	3.32	24,267	
	M2Communication, Inc.	-	Financial assets measured at cost	5,090,000	74,610	17.13	124,126	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.48	38,368	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	255,605	9.95	46,942	
	Interactive Digital Technologies Inc.	-	Financial assets measured at cost	2,881,000	59,195	6.86	115,211	
	Luxtaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	612	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	218,242	
	Strong LED Lighting Systems (Cayman) Co., Ltd.	-	Financial assets measured at cost	2,990,000	44,445	9.09	89,089	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	85,154	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	198,169	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	202,498	
	Crown Bioscience, International	-	Financial assets measured at cost	6,076,476	105,485	2.59	161,679	
	Dyaco Co., Ltd.	-	Financial assets measured at cost	5,575,500	175,230	6.80	176,743	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,400,000	119,000	4.91	132,025	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,697,639	51,100	1.05	52,650	
	Cvie Therapeutics Co., Ltd.	-	Financial assets measured at cost	1,302,647	61,969	4.15	66,667	
	Zentera Systems, Inc. - preferred stock	-	Financial assets measured at cost	1,324,503	61,900	17.98	117,601	(Note 4)
	Greenvines Biotech Co., Ltd.	-	Financial assets measured at cost	136,363	12,000	13.11	17,437	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	32,005	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	1.65	10,136	
	Evervision Electronics Co., Ltd.	-	Financial assets measured at cost	476,977	10,406	2.59	8,058	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	0.60	5,027	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	2,474	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	20,517	
	Cando Corporation	-	Financial assets measured at cost	4,848,058	2,473	1.24	2,495	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	-	62,277	
	Derbysoft Holdings Limited – preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	45.78	103,325	(Note 4)
	Derbysoft Holdings Limited – preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	9.26	17,135	(Note 4)
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	420,000,000	1,582,533	100.00	1,582,533	
	<u>Option</u>							
	CBA Sports International Limited	-	Financial assets measured at cost	-	142,819	-	290,628	
	<u>Convertible (exchangeable) corporate bond</u>							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	188,401	-	188,401	

(Continued)



Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Stocks</u>							
	CDIB Private Equity Management Corporation	Subsidiary	Investments accounted for using the equity method	-	HK\$ 13,527	100.00	HK\$ 13,527	
	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK\$ 15,051	70.00	HK\$ 15,051	
	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 7,862	56.00	HK\$ 7,862	
	<u>Fund</u>							
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 152,034	-	HK\$ 152,034	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 136,235	-	HK\$ 136,235	
	<u>Stocks</u>							
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 2,380	20.00	RMB 2,380	
	<u>Fund</u>							
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	RMB 3,756	-	RMB 3,756	
CDIB Capital Investment I Limited	<u>Stocks</u>							
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US\$ 81	100.00	US\$ 81	
	Samson Holding Ltd.	-	Available-for-sale financial assets	9,868,000	US\$ 1,222	0.32	US\$ 1,222	
	Da Chan Food (Asia) Ltd.	-	Available-for-sale financial assets	48,210,000	US\$ 5,474	4.74	US\$ 5,474	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	28,000,000	US\$ 636	1.83	US\$ 636	
	B&M Holdings, Inc.	-	Financial assets measured at cost	199,999	US\$ 8,828	10.00	US\$ 9,723	
	BP SCI, LLC	-	Financial assets measured at cost	30,000	US\$ 3,000	18.61	US\$ 4,342	
	BP SCI, LLC - preferred stock	-	Financial assets measured at cost	12,000	US\$ 12,000	18.61	US\$ 17,369	(Note 4)
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US\$ 818	1.91	US\$ 817	(Note 4)
	Touch Media International Holdings - preferred stock - B	-	Financial assets measured at cost	8,097,973	US\$ 8,826	60.44	US\$ 8,826	(Note 4)
	Rock Mobile (Cayman) Co. - preferred stock - C	-	Financial assets measured at cost	840,336	US\$ 1,000	3.26	US\$ 845	(Note 4)
	<u>Fund</u>							
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US\$ 39,745	-	US\$ 39,745	
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 9,570	-	US\$ 6,356	
	Ripley Cable Holdings I, L.P.	-	Financial assets measured at cost	-	US\$ 540	-	US\$ 2,702	
	Calera XV, LLC	-	Financial assets measured at cost	-	US\$ 15,173	-	US\$ 21,600	
	<u>Option</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US\$ 2,705	-	US\$ 17,377	
	<u>Convertible (exchangeable) corporate bond</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	-	US\$ 6,619	-	US\$ 6,479	
	<u>Stocks</u>							
	SPEC Protectives, Inc.	-	Financial assets measured at cost	242,683	PHP 2,590	3.44	PHP 2,590	
	<u>Stocks</u>							
	Neo-neon Holdings Ltd.	-	Available-for-sale financial assets	14,000,000	US\$ 1,897	0.72	US\$ 1,897	
	Indostar Capital	-	Financial assets measured at cost	992,674	US\$ 9,927	4.53	US\$ 18,932	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US\$ 9,923	9.37	US\$ 18,837	(Note 4)
	Sungjoo Design Tech & Distribution Inc. - preferred stock A	-	Debt instruments with no active markets	3,334	US\$ 11,545	50.01	US\$ 11,007	(Note 4)
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US\$ 2,733	0.89	US\$ 1,862	
	<u>Option</u>							
	Sungjoo Design Tech & Distribution Inc.	-	Financial assets measured at cost	-	US\$ 1,833	-	US\$ 12,108	
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	US\$ 4,867	-	US\$ 8,689	
	<u>Fund</u>							
	Miare Asset Partners Private Equity Fund VII	-	Financial assets measured at cost	-	US\$ 19,971	-	US\$ 42,099	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Global Markets I Limited	<u>Stocks</u> Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US\$ 6	0.28	US\$ 1	
	<u>Fund</u> Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US\$ 5,460	-	US\$ 4,553	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US\$ 3,782	-	US\$ 3,550	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 8,298	-	US\$ 4,171	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US\$ 12,476	-	US\$ 4,990	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 3,838	-	US\$ 4,905	
	Tenaya Capital VI, L.P.	-	Financial assets measured at cost	-	US\$ 5,765	-	US\$ 6,001	
CDIB Global Markets II Limited	<u>Stocks</u> Gopro Inc.	-	Available-for-sale financial assets	51,878	US\$ 939	0.04	US\$ 939	
	Globant S.A.	-	Available-for-sale financial assets	10,549	US\$ 396	-	US\$ 396	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	834	US\$ 19,980	39.94	US\$ 32,630	(Note 4)
	<u>Fund</u> GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US\$ 21,000	-	US\$ 12,216	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US\$ 9,991	-	US\$ 12,437	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 7,511	-	US\$ 7,253	
	Riverwood Capital Partners, L.P.	-	Financial assets measured at cost	-	US\$ 10,038	-	US\$ 12,190	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US\$ 6,675	-	US\$ 7,341	
	Sino-Century China Private Equity II L.P.	-	Financial assets measured at cost	-	US\$ 520	-	US\$ 391	
	KKR Asian Fund II L.P.	-	Financial assets measured at cost	-	US\$ 2,653	-	US\$ 3,250	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US\$ 14,750	-	US\$ 38,338	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US\$ 4,303	-	US\$ 5,094	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US\$ 2,133	-	US\$ 4,994	
CDIB Global Markets III Limited	<u>Stocks</u> Sonics, Inc. - preferred stock-B	-	Financial assets measured at cost	114,359	US\$ 333	14.74	US\$ 251	(Note 4)
	Microfabrica, Inc. - Preferred Series B	-	Financial assets measured at cost	13,091	US\$ 27	0.12	US\$ 18	(Note 4)
	Microfabrica, Inc. - Preferred Series AC	-	Financial assets measured at cost	7,749	US\$ 13	0.48	US\$ 10	(Note 4)
	Optoplex Corporation - preferred stock-A	-	Financial assets measured at cost	7,956	US\$ 23	0.42	US\$ 5	(Note 4)
	Optoplex Corporation - preferred stock-B	-	Financial assets measured at cost	20,602	US\$ 31	0.75	US\$ 14	(Note 4)
	<u>Fund</u> Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US\$ 9,998	-	US\$ 8,721	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 3,275	-	US\$ 3,509	
	Riverwood Capital Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 4,719	-	US\$ 3,975	
CDIB Capital International Corporation	<u>Stocks</u> CDIB Capital International (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	15,400,000	US\$ 5,440	100.00	US\$ 5,440	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US\$ 5,191	100.00	US\$ 5,191	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 1,494	100.00	US\$ 1,494	
	CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US\$ (34)	100.00	US\$ (34)	
CDIB Biotech USA Investment Co., Ltd.	<u>Stocks</u> Amphastar Pharmaceuticals, Inc.	-	Available-for-sale financial assets	40,000	US\$ 569	0.11	US\$ 569	
	Confor MIS-common stock	-	Available-for-sale financial assets	306,707	US\$ 5,303	0.78	US\$ 5,303	
China Development Asset Management Corp.	<u>Stocks</u> Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	120,000,000	1,389,860	100.00	1,389,860	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	300,000,000	3,347,955	100.00	3,347,955	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	27,000,000	282,858	100.00	282,858	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	46,795	12.25	46,918	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	9,748,769	8,672	1.07	102,224	
Chung Hwa Growth 3 Asset Management Corp.	<u>Bonds</u> Bank of Kaohsiung - subordinated bank debenture	-	Held-to-maturity financial assets	100,000,000	102,564	-	102,564	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2015				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Management Consulting Corp.	Stocks CDC Finance & Leasing Corp. CDIB International Leasing Corp.	Subsidiary Subsidiary	Investments accounted for using the equity method Investments accounted for using the equity method	58,328,460 -	\$ 678,756 707,038	76.04 100.00	\$ 678,756 707,038	(Note 5)
CDC Finance & Leasing Corp.	Stocks Hwahong Corporation First Financial Holding Co., Ltd.	Associate -	Investments accounted for using the equity method Available-for-sale financial assets	23,750 786,860	995 12,039	19.00 0.01	995 12,039	
Global Securities Finance Corporation	Stocks FB SSE 180 Capital SZSE SME Price Index Exchange Traded Fund Honpang Venture Capital Corp.	- - -	Financial assets at fair value through profit or loss Financial assets at fair value through profit or loss Financial assets measured at cost	600,000 200,000 751,000	19,206 3,886 415	- - 6.25	19,206 3,886 641	
	<u>Operating securities</u> KGI Economic Moat TWD	The fund of KGI's manager	Financial assets at fair value through profit or loss	1,000,000	10,280	-	10,280	
	China SMID FundTWD	-	Financial assets at fair value through profit or loss	937,207	11,078	-	11,078	
	FSITC China Century Fund TWD	-	Financial assets at fair value through profit or loss	462,963	5,269	-	5,269	
	Hua Nan Global IoT on MSCI Custom ACWI plus All China Index Fund A TWD	-	Financial assets at fair value through profit or loss	100,000	996	-	996	
	PineBridge Asia Pacific High Yield Bond Fund ATWD	-	Financial assets at fair value through profit or loss	500,000	4,992	-	4,992	
	<u>Bank debentures</u> Hwatai Bank 1st Subordinate Financial Debentures-A issue in 2010	-	Available-for-sale financial assets	30,000,000	30,402	-	30,402	
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other assets	150,000,000	151,840	-	151,678	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other assets	50,000,000	50,000	-	50,233	
	SUNNY Bank Third Subordinated Bank Debentures issued in 2015	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
	Hwatai Commercial Bank 2st Subordinate Financial Debentures issue in 2015	-	Held-to-maturity financial assets	100,000,000	100,000	-	99,999	
	<u>Bonds</u> A90106	-	Other assets	150,000,000	153,027	-	153,027	

Note 1: The Corporation and subsidiaries recognized the related income or loss of investees as required by regulations. For decline in value that was other than temporary, investment loss was recognized.

Note 2: The amounts were net of allowance for losses.

Note 3: Market prices of listed and OTC stocks were calculated at the closing prices of December 31, 2015. The net assets values of unlisted stocks, on which the Bank recognized its investment incomes in the current year, were calculated on the basis of audited financial statements of the same period of the holding company or the net assets values of the investees, market values of emerging stocks, the cost of acquiring an investee's newly issued shares or book value of the investees. However, the net asset values of investees do not represent the value of unlisted stocks on the balance sheet date.

Note 4: The market value or net worth of preferred stock is equal to the ratio of preferred shares held to the number of preferred shares outstanding multiplied by the total market value or total net worth of all of investee's common and preferred shares.

Note 5: The issued commercial papers as collateral of which 611,659 shares.

Note 6: No securities were treated as collaterals or warrants, except for those disclosed in the Note 5.

Note 7: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL  
(THE BANK'S SUBSIDIARIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE ISSUED CAPITAL)  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Marketable Securities Type and Name	Financial Statement Account	Counter-party	Nature of Relationship	Beginning Balance		Acquisition		Disposal			Gain (Loss) on Disposal	Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value		Shares/Face Value/Units	Amount
China Development Industrial Bank	Stock	Investment accounted for using the equity method	KGI Bank	Subsidiary	153,171,873	\$ 1,655,048	-	\$ -	153,171,873	\$ 1,589,115	\$ 1,565,817	\$ 23,298	-	\$ -
	CDIB Management Consulting Corporation	Investment accounted for using the equity method	CDIB Venture Capital Corporation	Subsidiary	97,300,000	1,047,662	-	-	97,300,000	-	1,047,662	-	-	-
	R.O.C. Strategic Company Ltd.	Investment accounted for using the equity method	CDIB Venture Capital Corporation	Subsidiary	152,200,000	3,133,528	-	-	152,200,000	-	3,133,528	-	-	-
	CDIB Strategic Venture Fund Ltd.	Investment accounted for using the equity method	CDIB Venture Capital Corporation	Subsidiary	152,200,000	3,133,528	-	-	152,200,000	-	3,133,528	-	-	-
	Star Energy Power Corp.	Financial assets measured at cost	-	-	30,000,000	300,000	-	-	30,000,000	648,773	300,000	348,773	-	-
	Cleanaway Company Limited	Available-for-sale financial assets	-	-	2,040,000	298,860	-	-	2,040,000	374,381	308,225	66,156	-	-
KGI Bank	Taiwan High Speed Rail Corporation - preferred stock	Debt measurements with no active market	-	-	107,526,000	999,992	-	-	107,526,000	999,992	999,992	-	-	-
	Stock	Investment accounted for using the equity method	China Development Industrial Bank	Subsidiary	-	-	153,171,873	1,381,047	-	-	-	-	153,171,873	1,381,047
	CDIB Management Consulting Corporation	Investment accounted for using the equity method	-	-	270,000,000	996,622	150,000,000	585,911	-	-	-	-	420,000,000	1,582,533
	CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Affiliates	901,963	255,383	-	-	901,963	305,117	255,383	49,734	-	-
	Deanfa Corporation - preferred stock	Financial assets measured at cost	-	-	2,268,260	149,642	-	-	2,268,260	459,029	149,642	309,387	-	-
	Twi Pharmaceuticals, Inc.	Available-for-sale financial assets	-	-	3,386,613	353,901	-	-	3,386,613	309,301	353,901	(44,600)	-	-
CDIB Venture Capital (Hong Kong) Corporation Limited	Victory New Materials Limited Company	Available-for-sale financial assets	-	-	(Note 7)	(Note 7)	-	-	-	-	-	-	-	-
	Fund	Investment accounted for using the equity method	-	-	-	-	-	HK\$ 136,235	-	-	-	-	-	HK\$ 136,235
CDIB Venture Capital (Hong Kong) Corporation Limited	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	-	-	(Note 8)	-	-	-	-	-	-
	Fund	Investment accounted for using the equity method	-	-	-	-	-	-	-	-	-	-	-	-
CDIB Capital Investment I Limited	CDIB Capital Asia Partners L.P.	Investment accounted for using the equity method	-	-	-	US\$ 65,392	-	-	-	-	US\$ 25,647	-	-	US\$ 39,745
	Ripley Cable Holdings I, L.P.	Financial assets measured at cost	-	-	-	US\$ 6,556	-	-	-	US\$ 30,868	US\$ 6,016	US\$ 24,852	-	US\$ 540
CDIB Global Market I Limited	Fund	Financial assets measured at cost	-	-	-	US\$ 17,625	-	US\$ 18	-	US\$ 16,679	US\$ 17,643	(US\$ 964)	-	-
	KKR 2006 Fund L.P.	Financial assets measured at cost	-	-	-	US\$ 12,521	-	US\$ 295	-	US\$ 13,141	US\$ 12,816	US\$ 325	-	-
	Sun Capital Partners V, L.P.	Financial assets measured at cost	-	-	-	US\$ 11,617	-	US\$ 20	-	US\$ 11,392	US\$ 11,637	(US\$ 245)	-	-
	Silver Lake Partners III, L.P.	Financial assets measured at cost	-	-	-	-	-	-	-	-	-	-	-	-
CDIB Global Market II Limited	Fund	Financial assets measured at cost	-	-	-	US\$ 7,444	-	US\$ 24	-	US\$ 10,852	US\$ 7,468	US\$ 3,384	-	-
	Clayton, Dubilier & Rice Fund VIII, L.P.	Financial assets measured at cost	-	-	-	-	-	-	-	-	-	-	-	-
CDIB Global Market III Limited	Fund	Financial assets measured at cost	-	-	-	US\$ 10,828	-	US\$ 53	-	US\$ 13,438	US\$ 10,881	US\$ 2,557	-	-
	New Mountain Partners III, L.P.	Financial assets measured at cost	-	-	-	-	-	-	-	-	-	-	-	-

(Continued)

- Note 1: Consists of \$48,779 thousand cash dividends, exchange loss on translating foreign operations of \$58,221 thousand, investment gain of \$19,983 thousand, unrealized loss on available-for-sale financial assets of \$2,182 thousand, additional paid-in capital increase \$32 thousand and sold investment cost \$1,476,586 thousand.
- Note 2: Consists of reduction of the Corporation's capital of \$500,000 thousand on June 12, 2015. The effective date of the merger between R.O.C. Strategic Company Ltd. and CDIB Venture Capital Corporation was November 1, 2015. CDIB Venture Capital Corporation was the survivor company after the merger.
- Note 3: Consists of reduction of the Corporation's capital of \$1,000,000 thousand on June 12, 2015. The effective date of the merger between CDIB Strategic Venture Fund Ltd. and CDIB Venture Capital Corporation was November 1, 2015. CDIB Venture Capital Corporation was the survivor company after the merger.
- Note 4: Transferred of 153,171,873 shares of CDIB Management Consulting Corporation to KGI Bank.
- Note 5: Transferred of \$1,597,389 thousand, gain on exchange differences on translating foreign operations of \$17,286 thousand, loss on investment of \$230,057 thousand, unrealized loss on available-for-sale financial assets of \$1,745 thousand, loss on defined benefit plans of \$1,872 thousand and gain on changes of capital surplus of \$46 thousand.
- Note 6: Consists of \$606,300 thousand from new issue, exchange loss on translating foreign operations of \$11,295 thousand and investment loss of \$9,094thousand.
- Note 7: Because of the above reasons of note two and three, it is the total number of common stock or total cost held by R.O.C. Strategic Company Ltd. and CDIB Strategic Venture Fund Ltd. respectively.
- Note 8: Consists of HK\$148,832 thousand from new issue, exchange loss on translating foreign operations of HK\$9,844 thousand and investment loss HK\$2,753 thousand.
- Note 9: Consists of reduction of the Bank's capital of US\$32,556 thousand, investment gain US\$5,777 thousand and adjustments of retained earnings US\$1,132 thousand.
- Note 10: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

(Concluded)

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## RECEIVABLES FROM RELATED PARTIES AMOUNTING TO NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
China Development Industrial Bank	China Development Financial Holding Corporation (the "Corporation")	Parent company	\$ 690,918	-	\$ -	-	\$ -	\$ -
The Corporation	KGI Securities Co., Ltd.	Subsidiary	506,024	-	-	-	-	-

Note: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## INFORMATION ON INVESTED ENTERPRISES

DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Period	Carrying Value, End of Period (Note 3)	Investment Gain (Loss)	Consolidated Investment (Note 1)				Note
							Present Shares	Virtual Shares (Note 2)	Total		
									Shares	Percentage of Ownership	
China Development Financial Holding Corporation (the "Corporation")	China Development Industrial Bank KGI Securities Co., Ltd. KGI Bank Co., Ltd	Taiwan	Industrial bank	100.00	\$ 69,376,994	\$ 3,964,301	2,060,399,410	-	2,060,399,410	100.00	
		Taiwan	Financial service	100.00	56,955,321	2,134,052	3,798,812,320	-	3,798,812,320	100.00	
		Taiwan	Commercial bank	100.00	60,352,014	3,491,083	4,606,162,291	-	4,606,162,291	100.00	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

Note 2: a. The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b. The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IAS 39, for example, stock option.

Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**SOLD NONPERFORMING LOANS**  
**FOR THE YEAR ENDED DECEMBER 31, 2015**  
(In Thousands of New Taiwan Dollars)

## 1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value (Note)	Selling Price	Disposal Gain (Loss)	Other Condition	Relationship of Counter-party with the Subsidiaries
2015.03.24	A	Real estate mortgages	\$ 6,662	\$ 9,060	\$ 2,398	-	-
2015.07.17	B	Real estate mortgages	9,065	17,100	8,035	-	-
2015.07.17	C	Real estate mortgages	-	200	200	-	-
2015.07.17	D	Real estate mortgages	-	200	200	-	-
2015.07.17	E	Real estate mortgages	4,042	5,300	(3,261)	-	-
2015.07.17	F	Real estate mortgages	1,670	1,700	(1)	-	-
2015.09.16	G	Real estate mortgages	1,560	1,560	-	-	-
2015.09.17	H	Real estate mortgages	147,620	225,000	19,053	-	-
2015.09.25	I	Real estate mortgages	13,019	14,009	(2,185)	-	-
2015.09.25	J	Real estate mortgages	50,217	53,822	(6,858)	-	-
2015.09.25	K	Real estate mortgages	53,936	57,509	(5,615)	-	-
2015.09.25	L	Real estate mortgages	-	280	280	-	-
2015.09.25	M	Real estate mortgages	-	380	380	-	-
2015.09.25	N	Real estate mortgages	-	380	380	-	-
2015.09.25	O	Real estate mortgages	-	240	240	-	-
2015.09.25	P	Real estate mortgages	-	380	380	-	-
2015.12.01	Q	Real estate mortgages	-	550	550	-	-
2015.12.01	R	Real estate mortgages	-	70	70	-	-
2015.12.16	S	Real estate mortgages	2,376	2,700	324	-	-
2015.12.29	T	Common stock mortgages	-	552	552	-	-

Note: Carrying value = Original amount - Allowance for bad debts

## 2. Sale of nonperforming loans exceeding NT\$1 billion (excluding related-party transactions): For the Corporation and subsidiaries: None.



## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2015Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2015	December 31, 2014	
China Development Financial Holding Corporation (the "Corporation")	China Development Industrial Bank	Industrial bank	100.00	100.00	
	KGI Securities Co., Ltd.	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
China Development Industrial Bank	China Venture Management Inc.	Management company of venture fund	-	100.00	
	R.O.C. Strategic Company Ltd.	Venture fund	-	100.00	
	CDIB Capital Management Corporation (formerly named CDIB Equity Inc.)	Management company of venture fund	100.00	100.00	
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	CDIB Strategic Venture Fund Ltd.	Venture fund	-	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	CDIB Management Consulting Corporation	Management and consulting	-	100.00	
	CDIB Global Markets I Limited	Venture fund	100.00	100.00	
	CDIB Global Markets II Limited	Venture fund	100.00	100.00	
	CDIB Global Markets III Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	100.00	100.00	
	CDIB Capital Asia Partners L.P.	Private equity fund	(Note 1)	(Note 1)	
CDIB Capital Asia Partners L.P.	CBTL Holdings Corporation	Venture fund	(Note 1)	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	(Note 2)
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2015	December 31, 2014	
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	(Note 3)
CDIB Venture Capital (Hong Kong) Corporation Limited	CDIB Private Equity Management Corporation CPEC Huakai Private Equity (Fujian) Co., Ltd. CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	100.00	100.00	
		Management and consulting	70.00	70.00	
		Management and consulting	56.00	56.00	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	20.00	20.00	
CDIB Capital Management Corporation (formerly named CDIB Equity Inc.)	CDIB Private Equity (Hong Kong) Corporation Limited	Management and consulting	100.00	100.00	
	CDIB Innovative Advisors Corporation Limited	Management and consulting	60.00	-	
CDIB Private Equity (Hong Kong) Corporation Limited	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	65.00	65.00	
	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	4.53	4.53	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	93.02	93.02	
KGI Securities Co., Ltd.	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting; discretionary investment services	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	99.99	99.99	
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
KGI Futures Co., Ltd.	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	
		Management and consulting software services, data processing services	100.00	-	
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	-	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	
	ANEW Holdings Limited	Investment holdings	100.00	100.00	
KG International Holdings Limited	KG Investments Pacific Limited	Investment services	-	100.00	
	KG Investments Asset Management (International) Limited	Investment services	100.00	100.00	
	Pacific Glory Finance One Limited	Investment services	-	100.00	
	KGI Limited	Investment holdings	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	
	Bauhinia 88 Ltd.	Investment holdings	100.00	100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2015	December 31, 2014	
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment	100.00	100.00	(Note 7) (Note 7)
	KGI Wealth Management Limited	Securities investment	-	100.00	
	KGI Nominees (Hong Kong) Limited	Trust agent	-	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited	Securities investment	100.00	100.00	(Note 4) (Note 4) (Note 7) (Note 7)
	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Nominees Limited	Trust agent	-	100.00	
	KGI Hong Kong Limited	Management services	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	Bauhinia 8 Fund	Fund company	-	100.00	
	KGI Global Asset Management Limited	Asset management	-	100.00	
	Grand Cathay Securities (Hong Kong) Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset Management	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	
	KGI Wealth Management Limited	Securities investment	100.00	-	
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	-	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	(Note 5)
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	
	Jubilant Dynasty Limited	Investment services	-	100.00	(Note 6)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	
	KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	-	100.00	
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	(Note 6)
KGI Asia (Holdings) Pte. Ltd.	KGI Ong Capital Pte. Ltd.	Futures investment and foreign - currency services	100.00	100.00	
	KGI Fraser Securities Pte. Ltd.	Securities investment	100.00	-	
KGI Bank	Cosmos Insurance Brokers Co., Ltd.	Life and property insurance Brokers	100.00	100.00	
	CDIB Management Consulting Corporation	Management and consulting	100.00	-	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2015	December 31, 2014	
China Development Industrial Bank	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	As of December 31, 2015, CDIB's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB had amounted to \$14,818 thousand; CDIB Biotech USA Investment Co., Ltd. was approved to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement.
KGI Securities Co., Ltd.	Grand Cathay Holding Limited	Holding company	-	-	Grand Cathay Holding Limited was approved to liquidate by the board of directors on December 27, 2013; therefore, Grand Cathay Holding Limited was not included in the consolidated financial statement.

Note 1: Under IFRS 10, the Company will recognize control over CDIB Capital Asia Partners L.P. and CBTL Holdings Corporation, a wholly owned subsidiary of CDIB Asia Partners L.P. since the acquisition date. But prior to the application of IFRS 10, the subsidiary of the Companies' ownership interest in both of the companies are treated as investments in associate and thus accounted the investments as investments accounted for using the equity method. The Company no longer has control over neither of the Company due to the decrease of the percentage owned by the Company since March 31, 2015.

Note 2: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014; however, CDIB had not invested any capital as of December 31, 2015.

Note 3: KGI Securities Co., Ltd. jointly held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director, therefore, GSFC should be included in the consolidated financial statements.

Note 4: KGI Limited the invested enterprises of KGI Securities Co., Ltd. purchase TG Holborn (HK) Limited and Alpha Global Asset Management Limited was approved by the government of Taiwan and Singapore, complete the procedure on December 22, 2014. Alpha Global Asset Management Limited changed its name to KGI Asset Management Limited on March 6, 2015 and approved by rule No. 1030029490 issued by the FSC on September 16, 2014.

Note 5: KGI Capital (Singapore) Pte Ltd. applied for cancellation of business license and out of business for one year was approved by the government of Taiwan in July 2014 and complete the procedure in October 2014.

Note 6: KGI Asia (Holdings) Pte. Ltd., the invested enterprises of KGI Securities Co., Ltd., purchase AmFraser Securities Pte. Ltd., completing the procedure on January 30, 2015 after approved by the government of Taiwan and Singapore, and changed its name from AmFraser Securities Pte. Ltd. to KGI Fraser Securities Pte. Ltd. after approved by rule No. 1030039427 issued by the FSC on October 23, 2014. Therefore, since the first quarter of 2015, the Company was included from the consolidated financial statements.

Note 7: To simplify investment framework of reinvestment of overseas subsidiaries, it transferred 100% interest of KGI Wealth Management Limited and KGI Nominees (Hong Kong) Limited invested by ANEW Holdings Limited to KGI Limited and was approved by the board of directors on July 27, 2015.

(Concluded)

**TABLE 9**

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## DECLARATION OF SUBSIDIARIES' CREDITS, ENDORSEMENTS OR OTHER TRANSACTIONS WITH THE SAME PERSON, RELATED PARTY OR AFFILIATE DECEMBER 31, 2015

(In Millions of New Taiwan Dollars; %)

### China Development Financial Holding Corporation (CDFH)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Taipower Corporation	\$ 15,954	9.66
KG Investment Holdings Limited	13,408	8.12
China Merchants Bank Corporation Limited	6,678	4.04
Citi Group Inc.	6,731	4.08
Bank of America Corp.	9,152	5.54
CDIB & Partners Investment Holding Corporation	4,734	2.87
JP Morgan Chase & Co	7,015	4.25
China Life Insurance Company Limited	4,432	2.68
China Development Asset Management Corp.	4,509	2.73
Farglory Group, R.O.C	4,804	2.91
CTCI Corporation	3,257	1.97
CPC corporation, Taiwan	3,647	2.21
Ministry of Finance	68,789	41.65
The Shanghai Commercial & Saving Bank, Ltd.	7,465	4.52
Mizuho Bank, LTD., Tokyo Japan	4,480	2.71
Netronix, INC.	3,701	2.24
Goldman Sachs Group Inc.	3,244	1.96
Quisda Corporation	3,062	1.85
American International Group Inc.	3,041	1.84
Total	\$ 178,103	107.83
2. The same group		
Foxconn Technology Group	\$ 5,023	3.04
BenQ Group	6,315	3.83
Farglory Group	5,339	3.23
Qsan Technology Group	4,027	2.44
CTCI Group	3,667	2.22
YFY Group	3,138	1.90
China Steel Group	5,521	3.34
Netronix Group	3,704	2.24
UMC Group	3,539	2.14
Evergreen Group	3,391	2.06
Total	\$ 43,664	26.44

**TABLE 10**

# CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

## CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014 (In Thousands of New Taiwan Dollars)

### China Development Financial Holding Corporation

#### 1. Balance sheets

	<b>December 31</b>	
	<b>2015</b>	<b>2014 (After Restated)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,665,707	\$ 1,458,812
Available-for-sale financial assets	1,226,972	1,293,830
Receivables, net	139	155
Current tax assets	1,438,314	1,114,182
Investments accounted for using the equity method, net	186,684,329	192,203,350
Other financial assets	300	300
Property and equipment, net	10,094	12,251
Other assets, net	<u>540,719</u>	<u>544,217</u>
Total	<u>\$ 192,566,574</u>	<u>\$ 196,627,097</u>
<b>Liabilities and Equity</b>		
Derivative financial liabilities for hedging	\$ -	\$ 20,659
Commercial paper payable	5,099,745	2,999,869
Payables	649,830	1,000,906
Current tax liabilities	1,021,390	791,615
Bonds payable	18,000,000	18,000,000
Other borrowings	2,599,847	3,599,573
Provisions	31,627	24,161
Other liabilities	<u>309</u>	<u>208</u>
Total liabilities	<u>27,402,748</u>	<u>26,436,991</u>
<b>Equity</b>		
Capital		
Common stock	151,124,071	153,438,493
Advance receipts for capital stock	1,370	5,969
Capital surplus	654,803	590,923
Retained earnings		
Legal reserve	4,161,475	3,077,853
Special reserve	765,041	1,123,858
Unappropriated earnings	13,580,644	15,275,884
Other		
Exchange differences on translation of foreign financial statements	1,741,670	201,379
Unrealized losses on available-for-sale financial assets	(4,456,314)	(177,929)
Unrealized loss on cash flow hedges	-	(20,659)
Others	(32,187)	(26,956)
Treasury shares	<u>(2,376,747)</u>	<u>(3,298,709)</u>
Total equity	<u>165,163,826</u>	<u>170,190,106</u>
Total	<u>\$ 192,566,574</u>	<u>\$ 196,627,097</u>

(Continued)

2. Statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Year Ended December 31	
	2015	2014 (After Restated)
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	\$ 9,590,588	\$ 11,499,962
Others	<u>79,871</u>	<u>51,888</u>
Total revenues	<u>9,670,459</u>	<u>11,551,850</u>
EXPENSES AND LOSSES		
Operating expenses	(790,869)	(859,858)
Others	<u>(345,682)</u>	<u>(374,951)</u>
Total expenses and losses	<u>(1,136,551)</u>	<u>(1,234,809)</u>
NET PROFIT BEFORE INCOME TAX	8,533,908	10,317,041
INCOME TAX BENEFIT (EXPENSE)	<u>(5,677)</u>	<u>435,001</u>
NET PROFIT FOR THE YEAR	<u>8,528,231</u>	<u>10,752,042</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plan	(5,241)	4,892
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(454,637)	130,996
Income tax relating to the items that will not be reclassified subsequently to profit or loss	64,960	(30,921)
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized loss on available-for-sale financial assets	(66,858)	(53,203)
Unrealized gain on cash flow hedges	20,659	43,656
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(2,670,380)	401,982
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>(855)</u>	<u>257,105</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(3,112,352)</u>	<u>754,507</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 5,415,879</u>	<u>\$ 11,506,549</u>
BASIC EARNINGS PER SHARE	<u>\$0.58</u>	<u>\$0.73</u>
DILUTED EARNINGS PER SHARE	<u>\$0.57</u>	<u>\$0.73</u>

(Continued)

### 3. Statements of changes in equity

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Capital		Capital Surplus	Retained Earnings			Other Equity					Total Equity Attributable to Stockholders of Parent Company
	Common Stock	Advance Receipts for Capital Stock		Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Unrealized Gains (Losses) on Cash Flow Hedges	Others	Treasury Shares	
BALANCE AT JANUARY 1, 2014	\$ 150,308,833	\$ -	\$ 535,087	\$ 2,247,453	\$ 3,609,815	\$ 8,799,179	\$ (1,945,718)	\$ 1,343,715	\$ (44,747)	\$ (24,126)	\$ (2,170,286)	\$ 162,659,205
Effect of retrospective application and retrospective restatement	-	-	-	-	-	(18,069)	-	-	-	-	-	(18,069)
BALANCE AT JANUARY 1, 2014 AS RESTATED	150,308,833	-	535,087	2,247,453	3,609,815	8,781,110	(1,945,718)	1,343,715	(44,747)	(24,126)	(2,170,286)	162,641,136
Appropriation of the 2013 earnings												
Legal reserve	-	-	-	830,400	-	(830,400)	-	-	-	-	-	-
Cash dividends - NTS\$0.4 per share	-	-	-	-	-	(6,014,787)	-	-	-	-	-	(6,014,787)
Special reserve reversed	-	-	-	-	(2,485,957)	2,485,957	-	-	-	-	-	-
	-	-	-	830,400	(2,485,957)	(4,359,230)	-	-	-	-	-	(6,014,787)
Net profit for the year ended December 31, 2014 as restated	-	-	-	-	-	10,752,042	-	-	-	-	-	10,752,042
Other comprehensive income (loss) for the year ended December 31, 2014 as restated, net of income tax	-	-	-	-	-	104,966	2,147,097	(1,521,644)	24,088	-	-	754,507
Total comprehensive income (loss) for the year ended December 31, 2014 as restated	-	-	-	-	-	10,857,008	2,147,097	(1,521,644)	24,088	-	-	11,506,549
Issuance of common stock for acquisition of ownership in subsidiaries	3,061,467	-	-	-	-	-	-	-	-	-	-	3,061,467
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(921,962)	(921,962)
Shares purchased by subsidiaries from parent company is deemed as treasury shares	-	-	-	-	-	-	-	-	-	-	(206,461)	(206,461)
Difference between consideration and carrying amount adjusted arising from changes in percentage of ownership in subsidiaries	-	-	(9,023)	-	-	-	-	-	-	-	-	(9,023)
Share-based payments	68,193	5,969	64,859	-	-	(3,004)	-	-	-	(2,830)	-	133,187
BALANCE AT DECEMBER 31, 2014 AS RESTATED	153,438,493	5,969	590,923	3,077,853	1,123,858	15,275,884	201,379	(177,929)	(20,659)	(26,956)	(3,298,709)	170,190,106
Appropriation of the 2014 earnings												
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-
Cash dividends - NTS\$0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)
Special reserve reversed	-	-	-	-	(358,817)	358,817	-	-	-	-	-	-
	-	-	-	1,083,622	(358,817)	(9,823,478)	-	-	-	-	-	(9,098,673)
Change in capital surplus from investments in associates and joint ventures accounted for using the equity method	-	-	74	-	-	-	-	-	-	-	-	74
Net profit for the year ended December 31, 2015	-	-	-	-	-	8,528,231	-	-	-	-	-	8,528,231
Other comprehensive income (loss) for the year ended December 31, 2015, net of income tax	-	-	-	-	-	(394,917)	1,540,291	(4,278,385)	20,659	-	-	(3,112,352)
Total comprehensive income (loss) for the year ended December 31, 2015	-	-	-	-	-	8,133,314	1,540,291	(4,278,385)	20,659	-	-	5,415,879
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,461,046)	(1,461,046)
Cancellation of treasury shares	(2,425,650)	-	42,642	-	-	-	-	-	-	-	2,383,008	-
Share-based payments	111,228	(4,599)	21,164	-	-	(5,076)	-	-	-	(5,231)	-	117,486
BALANCE AT DECEMBER 31, 2015	\$ 151,124,071	\$ 1,370	\$ 654,803	\$ 4,161,475	\$ 765,041	\$ 13,580,644	\$ 1,741,670	\$ (4,456,314)	\$ -	\$ (32,187)	\$ (2,376,747)	\$ 165,163,826

(Continued)



#### 4. Statements of cash flows

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b> <b>(After Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net profit before income tax	\$ 8,533,908	\$ 10,317,041
Adjustments for:		
Depreciation and amortization expenses	4,806	4,886
Interest expense	319,590	364,012
Interest income	(2,426)	(12,476)
Dividend income	(74,287)	(55,715)
Loss on disposal of investment	-	18,061
Share-based payment compensation cost	63,489	52,784
Share of profit of subsidiaries, associates and joint ventures	(9,589,436)	(11,498,352)
Others	477	22
Changes in operating assets and liabilities		
Other assets	2,387	(57,213)
Payables	(292,287)	249,096
Provision	2,224	2,714
Other liabilities	100	99
Dividend received	10,131,808	6,594,698
Interest paid	(378,380)	(365,344)
Interest received	2,426	12,476
Income tax returned (paid)	<u>(100,033)</u>	<u>82,162</u>
Net cash generated from operating activities	<u>8,624,366</u>	<u>5,708,951</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash consideration of share swap	-	(18,510,902)
Acquisition of investments accounted for using the equity method	(38,000,000)	-
Proceeds from capital return on investments accounted for using the equity method	36,000,000	13,000,000
Proceeds on sale of available-for-sale financial assets	-	75,025
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	4,000,000	912,033
Acquisition of property and equipment	<u>(1,999)</u>	<u>(3,175)</u>
Net cash generated from (used in) investing activities	<u>1,998,001</u>	<u>(4,527,019)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase (decrease) in commercial paper payable	2,099,876	(3,500,070)
Proceeds from issue of corporate bonds	8,000,000	-
Repayments of corporate bonds	(8,000,000)	-
Increase (decrease) in other borrowings	(999,726)	2,999,737
Cash dividends paid	(9,098,673)	(6,014,787)
Exercise of employee share options	44,097	10,236
Purchase of treasury stock	<u>(1,461,046)</u>	<u>(921,962)</u>
Net cash used in financing activities	<u>(9,415,472)</u>	<u>(7,426,846)</u>
		(Continued)

	<u>For the Year Ended December 31</u>	
		<u>2014</u>
	<b>2015</b>	<b>(After Restated)</b>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 1,206,895	\$ (6,244,914)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,458,812</u>	<u>7,703,726</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 2,665,707</u>	<u>\$ 1,458,812</u>
		(Continued)

# China Development Industrial Bank

## 1. Condensed balance sheets

Assets	December 31	
	2015	2014 (After Restated)
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 12,674,958	\$ 39,410,515
Financial assets at fair value through profit or loss	111,208	52,822,232
Securities purchased under resell agreements	-	23,414,342
Receivables, net	483,174	42,088,269
Current tax assets	690,918	530,230
Discount and loans, net	-	126,039,603
Available-for-sale financial assets	7,163,974	119,820,629
Investments accounted for using the equity method, net	39,227,506	45,589,993
Restricted assets	298,982	295,224
Financial assets measured at cost	8,256,971	10,132,065
Other financial assets	358,439	1,446,150
Property and equipment, net	1,193,686	1,774,402
Investment property, net	649,142	93,740
Other assets, net	69,236	6,042,167
Total assets	<u>\$ 71,178,194</u>	<u>\$ 469,499,561</u>
Deposits from the Central Bank and banks	\$ -	\$ 10,331,413
Financial liabilities at fair value through profit or loss	-	24,351,007
Notes and bonds issued under repurchase agreements	-	63,299,830
Payables	444,989	3,185,114
Current tax liabilities	348,635	405,749
Deposits and remittances	-	179,209,448
Bank debentures payable	-	12,540,304
Principal received on structured notes	-	60,671,951
Other financial liabilities	396,059	379,913
Provisions	156,440	404,643
Deferred tax liabilities	241,555	241,555
Other liabilities	38,271	861,273
Total liabilities	<u>1,625,949</u>	<u>355,882,200</u>
Common Stock	20,603,994	56,603,994
Capital surplus	24,700,436	28,696,849
Retained earnings	27,800,173	28,835,450
Exchange differences on translation of foreign financial statements	657,557	(357,161)
Unrealized losses on available-for-sale financial assets	(4,209,915)	(161,771)
Total equity	<u>69,552,245</u>	<u>113,617,361</u>
Total liabilities and equity	<u>\$ 71,178,194</u>	<u>\$ 469,499,561</u>

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b> <b>(After Restated)</b>
Interest revenue	\$ 2,048,507	\$ 6,978,765
Interest expense	<u>(883,910)</u>	<u>(2,784,724)</u>
Interest profit, net	1,164,597	4,194,041
Noninterest profits and gains, net	<u>4,730,747</u>	<u>6,256,011</u>
Total net revenues	5,895,344	10,450,052
Reversal of allowance for bad debts and losses on guarantees, net	109,591	42,920
Operating expenses	<u>(1,239,611)</u>	<u>(1,755,798)</u>
Net profit before income tax	4,765,324	8,737,174
Income tax benefit (expense)	<u>107,171</u>	<u>(428,084)</u>
Net profit for the year	4,872,495	8,309,090
Other comprehensive income (loss) for the year, net of income tax	<u>(3,101,537)</u>	<u>446,446</u>
Total comprehensive income for the year	<u>\$ 1,770,958</u>	<u>\$ 8,755,536</u>
Basic earnings per share	<u>\$1.49</u>	<u>\$1.39</u> (Continued)

KGI Securities Co., Ltd.

1. Condensed balance sheets

<b>Assets</b>	<b>December 31</b>	
	<b>2015</b>	<b>2014</b>
Current assets	\$ 135,469,806	\$ 151,867,008
Noncurrent assets	<u>36,468,292</u>	<u>32,744,788</u>
Total assets	<u>\$ 171,938,098</u>	<u>\$ 184,611,796</u>
Current liabilities	\$ 101,850,410	\$ 120,924,753
Noncurrent liabilities	<u>8,804,980</u>	<u>2,525,188</u>
Total liabilities	<u>110,655,390</u>	<u>123,449,941</u>
Common Stock	37,988,123	37,988,123
Capital surplus	8,639,723	8,634,882
Retained earnings	13,534,139	13,590,391
Others	<u>1,120,723</u>	<u>948,459</u>
Total equity	<u>61,282,708</u>	<u>61,161,855</u>
Total liabilities and equity	<u>\$ 171,938,098</u>	<u>\$ 184,611,796</u>

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	<b>For the Year Ended December 31</b>	
	<b>2015</b>	<b>2014</b>
Operating revenues	\$ 8,822,805	\$ 9,751,515
Operating expenses	<u>(8,467,453)</u>	<u>(8,182,937)</u>
Profit from operations	<u>355,352</u>	<u>1,568,578</u>
Share of profit of subsidiaries, associates and joint ventures	1,215,914	1,181,348
Other revenues and expenses	<u>1,116,956</u>	<u>863,462</u>
	<u>2,332,870</u>	<u>2,044,810</u>
Net profit before income tax	2,688,222	3,613,388
Income tax expense	<u>(135,811)</u>	<u>(375,321)</u>
Net profit for the year	2,552,411	3,238,067
Other comprehensive income (loss)	<u>(56,648)</u>	<u>538,052</u>
Total comprehensive income for the year	<u>\$ 2,495,763</u>	<u>\$ 3,776,119</u>
Basic earnings per share	<u>\$0.67</u>	<u>\$0.75</u>

(Continued)

# KGI Bank

## 1. Condensed balance sheets

Assets	December 31	
	2015	2014 (After Restated)
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 94,801,809	\$ 40,170,687
Financial assets at fair value through profit or loss	79,062,398	53,033,387
Securities purchased under resell agreements	36,176,824	23,414,342
Receivables, net	34,343,702	51,890,828
Current tax assets	31,273	82,730
Discount and loans, net	217,780,328	225,777,475
Available-for-sale financial assets	55,238,628	119,135,284
Held-to-maturity financial assets, net	-	18,600,000
Investments accounted for using the equity method, net	2,159,083	2,419,309
Other financial assets	267,404	4,281,540
Property and equipment, net	5,639,208	5,706,400
Investment property, net	602,398	463,264
Deferred tax assets	4,922,153	5,222,411
Other assets, net	8,574,165	6,705,235
	<u>\$ 539,599,373</u>	<u>\$ 556,902,892</u>
Deposits from the Central Bank and banks	\$ 9,561,475	\$ 12,680,778
Financial liabilities at fair value through profit or loss	26,184,655	24,353,584
Notes and bonds issued under repurchase agreements	61,010,030	68,828,445
Payables	4,177,835	4,235,315
Current tax liabilities	181,150	-
Deposits and remittances	354,278,809	316,636,032
Bank debentures payable	2,612,172	12,540,304
Principal received on structured notes	22,300,825	60,671,951
Other financial liabilities	4,792	12,114
Provisions	358,360	495,049
Deferred tax liabilities	58,580	90,441
Other liabilities	1,186,150	1,426,969
Total liabilities	<u>481,914,833</u>	<u>501,970,982</u>
Common Stock	46,061,623	15,307,334
Capital surplus	7,247,278	137,331
Retained earnings	4,785,309	3,464,147
Others	(409,670)	4,847
Equity of prior interest under common control	-	36,018,251
Total equity	<u>57,684,540</u>	<u>54,931,910</u>
Total liabilities and equity	<u>\$ 539,599,373</u>	<u>\$ 556,902,892</u>

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Year Ended December 31	
	2015	2014 (After Restated)
Interest revenue	\$ 10,728,523	\$ 8,275,601
Interest expense	<u>(3,725,428)</u>	<u>(2,417,801)</u>
Interest profit, net	7,003,095	5,857,800
Noninterest profits and gains, net	<u>3,346,525</u>	<u>1,984,118</u>
Total net revenues	10,349,620	7,841,918
Reversal of allowance for bad debts and losses on guarantees, net	692,262	821,323
Operating expenses	<u>(5,183,734)</u>	<u>(4,753,050)</u>
Net profit before income tax	5,858,148	3,910,191
Income tax expense	<u>(674,763)</u>	<u>(538,340)</u>
Net profit for the year	5,183,385	3,371,851
Other comprehensive income for the year, net of income tax	<u>(594,152)</u>	<u>386,779</u>
Total comprehensive income for the year	<u>\$ 4,589,233</u>	<u>\$ 3,758,630</u>
Net profit attributable to		
Owners of the parent company	\$ 4,017,475	\$ 2,367,605
Prior interest under common control	<u>1,165,910</u>	<u>1,004,246</u>
	<u>\$ 5,183,385</u>	<u>\$ 3,371,851</u>
Total comprehensive income attributed to		
Owners of the parent company	\$ 2,607,484	\$ 2,553,314
Prior interest under common control	<u>1,981,749</u>	<u>1,205,316</u>
	<u>\$ 4,589,233</u>	<u>\$ 3,758,630</u>
Basic earnings per share	<u>\$1.13</u>	<u>\$1.38</u>

Note: The information of KGI Bank included equity to former owner of business combination under common control.

(Concluded)

TABLE 11

## CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA  
DECEMBER 31, 2015

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
China Healthcare Multi-services, Inc.	Third party medical services under emergency	RMB 41,192 thousand	Note 1. c.	US\$ 1,871 thousand	\$ -	\$ -	US\$ 1,871 thousand	(Note 3)	10.76	\$ -	\$ 59,591	\$ -
China Peptides (Wuhan) Co., Ltd.	Sale and R&D protein drugs	US\$ 15,000 thousand	Note 1. c.	US\$ 2,262 thousand	US\$ 726 thousand (Note 11)	-	US\$ 2,988 thousand	(Note 3)	13.97	-	90,971	-
JHL Biotech, Inc. (Wuhan)	R&D protein drugs	RMB 50,000 thousand	Note 1. c.	US\$ 734 thousand	-	-	US\$ 734 thousand	(Note 3)	8.00	-	22,118	-
Beauty Essential International Ltd.	Sale and R&D the cosmetic	US\$ 2,000 thousand	Note 1. c.	US\$ 2,262 thousand	-	-	US\$ 2,262 thousand	(Note 3)	8.86	-	67,521	-
Derby Software (Shanghai) Co., Ltd.	The next-generation electronic distribution channel operator serving China's hotel industry	US\$ 10,000 thousand	Note 1. c.	US\$ 2,800 thousand	-	-	US\$ 2,800 thousand	(Note 3)	41.69 (Note 6)	-	91,938	-
	The next-generation electronic distribution channel operator serving China's hotel industry	US\$ 10,000 thousand	Note 1. c.	US\$ 464 thousand	-	-	US\$ 464 thousand	(Note 3)	9.26 (Note 6)	-	15,297	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments	US\$ 35,200 thousand	Note 1. c.	US\$ 1,400 thousand	-	-	US\$ 1,400 thousand	(Note 3)	1.66	-	45,003	-
Solar PV Corp.	Solar cell manufacture and sell	US\$ 79,940 thousand	Note 1. c.	US\$ 11,400 thousand	-	-	US\$ 11,400 thousand	(Note 3)	9.14	-	339,711	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering	US\$ 17,130 thousand	Note 1. c.	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	(Note 3)	10.23	-	99,603	-
Unifun Computer (Shanghai) Co., Ltd.	Internet service provider	US\$ 8,000 thousand	Note 1. c.	US\$ 1	-	-	US\$ 1	(Note 3)	6.75	-	-	-
Strong LED Lighting Systems (Suzhou) Corporation	LED lighting system	US\$ 10,000 thousand	Note 1. c.	US\$ 1,260 thousand	-	-	US\$ 1,260 thousand	(Note 3)	9.09	-	37,334	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging	US\$ 87,070 thousand	Note 1. c.	US\$ 228 thousand	-	-	US\$ 228 thousand	(Note 3)	1.79	-	7,539	-
Touch Equipment Leasing (Shanghai) Co., Ltd.	Mobile interactive LCD equipment leasing	US\$ 8,000 thousand	Note 1. c.	US\$ 669 thousand	-	-	US\$ 669 thousand	(Note 3)	9.61	-	22,121	-
Touch Multimedia Technology (Shanghai) Co., Ltd.	Multimedia technology, network technology, computer software development, design production and sales	RMB 114,660 thousand	Note 1. c.	US\$ 1,080 thousand	-	-	US\$ 1,080 thousand	(Note 3)	9.61	-	35,711	-

(Continued)



Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
MCM (Beijing) Commercial Co., Ltd.	Apparel, jewelry, watches, perfumes, cosmetics, glasses, bags, leather goods wholesale and retail; import and export of goods	EUR 4,460 thousand	Note 1. c.	EUR 140 thousand	\$ -	\$ -	EUR 140 thousand	(Note 3)	5.00	\$ -	\$ 5,060	\$ -
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US\$ 21,500 thousand	Note 1. c.	US\$ 699 thousand	US\$ 248 thousand	-	US\$ 947 thousand	(Note 3)	2.16	-	7,730	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US\$ 1,400 thousand	Note 1. c.	US\$ 33 thousand	US\$ 22 thousand	-	US\$ 55 thousand	(Note 3)	2.16	-	449	-
Tianjin Mei Wei Information Technology Co., Ltd.	Computer IT consulting and technical services; computer hardware and software development; furniture, building materials, daily commodities, hardware wholesale; enterprise management consulting; enterprise planning and international transport agent	RMB 104,222 thousand	Note 1. c.	RMB 1,016 thousand	RMB 2,467 thousand	-	RMB 3,483 thousand	(Note 3)	2.16	-	4,328	-
Tianjin Mu Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale; enterprise management consulting; enterprise planning and international transport agent	US\$ 500 thousand	Note 1. c.	US\$ 42 thousand	-	-	US\$ 42 thousand	(Note 3)	2.16	-	340	-
CDIB Private Equity Management Corporation	Management and consulting	US\$ 4,000 thousand	Note 1. b.	US\$ 4,000 thousand	-	-	US\$ 4,000 thousand	\$ 22,175	100.00	22,175	57,710	-
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	RMB 10,000 thousand	Note 1. b.	RMB 7,000 thousand	-	-	RMB 7,000 thousand	30,519	70.00	21,351	64,214	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	RMB 12,000 thousand	Note 1. b.	RMB 6,720 thousand	-	-	RMB 6,720 thousand	(316)	70.00	(221)	41,928	-
CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment	RMB 400,000 thousand	Note 1. b.	RMB 141,200 thousand	-	-	RMB 141,200 thousand	(71,847)	-	(25,144)	228,970	-
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	RMB 7,000 thousand	Note 1. b.	RMB 4,550 thousand	-	-	RMB 4,550 thousand	3,388	65.00	2,201	24,253	-
CPEC Huachuang Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting	RMB 4,300 thousand	Note 1. b.	RMB 195 thousand	-	-	RMB 195 thousand	(603)	65.00	(392)	20,203	-
CPEC Huachuang Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment	RMB 389,160 thousand	Note 1. c.	-	RMB 121,400 thousand	-	RMB 121,400 thousand	(32,184)	-	(10,505)	170,655	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2015	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2015 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2015	Accumulated Inward Remittance of Earnings as of December 31, 2015
					Outflow	Inflow						
Focus Multimedia Technology (Shanghai) Co., Ltd.	LCD advertising and multimedia network information systems software R&D; multimedia network engineering design consultancy; market research and intermediary service; LCD displays and related electronic product manufacture, assembling, integrating, packing and sale	US\$ 38,000 thousand	Note 1. c.	US\$ 16,612 thousand	\$ -	\$ -	US\$ 16,612 thousand	(Note 3)	0.94	\$ -	\$ 549,300	\$ -
Focus (China) Information Technology Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service	US\$ 10,000 thousand	Note 1. c.	US\$ 4,371 thousand	-	-	US\$ 4,371 thousand	(Note 3)	0.94	-	144,537	-
Chi Zhong Information Technology (Shanghai) Co., Ltd.	LCD advertising, software and hardware of computers manufacture and sale, and network technology design and development; computer integrated design, debugging and maintenance; self-developed technological achievement transfer; related technologies consultancy and technical service	US\$ 10,000 thousand	Note 1. c.	US\$ 875 thousand	-	-	US\$ 875 thousand	(Note 3)	0.94	-	28,922	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent	US\$ 400 thousand	Note 1. c.	US\$ 174 thousand	-	-	US\$ 174 thousand	(Note 3)	0.94	-	5,755	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale	RMB 50,000 thousand	Note 1. c.	US\$ 2,235 thousand	-	-	US\$ 2,235 thousand	(Note 3)	19.86	-	68,353	-
Shengzhuang Co., Ltd.	Cosmetics sales	RMB 54,300 thousand	Note 1. c.	US\$ 5,000 thousand	-	-	US\$ 5,000 thousand	(Note 3)	5.44	-	151,150	-
Lightel Technologies Inc.	Fiber optic components, fiber optic equipment and instruments and LED lamps	US\$ 3,100 thousand	Note 1. c.	US\$ 202 thousand	US\$ 135 thousand	-	US\$ 337 thousand	(Note 3)	13.48	-	10,455	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK\$ 313,432 thousand	Note 1. c.	US\$ 1,750 thousand	-	-	US\$ 1,750 thousand	(Note 3)	7.73	-	57,868	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK\$ 195,686 thousand	Note 1. c.	US\$ 1,357 thousand	-	-	US\$ 1,357 thousand	(Note 3)	7.73	-	44,869	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting	RMB 187,750 thousand	Note 1. d.	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	(246,561)	100.00	(246,561)	707,038	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	US\$ 2,000 thousand	Note 1. b.	US\$ 2,000 thousand	-	-	US\$ 2,000 thousand	(25,635)	100.00	(25,635)	18,420	-
KGI Asia Ltd. Shanghai Representative Office (Note 13)	Securities and futures related surveys, research, and information gathering	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
KGI Asia Ltd. Shenzhen Representative Office (Note 14)	Securities and futures related surveys, research, and information gathering	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA

(Continued)

Accumulated Investment in Mainland China as of December 31, 2015	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$5,463,430	US\$287,283 thousand	\$93,731,953

Note 1: The investment types are as follows:

- a. Remittances through a third place.
- b. Reinvested through a new founded company at a third place.
- c. Reinvested through an investee company at a third place.
- d. Direct investments.
- e. Other.

Note 2: The column “Investment Gain” should state clearly:

- a. If there were no gains or losses during preparation.
- b. Income recognition was based on the:
  - 1) Financial statements reviewed by an international CPA firm having a cooperative relation with CPA firms in the Republic of China;
  - 2) Financial statements reviewed by the CPA firm of the parent company in Taiwan;
  - 3) Other.
- c. If information of net income (loss) of the investee is not available.

Note 3: Investee Company was not significantly influenced by the Company, therefore the Corporation cannot acquire the related financial information.

Note 4: Investment amount authorized or soon authorized by Investment Commission, MOEA.

Note 5: The Corporation indirectly invested in Changshu Everbright Material Technology Co., Ltd. through its subsidiary’s investment in Ferro China on which the Corporation fully impaired and recognized an impairment loss in 2008.

Note 6: The ratios of investees’ preferred stock A or B held by subsidiaries was calculated by dividing the number of held preferred shares by the number of preferred shares outstanding.

Note 7: The Corporation formerly indirectly invested in Wuxi Paiho Textiles Co., Ltd. and Dongguan Paihong Corporation Ltd. through its subsidiary’s investment in Paiho Shih Holdings Corporation. Because Paiho Shih Holdings Corporation has been listed on the Taiwan Stock Exchange on August 17, 2011, refer to its financial report for the information.

Note 8: The Corporation formerly indirectly invested in Focal Tech System Co., Ltd. through its subsidiary’s investment in Focal Tech Corporation Ltd. has been listed on the Taiwan Stock Exchange on November 8, 2013, refer to its financial report for the information.

Note 9: The Corporation formerly indirectly invested in Kunshan Xinkuangtai Photoelectric Technology Co., Ltd. and Taizhou Kuangli Photoelectric Technology Co., Ltd. through its subsidiary’s investment in Kuangli Photoelectric Technology Co., Ltd. has been listed on the Taiwan Stock Exchange on October 31, 2014, refer to its financial report for the information.

Note 10: The Corporation formerly indirectly invested in Yangzhou Enteres Auto Parts Manufacturing Co., Ltd., Yangzhou Enteres Industrial Co., Ltd. Yangzhou Enterex Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enterex Auto Parts Distribution Co., Ltd. through its subsidiary investment in Enteres International Limited has been listed on the Taiwan Stock Exchange on October 16, 2014, refer to its financial report for the information.

Note 11: The Corporation formerly indirectly invested in China Petides (Wuhan) Co., Ltd. through its subsidiary’s investment in JHL, Biotech, Ltd. JHL Biotech, Ltd. increased shares in this investment by its own capital on March 19, 2015 and August 10, 2015. As a result, outward remittance is proportionally recognized rather than actual remitted amount.

Note 12: The Corporation formerly indirectly invested in Jinjiang Chandra Shoes Industry Co., Ltd. through its subsidiary’s investment in Victory New Materials limited company has been listed on the Taiwan Stock Exchange on January 14, 2014, refers to its financial report for the information.

Note 13: The Corporation was approved by China Securities Regulatory Commission on May 18, 2001 and had registration certificate on July 5, 2001.

Note 14: The Corporation was approved by China Securities Regulatory Commission on March 27, 2002 and had registration certificate on June 17, 2002.

(Concluded)

**TABLE 12****CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES****BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS****FOR THE YEAR ENDED DECEMBER 31, 2015****(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	China Development Industrial Bank	1	Current tax assets	\$ 248,526	Note 4	0.03%
1	China Development Industrial Bank	The Corporation	2	Current tax liabilities	248,526	Note 4	0.03%
0	The Corporation	China Development Industrial Bank	1	Current tax liabilities	690,918	Note 4	0.08%
1	China Development Industrial Bank	The Corporation	2	Current tax assets	690,918	Note 4	0.08%
0	The Corporation	KGI Bank Co., Ltd.	1	Cash and cash equivalents	2,646,445	Note 4	0.31%
2	KGI Bank Co., Ltd.	The Corporation	2	Deposit and remittances	2,646,445	Note 4	0.31%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax assets	506,024	Note 4	0.06%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax liabilities	506,024	Note 4	0.06%
0	The Corporation	KGI Securities Co., Ltd.	1	Current tax liabilities	122,581	Note 4	0.01%
3	KGI Securities Co., Ltd.	The Corporation	2	Current tax assets	122,581	Note 4	0.01%
1	China Development Industrial Bank	KGI Bank Co., Ltd.	3	Cash and cash equivalents	12,613,249	Note 4	1.46%
2	KGI Bank Co., Ltd.	China Development Industrial Bank	3	Deposit and remittances	12,613,249	Note 4	1.46%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Receivables, net	117,459	Note 4	0.01%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Payables	193,325	Note 4	0.02%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd. and its subsidiaries	3	Deposit and remittances	393,854	Note 4	0.05%
3	KGI Securities Co., Ltd. and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	393,854	Note 4	0.05%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	\$ 829,941	Note 4	0.10%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Restricted assets	829,941	Note 4	0.10%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	177,650	Note 4	0.02%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Other financial assets	177,650	Note 4	0.02%
2	KGI Bank Co., Ltd.	KGI Securities Co., Ltd.	3	Deposit and remittances	1,531,123	Note 4	0.18%
3	KGI Securities Co., Ltd.	KGI Bank Co., Ltd.	3	Other assets	1,531,123	Note 4	0.18%
4	CDIB Capital Investment II Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	262,678	Note 4	0.03%
2	KGI Bank Co., Ltd.	CDIB Capital Investment II Limited	3	Deposit and remittances	262,678	Note 4	0.03%
5	CDIB Global Markets I Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,535,685	Note 4	0.18%
2	KGI Bank Co., Ltd.	CDIB Global Markets I Limited	3	Deposit and remittances	1,535,685	Note 4	0.18%
6	CDIB Global Markets II Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	2,008,265	Note 4	0.23%
2	KGI Bank Co., Ltd.	CDIB Global Markets II Limited	3	Deposit and remittances	2,008,265	Note 4	0.23%
7	CDIB Venture Capital Corp.	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,688,230	Note 4	0.19%
2	KGI Bank Co., Ltd.	CDIB Venture Capital Corp.	3	Deposit and remittances	1,688,230	Note 4	0.19%
8	CDIB Capital Investment I Limited and its subsidiaries	KGI Bank Co., Ltd.	3	Cash and cash equivalents	3,598,266	Note 4	0.42%
2	KGI Bank Co., Ltd.	CDIB Capital Investment I Limited and its subsidiaries	3	Deposit and remittances	3,598,266	Note 4	0.42%
9	CDIB Global Markets III Limited	KGI Bank Co., Ltd.	3	Cash and cash equivalents	1,116,143	Note 4	0.13%
2	KGI Bank Co., Ltd.	CDIB Global Markets III Limited	3	Deposit and remittances	1,116,143	Note 4	0.13%
10	CDIB Capital International Corporation	KGI Bank Co., Ltd.	3	Cash and cash equivalents	398,268	Note 4	0.05%
2	KGI Bank Co., Ltd.	CDIB Capital International Corporation	3	Deposit and remittances	398,268	Note 4	0.05%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Content of Transaction (Note 5)			
				Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
3	KGI Securities Co., Ltd.	KGI Asia Limited	3	Receivables, net	\$ 186,802	Note 4	0.02%
11	KGI Asia Limited	KGI Securities Co., Ltd.	3	Payables	186,802	Note 4	0.02%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	549,701	Note 4	0.06%
12	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Customers' equity accounts - futures	549,701	Note 4	0.06%
3	KGI Securities Co., Ltd.	KGI Ong Capital Pte. Ltd.	3	Financial assets at fair value through profit or loss	116,023	Note 4	0.01%
13	KGI Ong Capital Pte. Ltd.	KGI Securities Co., Ltd.	3	Customers' equity accounts - futures	116,023	Note 4	0.01%
14	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	3,707,818	Note 4	0.43%
15	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	3,707,818	Note 4	0.43%
12	KGI Futures Co., Ltd.	KGI Ong Capital Pte. Ltd.	3	Other financial assets	2,743,025	Note 4	0.32%
13	KGI Ong Capital Pte. Ltd.	KGI Futures Co., Ltd.	3	Customers' equity accounts - futures	2,743,025	Note 4	0.32%
16	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenue	259,778	Note 4	0.85%
10	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Other operating and administrative expenses	259,778	Note 4	0.85%
6	CDIB Global Markets II Limited	CDIB Capital International Corporation	3	Other operating and administrative expenses	120,692	Note 4	0.40%
10	CDIB Capital International Corporation	CDIB Global Markets II Limited	3	Consulting service revenue	120,692	Note 4	0.40%
3	KGI Securities Co., Ltd.	KGI Futures Co., Ltd.	3	Service fee and commission, net	285,825	Note 4	0.94%
12	KGI Futures Co., Ltd.	KGI Securities Co., Ltd.	3	Service fee and commission, net	285,825	Note 4	0.94%
3	KGI Securities Co., Ltd.	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit and gain - others	210,256	Note 4	0.69%
17	KGI Insurance Brokers Co., Ltd.	KGI Securities Co., Ltd.	3	Net other noninterest profit and gain - others	210,256	Note 4	0.69%
3	KGI Securities Co., Ltd.	KGI Securities Investment Advisory Co., Ltd.	3	Other operating and administrative expenses	178,571	Note 4	0.59%
18	KGI Securities Investment Advisory Co., Ltd.	KGI Securities Co., Ltd.	3	Net other noninterest profit and gain - others	178,571	Note 4	0.59%

(Continued)

Note 1: The consolidated entities are identified in the No. column as follows: Parent company - 0; subsidiaries - numbered from 1 by company.

Note 2: Transaction flows are as follows: (1) from parent to subsidiary; (2) from subsidiary to parent; and (3) between subsidiaries.

Note 3: The ratio is calculated as follows: For asset and liability accounts - Transaction amount in the ending period/Total consolidated assets; for income and expense accounts - Transaction amount in the midterm/Total consolidated net profit.

Note 4: The transaction criteria for related parties are similar to those for third parties.

Note 5: Transactions each amounted to at least NT\$100 million.

(Concluded)

**TABLE 13-1**

**BALANCE SHEETS**  
**DECEMBER 31, 2015**  
**(Expressed in U.S. Dollars)**

	<b>Richpoint Company Limited</b>	<b>KG Investments Holdings Limited</b>	<b>KGI International Holdings Limited</b>	<b>ANEW Holdings Limited</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ 511,049	\$ 32,867	\$ 12,453	\$ 159
Receivables, net	-	-	41,040,575	-
Other receivable - related parties	112,000,000	-	86,381,854	62,363,044
Other current assets	<u>134,530</u>	<u>-</u>	<u>1,483,992</u>	<u>-</u>
Total current assets	<u>112,645,579</u>	<u>32,867</u>	<u>128,918,874</u>	<u>62,363,203</u>
<b>NONCURRENT ASSETS</b>				
Financial assets measured at cost - noncurrent	2,277,912	-	-	-
Investments accounted for using the equity method	<u>402,801,890</u>	<u>567,473,387</u>	<u>515,788,906</u>	<u>-</u>
Total noncurrent assets	<u>405,079,802</u>	<u>567,473,387</u>	<u>515,788,906</u>	<u>-</u>
<b>TOTAL</b>	<u><b>\$ 517,725,381</b></u>	<u><b>\$ 567,506,254</b></u>	<u><b>\$ 644,707,780</b></u>	<u><b>\$ 62,363,203</b></u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ 45,600,000	\$ 112,000,000	\$ 37,500,000	\$ -
Commercial paper payable	-	-	100,191,025	-
Other payable	40,909	117,868	2,870,157	-
Other payable - related parties	<u>-</u>	<u>68,227,372</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>45,640,909</u>	<u>180,345,240</u>	<u>140,561,182</u>	<u>-</u>
Total liabilities	<u>45,640,909</u>	<u>180,345,240</u>	<u>140,561,182</u>	<u>-</u>
<b>EQUITY</b>				
Common stock	229,751,070	156,864,163	209,248,261	55,924,236
Capital reserve	840,290	46,366	54,631,073	-
Special reserve	-	9,759,135	387,913	-
Retained earnings	242,507,858	221,452,614	240,840,615	6,438,967
Other equity	<u>(1,014,746)</u>	<u>(961,264)</u>	<u>(961,264)</u>	<u>-</u>
Total equity	<u>472,084,472</u>	<u>387,161,014</u>	<u>504,146,598</u>	<u>62,363,203</u>
<b>TOTAL</b>	<u><b>\$ 517,725,381</b></u>	<u><b>\$ 567,506,254</b></u>	<u><b>\$ 644,707,780</b></u>	<u><b>\$ 62,363,203</b></u>



**TABLE 13-2**

**BALANCE SHEETS**  
**DECEMBER 31, 2015**  
**(Expressed in U.S. Dollars)**

---

<b>ASSETS</b>	<b>KG Investments Pacific Limited</b>	<b>KG Investments Asset Management (International) Limited</b>	<b>Pacific Glory Finance One Limited</b>	<b>KGI Limited</b>
<b>CURRENT ASSETS</b>				
Other receivable - related parties	\$ -	\$ -	\$ -	\$ -
Total current assets	-	-	-	-
<b>NONCURRENT ASSETS</b>				
Investments accounted for using the equity method	-	-	-	362,734,794
Total noncurrent assets	-	-	-	362,734,794
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,734,794</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Other payable - related parties	\$ -	\$ -	\$ -	\$ 81,599,325
Total liabilities	-	-	-	81,599,325
<b>EQUITY</b>				
Common stock	-	10,000	-	308,341,129
Accumulated deficit	-	(10,000)	-	(27,205,660)
Total equity	-	-	-	281,135,469
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,734,794</u>

**TABLE 13-3**

**BALANCE SHEETS**  
**DECEMBER 31, 2015**  
**(Expressed in U.S. Dollars)**

<b>ASSETS</b>	<b>Supersonic Services Inc.</b>	<b>KGI International Limited</b>	<b>Bauhinia 88 Ltd.</b>	<b>KGI Capital (Hong Kong) Limited</b>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ 500	\$ -	\$ -
Total current assets	-	500	-	-
<b>NONCURRENT ASSETS</b>				
Investments accounted for using the equity method	-	69,095,026	-	-
Total noncurrent assets	-	69,095,026	-	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ 69,095,526</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Other payable - related parties	\$ -	\$ 2,633,536	\$ -	\$ -
Total liabilities	-	2,633,536	-	-
<b>EQUITY</b>				
Common stock	100	77,863,147	2	2,579,048
Capital reserve	-	-	-	15,990
Accumulated deficit	(100)	(11,401,157)	(2)	(2,595,038)
Total equity	-	66,461,990	-	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ 69,095,526</u>	<u>\$ -</u>	<u>\$ -</u>

**TABLE 13-4**

**BALANCE SHEETS**  
**DECEMBER 31, 2015**  
**(Expressed in U.S. Dollars)**

	<b>KGI Global Asset Management Limited</b>	<b>Global Treasure Investments Limited</b>	<b>KGI Nominees Limited</b>	<b>KGI Hong Kong Limited</b>	<b>Bauhinia 8 Fund</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,236,919	\$ -
Prepayments	-	-	-	3,019,691	-
Other current assets	-	-	-	33,865	-
Total current assets	-	-	-	4,290,475	-
<b>NONCURRENT ASSETS</b>					
Property and equipment	-	-	-	4,609,870	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,900,345</u>	<u>\$ -</u>
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Other payable	\$ -	\$ -	\$ -	\$ 17,603,445	\$ -
Other payable - related parties	-	-	-	14,275,110	-
Total current liabilities	-	-	-	31,878,555	-
Total liabilities	-	-	-	31,878,555	-
<b>EQUITY</b>					
Common stock	-	-	-	15,000	-
Special reserve	-	-	-	28,469	-
Accumulated deficit	-	-	-	(23,021,679)	-
Total equity	-	-	-	(22,978,210)	-
<b>TOTAL</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,900,345</u>	<u>\$ -</u>

**TABLE 13-5**

**BALANCE SHEETS**  
**DECEMBER 31, 2015**  
**(Expressed in U.S. Dollars)**

	<b>KGI Nominees (Hong Kong) Limited</b>	<b>KGI Korea Limited</b>	<b>KGI Asia (Holdings) Pte Ltd.</b>	<b>Jubilant Dynasty Limited</b>
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	\$ -	\$ -	\$ 16,209	\$ -
Other receivable - related parties	<u>1</u>	<u>72,622</u>	<u>-</u>	<u>-</u>
Total current assets	<u>1</u>	<u>72,622</u>	<u>16,209</u>	<u>-</u>
<b>NONCURRENT ASSETS</b>				
Investments accounted for using the equity method	<u>-</u>	<u>-</u>	<u>192,838,531</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 1</u></u>	<u><u>\$ 72,622</u></u>	<u><u>\$ 192,854,740</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings	\$ -	\$ -	\$ 31,865,175	\$ -
Other payable	-	-	4,713,171	-
Other payable-related parties	<u>-</u>	<u>-</u>	<u>88,384,641</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>124,962,987</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>124,962,987</u>	<u>-</u>
<b>EQUITY</b>				
Common stock	1	10,000	72,100,736	-
Retained earnings (accumulated deficit)	-	62,622	(1,602,310)	-
Other equity	<u>-</u>	<u>-</u>	<u>(2,606,673)</u>	<u>-</u>
Total equity	<u>1</u>	<u>72,622</u>	<u>67,891,753</u>	<u>-</u>
<b>TOTAL</b>	<u><u>\$ 1</u></u>	<u><u>\$ 72,622</u></u>	<u><u>\$ 192,854,740</u></u>	<u><u>\$ -</u></u>

**TABLE 14-1**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In U.S. Dollars)**

	<b>Richpoint Company Limited</b>	<b>KG Investments Holdings Limited</b>	<b>KGI International Holdings Limited</b>	<b>ANEW Holdings Limited</b>
REVENUES				
Interest revenue	\$ -	\$ 8	\$ 2,189,422	\$ -
Total revenues	-	8	2,189,422	-
COSTS AND EXPENSES				
Financial cost	1,740,968	2,117,321	3,443,520	-
Other operating expenses	1,023,336	77,510	2,724,905	-
Total costs and expenses	2,764,304	2,194,831	6,168,425	-
LOSS FROM OPERATIONS	(2,764,304)	(2,194,823)	(3,979,003)	-
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	21,732,938	18,936,520	58,681,439	1,407,257
OTHER PROFITS (LOSSES)	143,871	(11,984)	(37,173,173)	-
NON-OPERATING REVENUE	21,876,809	18,924,536	21,508,266	1,407,257
NET PROFIT FOR THE YEAR	19,112,505	16,729,713	17,529,263	1,407,257
OTHER COMPREHENSIVE LOSS	(5,972,623)	(5,919,141)	(5,919,141)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ 13,139,882	\$ 10,810,572	\$ 11,610,122	\$ 1,407,257

**TABLE 14-2**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In U.S. Dollars)**

---

	<b>KG Investments Pacific Limited</b>	<b>KG Investments Asset Management (International) Limited</b>	<b>Pacific Glory Finance One Limited</b>	<b>KGI Limited</b>
REVENUES				
Losses on disposal of trading securities - dealing, net	\$ -	\$ -	\$ -	\$ (733,388)
Other operating revenue	<u>-</u>	<u>11,878,951</u>	<u>-</u>	<u>1,215,318</u>
Total revenues	<u>-</u>	<u>11,878,951</u>	<u>-</u>	<u>481,930</u>
COSTS AND EXPENSES				
Other operating expense	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total costs and expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
PROFIT FROM OPERATIONS	<u>-</u>	<u>11,878,951</u>	<u>-</u>	<u>481,930</u>
OTHER PROFITS (LOSSES)	<u>-</u>	<u>170,863</u>	<u>-</u>	<u>(951)</u>
NON-OPERATING REVENUE AND EXPENSE	<u>-</u>	<u>170,863</u>	<u>-</u>	<u>(951)</u>
NET PROFIT FOR THE YEAR	<u>-</u>	<u>12,049,814</u>	<u>-</u>	<u>480,979</u>
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ -</u>	<u>\$ 12,049,814</u>	<u>\$ -</u>	<u>\$ 480,979</u>

**TABLE 14-3**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In U.S. Dollars)**

---

	<b>Supersonic Services Inc.</b>	<b>KGI International Limited</b>	<b>Bauhinia 88 Ltd.</b>	<b>KGI Capital (Hong Kong) Limited</b>
REVENUES				
Other operating revenues and profits	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
COSTS AND EXPENSES				
Other operating expense	-	-	-	-
Total costs and expenses	-	-	-	-
PROFIT (LOSS) FROM OPERATIONS	-	-	-	-
OTHER REVENUE AND EXPENSE	-	(8,637,795)	-	66
NON-OPERATING REVENUE AND EXPENSE	-	(8,637,795)	-	66
NET PROFIT (LOSS) FOR THE YEAR	-	(8,637,795)	-	66
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ -	\$ (8,637,795)	\$ -	\$ 66

**TABLE 14-4**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In U.S. Dollars)**

	<b>KGI Nominees (Hong Kong) Limited</b>	<b>Global Treasure Investments Limited</b>	<b>KGI Nominees Limited</b>	<b>KGI Hong Kong Limited</b>	<b>Bauhinia 8 Fund</b>
REVENUES					
Interest revenue	\$ -	\$ -	\$ -	\$ 142	\$ -
Other income revenue	-	-	-	107,133,977	-
Total revenues	-	-	-	107,134,119	-
COSTS AND EXPENSES					
Employee benefits	-	-	-	83,454,551	-
Depreciation and amortization	-	-	-	1,899,571	-
Other operating expenses	-	594	-	19,446,365	689
Total costs and expenses	-	594	-	104,800,487	689
PROFIT (LOSS) FROM OPERATIONS	-	(594)	-	2,333,632	(689)
OTHER REVENUE AND EXPENSE	-	(9,261)	-	(400,214)	8,776
NON-OPERATING REVENUE AND EXPENSE	-	(9,261)	-	(400,214)	8,776
NET PROFIT (LOSS) FOR THE YEAR	-	(9,855)	-	1,933,418	8,087
OTHER COMPREHENSIVE INCOME	-	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ -	\$ (9,855)	\$ -	\$ 1,933,418	\$ 8,087



**TABLE 14-5**

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(In U.S. Dollars)**

	<b>KGI Global Asset Management Limited</b>	<b>KGI Korea Limited</b>	<b>KGI Asia (Holdings) Pte Ltd.</b>	<b>Jubilant Dynasty Limited</b>
REVENUES				
Interest revenue	\$ -	\$ -	\$ 189,062	\$ -
Other income revenue	-	-	478,827	-
Total revenues	-	-	667,889	-
COSTS AND EXPENSES				
Financial cost	-	-	329,030	-
Other operating expenses	-	-	631,207	-
Total costs and expenses	-	-	960,237	-
LOSS FROM OPERATIONS	-	-	(292,348)	-
OTHER REVENUE AND EXPENSE	-	(71)	(489,520)	-
NON-OPERATING REVENUE AND EXPENSE	-	(71)	(489,520)	-
NET LOSS FOR THE YEAR	-	(71)	(781,868)	-
OTHER COMPREHENSIVE INCOME (LOSS)	-	-	(1,832,112)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ -	\$ (71)	\$ (2,613,980)	\$ -

**6.5 Any financial distress experienced by the company or its affiliated enterprises and impact on the company's financial status, in the latest year up till the publication date of this annual report**

None

## VII. Review of Financial Conditions, Financial Performance, and Risk Management

### 7.1 Analysis of Financial Status

Unit: NT\$'000

Year Item	2015.12.31	2014.12.31	Difference	
			Amount	%
Cash and cash equivalents, Due from the central bank and call loans to banks	112,215,613	66,845,161	45,370,452	68
Financial assets at fair value through profit or loss	157,780,085	151,177,813	6,602,272	4
Available-for-sale financial assets	70,643,015	139,610,600	(68,967,585)	(49)
Securities purchased under resell agreements	52,622,253	32,871,543	19,750,710	60
Receivables, net	100,754,149	131,789,029	(31,034,880)	(24)
Current tax assets	990,101	720,044	270,057	38
Discount and loans, net	217,780,328	225,777,475	(7,997,147)	(4)
Held-to-maturity financial assets, net	402,564	18,790,000	(18,387,436)	(98)
Investment accounted for using the equity method, net	10,775,665	8,562,987	2,212,678	26
Restricted assets	29,776,730	24,425,207	5,351,523	22
Financial assets measured at cost	21,095,274	31,962,391	(10,867,117)	(34)
Other financial assets	38,773,821	41,792,876	(3,019,055)	(7)
Investment property, net	2,048,311	2,070,706	(22,395)	(1)
Property and equipment, net	14,717,160	14,393,809	323,351	2
Intangible assets, net	8,584,490	8,896,357	(311,867)	(4)
Deferred tax assets	5,561,925	5,834,810	(272,885)	(5)
Other assets, net	22,197,691	14,180,410	8,017,281	57
Total assets	866,719,175	919,701,218	(52,982,043)	(6)
Deposits from the central bank and banks	10,024,399	12,680,778	(2,656,379)	(21)
Financial liabilities at fair value through profit or loss	39,898,179	35,082,307	4,815,872	14
Derivative financial liabilities for hedging	0	20,659	(20,659)	(100)
Notes and bonds issued under repurchase agreements	119,611,868	132,826,606	(13,214,738)	(10)
Commercial paper payable, net	13,139,202	13,925,045	(785,843)	(6)
Payables	57,152,044	58,243,555	(1,091,511)	(2)
Current tax liabilities	911,029	1,994,883	(1,083,854)	(54)
Deposits and remittances	325,312,132	304,557,970	20,754,162	7
Bonds payable	28,618,692	34,660,984	(6,042,292)	(17)
Other borrowings	21,809,459	35,204,646	(13,395,187)	(38)
Provisions	1,419,454	1,215,264	204,190	17

Item \ Year	2015.12.31	2014.12.31	Difference	
			Amount	%
Principal received on structured notes	34,375,733	74,150,578	(39,774,845)	(54)
Customers' equity accounts-futures	30,698,500	23,754,390	6,944,110	29
Other financial liabilities	400,851	392,027	8,824	2
Deferred tax liabilities	1,460,166	1,423,785	36,381	3
Other liabilities	13,116,729	13,544,034	(427,305)	(3)
Total liabilities	697,948,437	743,677,511	(45,729,074)	(6)
Equity attributable to owners of parent				
Common stock	151,125,441	153,444,462	(2,319,021)	(2)
Capital surplus	654,803	590,923	63,880	11
Retained earnings	18,507,160	19,477,595	(970,435)	(5)
Other equity	(2,746,831)	(24,165)	(2,722,666)	(11,267)
Treasury shares	(2,376,747)	(3,298,709)	921,962	28
Non-controlling interests	3,606,912	5,833,601	(2,226,689)	(38)
Total equity	168,770,738	176,023,707	(7,252,969)	(4)

Analysis of changes in financial ratios:

1. The increase of cash and cash equivalents, due from the central bank and call loans to banks was due mainly to the increase of due from the central bank and call loans to banks as of December 31, 2015.
2. The decrease of available-for-sale financial assets was due mainly to the decrease of government bonds and corporate bonds as of December 31, 2015.
3. The increase of securities purchased under resell agreements was due mainly to better use of working capital.
4. The decrease of receivables, net was due mainly to the decrease of receivables on margin loans, refinancing margin and refinancing deposits receivable, and accounts receivable - forfeiting as of December 31, 2015.
5. The increase of current tax assets was due mainly to the increase of income tax refund receivable as of December 31, 2015.
6. The decrease of held-to-maturity financial assets, net was due mainly to the decrease of negotiable certificate of deposit issued by CBC as of December 31, 2015.
7. The increase of investments accounted for using the equity method, net was due mainly to the change of consolidated subsidiaries and the increase of the investments as of December 31, 2015.
8. The increase of restricted assets was due mainly to the increase of restricted demand deposits as of December 31, 2015.
9. The decrease of financial assets measured at cost was due mainly to the sale of investments.
10. The increase of other assets was due mainly to the increase of guarantee deposits paid, security borrowing deposits and collected for underwriting payment of shares as of December 31, 2015.
11. The decrease of deposits from the Central Bank and banks was due mainly to the decrease of call loans from banks as of December 31, 2015.
12. The decrease of derivative financial liabilities for hedging was due mainly to the expiration of derivative financial liabilities for hedging.
13. The decrease of current tax liabilities was due mainly to the decrease of taxes payable as of December 31, 2015.
14. The decrease of other borrowings was due mainly to the decrease of short-term borrowings and note issuance facility as of December 31, 2015.
15. The decrease of principal received on structured notes was due mainly to the decrease of the transactions of structured notes as of December 31, 2015.
16. The increase of customers' equity accounts-futures was due mainly to the increase of KGI Securities' customers' equity accounts-futures as of December 31, 2015.
17. The decrease of other equity was due mainly to the increase of unrealized losses on available-for-sale financial assets as of December 31, 2015.
18. The decrease of treasury shares was due mainly to the cancellation of treasury shares.
19. The decrease of non-controlling interests was due mainly to the change of consolidated entities.

## 7.2 Analysis of Financial Performance

Unit: NT\$'000

Item \ Year	2015	2014	Difference	
			Amount	%
Interest profit, net	9,107,813	8,412,263	695,550	8
Noninterest profits and gains, net				
Service fee, net	9,571,233	7,519,286	2,051,947	27
Gain on financial assets or liabilities measured at fair value through profit or loss, net	4,508,034	3,413,804	1,094,230	32
Realized gain on available-for-sale financial assets, net	3,769,306	6,420,698	(2,651,392)	(41)
Foreign exchange loss, net	(1,109,121)	(870,164)	(238,957)	27
Impairment loss on assets, net	(983,978)	(1,277,209)	293,231	(23)
Share of the profit of associates	439,558	486,371	(46,813)	(10)
Gain on financial assets measured at cost, net	2,462,248	2,498,617	(36,369)	(1)
Consulting service revenue	1,092,892	694,183	398,709	57
Others	1,664,537	1,324,138	340,399	26
Total net revenues	30,522,522	28,621,987	1,900,535	7
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	329,789	(13,707)	343,496	2,506
Operating expenses	(21,409,324)	(16,829,647)	(4,579,677)	27
Net profit before income tax	9,442,987	11,778,633	(2,335,646)	(20)
Income tax expense	(827,812)	(941,302)	113,490	12
Net profit for the year	8,615,175	10,837,331	(2,222,156)	(21)
<p>Analysis of changes in financial ratios:</p> <ol style="list-style-type: none"> <li>1. The increase of service fee, net was due mainly to the increase of brokerage fee revenues, net and agency fee revenues, net of 2015.</li> <li>2. Because the gains and losses of derivative instruments on currency exchange are recognized in gain (loss) on financial assets or liabilities measured at fair value through profit or loss and foreign exchange gain (loss), hence, when combine the two items, the net increase was due mainly to the increase of gains on derivative instruments.</li> <li>3. The decrease of realized gain on available-for-sale financial assets, net was due mainly to the decrease of gain on stock disposal of 2015.</li> <li>4. The decrease of impairment loss on assets, net was due mainly to the decrease of the recognition of the impairment loss of 2015.</li> <li>5. The increase of consulting service revenue was due mainly to the increase of the funds and the growth of the fund size of 2015.</li> <li>6. The increase of noninterest profits and gains-others was due mainly to the increase of gain on debt investments with no active market of 2015.</li> <li>7. The increase of operating expenses was due mainly to increment of six consolidated entities.</li> <li>8. The increase of reversal of allowance for bad debts and losses on guarantees, net was due mainly to KGI Bank became CDFH's subsidiary.</li> </ol>				

## 7.3 Analysis of Cash Flow

### 7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2015	2014	Variance (%)
Cash Flow Ratio (%)	(16.54)	(1.13)	(15.41)
Cash Flow Content Ratio (%)	(32.71)	(332.74)	300.03
Analysis of financial ratio change: The decrease of cash flow ratio was due mainly to the decrease of cash flows generated from operating activities of 2015. The increase of cash flow content ratio was due mainly to the increase of cash flows generated from investing activities of 2015.			

### 7.3.2 Improvement plan of Illiquidity

Not applicable.

### 7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$'000

Cash and Cash Equivalents, Beginning of Year	Estimated Net Cash Flow from Operating Activities	Estimated Net Cash Flow from Investment and Financing Activities	Estimated Cash Surplus (Deficit)	Remedy for cash deficits	
①	②	③	① + ② + ③	Investment Plans	Financing Plans
2,665,707	3,588,287	12,628,971	18,882,965	—	—
Cash flow analysis for the current year: 1. Operating activities: Net cash flow mainly generated from the dividend received from subsidiaries. 2. Investing activities: Net cash flow mainly generated from capital reserve is distributable as dividend shares by cash on investments accounted for using the equity method.					

Note: The finance of CDFH and the subsidiaries operates independently. Thus, the financial information of cash flow analysis for the coming year is not consolidated.

## 7.4 Major Capital Expenditure Items

None

## **7.5 Investment policies in the last year; describe any causes of profit or loss, improvement plans, and investment plans for the next year**

### **7.5.1 Investment policy in the most recent year**

The Company made no significant changes to its investment policy in the last year. It has been supporting the government's strategies while establishing itself as the most distinguished financial group among the world's Chinese-speaking population. The Company's investments have been aimed toward achieving long-term growth and stable returns.

### **7.5.2 Causes of profit and improvement plans**

The year 2015 began with promising prospects before slumping downhill. It was a year characterized by volatile markets movements, falling commodity prices, low inflationary pressure and low interest rate. The U.S. was the most resilient economy of all, with a consistently improving employment rate and real estate market. The Eurozone continued to exhibit low inflationary pressure and growth momentum that was somewhat unsatisfactory, forcing the European Central Bank to extend the duration of its QE measures. Growth of the Chinese economy had slowed down considerably as industries and economic structure underwent a series of transformation. Due to the weakened demand from all over the world, coupled with China's weakened growth and the rise of China's supply chain, economic growth in Taiwan in 2015 concluded at 0.85%, representing the worst performance since the global financial crisis. The Capital market was also affected: The TAIEX lost 10.41% in 2015 with a daily trading volume declined 2.5% YoY.

On May 1, 2015, the Company transferred corporate banking and treasury businesses from subsidiary - China Development Industrial Bank to KGI Bank. However, the follow up operation & staff integration and IT investment did increase the Company's operating costs, while uncertainties in the global financial market had also limited the company's market potentials to a certain extent. Nevertheless, performance of the three main business segments is improving. For commercial banking business segment, KGI Bank has become capable of offering full range of banking services and products after the business transfer with CDIB. As for corporate banking business, in addition to strengthen its customer relations with TSEC/TPEX listed companies and large corporations, it also focus on providing cash management and trade financing services to privately owned companies. For financial market operation, the bank strives to optimize asset allocation and focus on new products and marketing strategy developments. For consumer banking, KGI Bank continues to explore new business opportunities in both personal loan and mortgage markets. Moreover, with the introduction of structured products and new training plans,

the bank now is capable of delivering professional asset management and wealth management solutions to customers' satisfaction. For securities business segment, the slowing economic momentum worldwide coupled with the poor performance of the global capital market and declining trading volume of Taiwan's stock market had all presented challenges to the securities business. However, KGI Securities still managed to lead the market and increase profit contribution through resources integration across regions, undertaking sophisticated trading strategies and the underwriting of international bonds. For venture capital business segment, poor performance in local and foreign stock markets undermined returns of investments that the bank invested in. Nevertheless, the contributions from the investment in biotech/healthcare sector and co-investments with international private equity funds enable CDIB to deliver positive return overall. Moreover, CDIB has made prominent progress in fund management as well. In 2015, CDIB's asset under management (AUM) grew more than 70% than a year before.

In 2016, we expect an overall weak global economy except U.S. Taiwan export performance and industrial structure upgrading are still facing challenge as impacted by weak global economy and the depreciation race among global currencies. As for domestic demand, thanks to the interest rate cut and economy recovery plan by the Government, public spending shall be stimulated and investment environment expected to improve. Therefore, the overall economic performance of 2015 shall be better than 2014. In light of the rapidly changing circumstances, the Company will focus on optimizing products, services and customer relationship management in commercial banking business, and try to utilize digital platforms and cross-selling to increase revenue contributions from wealth management and distribution of treasury products. For the securities business, the Company will aim to maintain its market competitiveness, explore overseas opportunities, optimize capital allocation, increase fee revenues, and diversify trading gains for better earnings stability. Last but not least, for the venture capital business, the Company aims to increase its asset management scales and transform into an asset manager. It will continue on monetizing its asset by progressively reducing its principal investment and injecting capital into other business within the group to support the long term business plan of the Company.

### **7.5.3 Investment plans for the coming year**

The Company will continue identifying investment/merger/acquisition prospects that can further expand businesses for KGI Bank and KGI Securities. When the timing is right, decisions will be made in accordance with laws and policies.

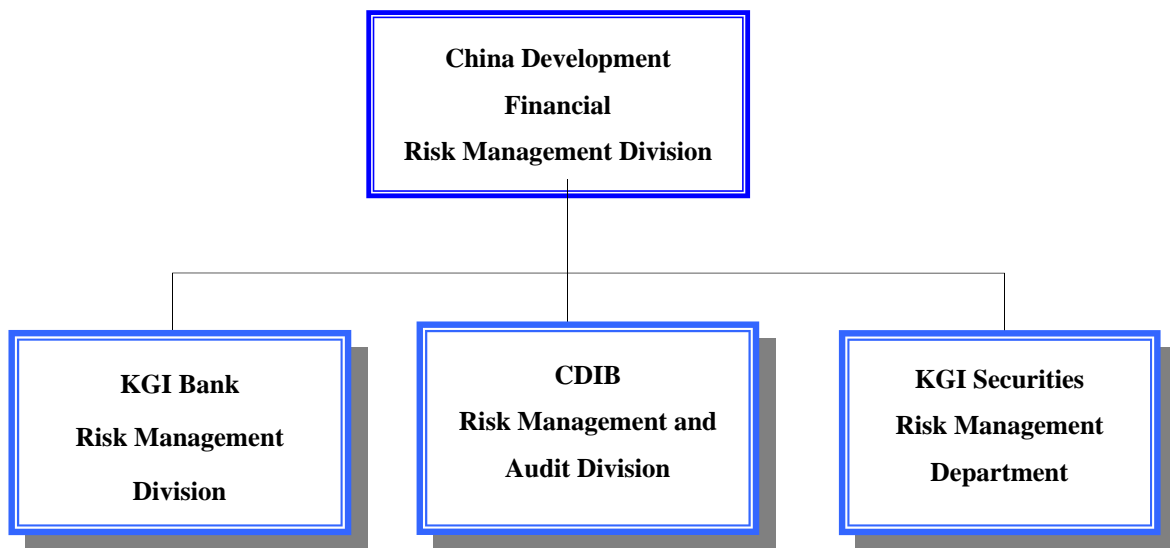


## **7.6 Evaluation of risk management practices, on a consolidated basis, for the last year up till the publication date of this annual report**

### **7.6.1 Risk management framework and policies of the financial holding company and its subsidiaries**

#### **A. Risk management framework**

The Company has a set of defined authorities in place to manage risks. Below is a description of the Company's risk management framework:



To ensure independent and adequate management of risk exposures, the Company has created a Risk Management Division that is responsible for the establishment and execution of risk management systems, policies and practices throughout the financial group.

All main subsidiaries are required to establish their own Risk Management Divisions, whether in the manner stated in law or customized according to their business nature. These Risk Management Divisions are responsible for the establishment and execution of risk management systems, policies and practices for the respective subsidiaries, depending on the characteristics of their business activities. The Company and its main subsidiaries have each assembled their own Risk Management Committee to monitor risk exposure. Together, they contribute to the proper functioning of the group's risk management system.

#### **● China Development Financial**

"Risk Management Division" - Responsible for the planning, execution and maintenance of the Company's risk management policies, while supervising subsidiaries to ensure their compliance to the Company's risk management system as well as existence of effective risk management practices.

- **CDIB**

"Risk Management and Audit Division" - Responsible for the establishment and execution of risk management policies and systems, implementation of risk monitoring and reporting practices, control of trade risks, regular review of the risk management system, and credit assessment/industry risk assessment for direct investment projects.

- **KGI Bank**

"Risk Management Division" - Responsible for the establishment and execution of risk management policies and systems, implementation of risk monitoring and reporting practices, control of trade risks, and regular review of the risk management system.

- **KGI Securities**

"Risk Management Department" - Responsible to the establishment and execution of risk management policies and practices, allocation of capital and resources, control of trade risks, regular review of the risk management system, procedures and adequacy, while ensuring the consistency of risk limits and policies and the effectiveness of risk management efforts.

## **B. Risk management policy**

The Company follows world's latest trends and combines business management with risk management to create a business strategy and corporate culture that values risk management. Its business strategies are formulated based upon quantitative and qualitative risk measurements. The Company maintains its risk management policies in reference to international standards (i.e. Basel Capital Accord), regulations and business development strategies.

These policies are further adopted by subsidiaries depending on their distinctive business size, business characteristics, management requirements, risk attributes, and sources of market/credit/operational risks.

### **7.6.2 Methods adopted by the financial holding company and its subsidiaries for the assessment and control of risks, and disclosure of quantified risk exposures**

#### **A. General disclosure**

##### **(1) Strategies and procedures**

The Company and subsidiaries adopt different risk management procedures based on applicable regulations and their respective risk management policies and business strategies.

##### **(2) Risk management organization and framework**

The Company's risk management organization comprises of the board of directors, the executive management, the Risk Management Committee (and sub-committees thereof) and three lines of defense.

First line of defense: The business/trading/operational teams are the means through which the Company generates income and where all sources of all risks arise. They represent the first line of defense to the Company's risk management efforts. These teams are bound by strict rules to conduct risk assessment prior to business engagements and follow-up tracking after business is completed.

Second line of defense: The risk management team is responsible for the planning, execution and maintenance of the Company's risk management policies, while monitoring the effectiveness of the overall risk management system.

Third line of defense: The audit team is responsible for ensuring proper creation and compliance of the risk management system, models, and procedures.

### (3) Scope and features of the risk reporting/assessment system

The market risk report covers details such as trading position, gains/losses, limit utilization, stress test, portfolio risks, and occurrence of any exceptional events. The credit risk report covers details such as credit quality analysis, limit utilization, portfolio assessment, stress test, and occurrence of any major credit risk event. The operational risk report covers details such as event exposures, distribution of business activities/risk events, individual case descriptions, and any issues concerning operational risks.

Factors analyzed by the market risk assessment system should cover all market risks associated with the bank's trading positions, including interest rates, exchange rates, securities/derivative prices, and volatility of options instruments relating to the above. The credit risk assessment system has been developed based on characteristics of the Company's business activities. It takes into consideration both quantitative and qualitative risk factors. The Company adopts the basic indicator approach to evaluate the level of capital needed to cover operational risks. It has also developed a risk control self-assessment (RCSA) system, an event reporting system, and a risk indicator control system to manage operational risks.

### (4) Market risk avoidance or mitigation policies, and strategies and procedures undertaken for monitoring the effectiveness of risk mitigation tools

Market risk exposures and hedging positions are managed using Risk Manager. The system takes into account correlations and risk mitigation effects when calculating portfolio VaR, and is capable of calculating VaR for subsidiaries on a standalone basis and for the financial group on a consolidated basis. It enables quantitative market risk management model to be consistently applied throughout the financial group. Uses of

credit risk mitigation tools mostly involve obtaining additional collaterals. Collaterals that are placed in the form of liquid securities are valued at market price, whereas other types of collaterals are valued regularly by professional reviewers. Stringent procedures have been taken to ensure the adequacy of risk mitigation tools. Should customer exhibit any sign of deterioration in credibility, the Company would escalate its review and tracking efforts, and take necessary actions such as demanding early repayment or additional collaterals. Customers who are given unfavorable internal credit ratings and present revenue opportunities that do not compensate their risk profiles will be avoided business involvements. The credit limit of all counterparty is assigned by their ratings. In addition, limits are imposed both on a single-party basis and across all counterparties of the same credit rating for better control of settlement risks. The Company manages operational risks in one of four ways: acceptance, avoidance, transfer/mitigation, or control, depending on the frequency and impact of each operational risk event. Prior to launching new services or financial products, the Company would identify risks and evaluate the procedures involved, and address them through internal discussions. Furthermore, by utilizing risk controls and self-evaluation practices, the Company is able to assess residual risks on a regular basis and continue to make sure that its risk control solutions remain effective.

## **B. Approaches undertaken by subsidiaries to manage and quantify risk exposures**

### **(1) KGI Bank**

#### **Market risk**

For each type of financial instrument, the Company sets limits on notional principal and VaR exposures based on budgeted earnings and business plans for the year. These limits are subject to approval by the board of directors (whereas sensitivity limits and stop-loss limits are subject to additional reviews by the Asset and Liabilities Committee) and will be used to guide operations of the Treasury Division. The Settlement Department is responsible for assessing gains and losses of holding positions on a daily basis, whereas the Risk Management Division is responsible for the daily monitoring of VaR and regular stress testing of outstanding positions to avoid exposure to excessive price risks. All above information is regularly reported to senior management and the Risk Management Committee.

The market risk management report covers changes of risk exposure in the trading book and the banking book. The types of measurements used include the notional position, fair value, sensitivity indicators, and VaR.

### Credit risk

The bank has a set of standard procedures on credit risk identification, measurement; disclosure and reporting that apply consistently throughout the bank. These procedures cover every step of the credit process from customers' prerequisites, credit assessment, credit approval, exceptional approval, risk monitoring, credit review, non-performing loan management, to documentation.

The bank has been actively developing its quantitative risk assessment model to evaluate customers' default risks and for several other uses such customer selection, risk-based pricing and limit management. The model incorporates the use of both internal and external credit ratings to establish credibility of borrowers, financial counterparties and securities. The methodology and technology that the bank adopts to develop internal ratings are similar to those used by internal credit rating agencies. Apart from internal ratings, the bank also applies high frequency monitoring to reflect customers' credit status, thereby allowing timely adjustment of risk limits and response to risks of potential losses.

The Risk Management Division makes regular portfolio risk reports to the Business Risk Committee, the Risk Management Committee, and the board of directors. The report aims to monitor changes in asset quality by tracking credit risk indicators such as portfolio risk composition, non-performing loan ratios, loan loss ratios, etc. In addition, credit risk capital assessments and stress testing are also conducted on a regular basis.

### Operational risk

For effective management of operational risks, the bank has robust internal control systems and standardized procedures in place to guide regular business activities. Meanwhile, verifications and systematic controls have been established at various control points. These verification measures and systematic controls are constantly reviewed through self-assessments, internal audits, and risk analyses to ensure that they remain effective. In addition, the bank has created emergency response plans and off-site backups in accordance with government policies to react and control possible losses, and ensure business sustainability in the event of a major accident.

Each department has been trained to report operational risk events and losses, as defined in the new Basel Capital Accord, in accordance with the bank's policies, which therefore provides the bank with a full picture of the operational risk event as well as the adequacy of existing procedures, systems and training that can be further evaluated, analyzed, controlled and improved upon. The bank has made a full-scale implementation of key risk indicators (KRI), which are monitored and analyzed on a regular basis.

### Liquidity risk

In addition to making regular assessments and reports of liquidity to the authority, the bank also keeps track of changes in liquidity ratios and evaluates the stability of various funding sources to anticipate liquidity positions. These assessments help the bank adjust its asset allocation or funding strategies.

## (2) KGI Securities

### Market risk

KGI Securities has implemented market risk management policies, product guidelines, and followed the Company's risk appetite to allocate market risk (economic) capital. Market risk limits have been established and are monitored on a daily basis to keep risks within controllable levels.

KGI Securities uses MSCI Risk Manager to achieve quantitative management of market risks. This system has the capability to take all of the Company's positions into calculation and produce daily analyses covering anything from equity risks, interest rate risks to exchange rate risks. The calculations are used to adjust parameters for various derivative models. Meanwhile, the Risk Management Department monitors market risk limits of individual business departments on a daily basis to ensure proper allocation of market risk capital.

To ensure the credibility of predictions made, the VaR model is regularly validated by the Risk Management Department through back testing exercises. In addition, the Risk Management Department performs stress testing and scenario analyses using a variety of scenarios to determine the Company's risk tolerance.

### Credit risk

The company applies different credit risk assessment methods depending on issuer's/counterparty's credit rating, transaction nature or the product type involved. Credit risk limits are set based on the company's credit risk capital, net worth, concentration of exposure among other factors. Credit standing of counterparties, holding positions and collaterals are reviewed on a regular basis; utilization of credit limits is reported regularly to the relevant departments and the senior management.

The company may convert external ratings into internal ratings when evaluating credit status of its counterparties or traded instruments. The company recognizes external ratings published by: TCRI, Taiwan Ratings, S&P, Moody, and Fitch; these ratings are converted to correspond to the company's internal ratings of 1 ~ 9. External ratings of counterparties and securities are constantly updated, with credit limits adjusted accordingly to reflect the change in credit.

The Risk Management Department applies for credit risk capital to the board of directors on a yearly basis. In addition to setting limits on expected losses for the entire company, individual grades, and individual subsidiaries the company also sets limits on counterparties' pre-settlement risks (PSR) and concentration in terms of country, industry, single counterparty, single group, high-risk industry, and high-risk groups. Through daily monitoring of credit risk exposures and changes in counterparty/security risks, the company is able to maintain control over the use of credit limits and hence manage credit risks.

### Operational risk

Each department within KGI Securities is responsible for managing operational risks. From authorization, process flow to execution, each department is required to comply with the principle of segregated duties and independence. Operational risk management covers a wide range of internal controls including data security, information maintenance, clearing and settlement, trade confirmation, report preparation, segregation/division of responsibilities, and related party transactions.

Any operational risks that arise in relation to a department's business activities are checked and controlled by the back office (e.g. the Settlement Department and IT Department). In addition, the Audit Department is responsible for ensuring that all practices conform to the company's procedural and control guidelines as well as external regulations.

All departments are required to comply with the company's "Exceptional Event Reporting Guidelines" in the occurrence of any exceptional events. Upon being notified, the Audit Department will evaluate the event and escalate it to the Chairman and President for more effective management of operational risk losses.

## (3) CDIB

### Market risk

CDIB had transferred all treasury businesses to KGI Bank on May 1, 2015. CDIB no longer engages in derivative trading. Its market risk exposures comprise entirely of foreign currency risks and equity securities risks; it has no exposure to interest rate risks, whereas its holding positions have greatly reduced from previous levels.

### Credit risk

CDIB had transferred all credit businesses to KGI Bank on May 1, 2015. CDIB currently does not engage in the lending business, and any credit risk exposure it has are unrelated to lending activities. CDIB's credit risk exposure comprises only of

issuer credit risk and counterparty credit risk; most of which are TWD and foreign currency deposits placed at peer banks (including multilateral development banks).

#### Operational risk

CDIB has operational risk management guidelines and policies in place to manage operational risks. The risk management system has been planned in such a way that enables segregation, independence and accountability of employees' duties, while making sure that audit trails can be verified in a feasible manner.

Operational risks are managed primarily using an RCSA system, an event reporting system, and a risk indicator control system. The RCSA system requires quantification of expected losses and chances of occurrence for every risk factor; the operational event reporting system requires calculation of financial as well as non-financial losses; whereas the risk indicator system also uses quantified information to monitor and activate alerts.

CDIB has been executing internal controls and audits in compliance with the authority's demands, and is constantly improving its foundation works to minimize operational risks.

#### Liquidity risk

CDIB has liquidity risk management guidelines and policies in place. It estimates future capital requirements and monitors liquidity using a variety of indicators. CDIB ensures liquidity by managing its liquidity gaps.



### **7.6.3 Financial impacts and responsive measures in the event of changes in local and foreign regulations**

- A. Under FSC Letter No. Jin-Guan-Yin-Fa-10400067600 dated May 4, 2015, "Interpretation to Article 45 of Financial Holding Company Act" was revised to permit use of blanket approval for the trading of "futures trust fund beneficiary certificates" (including "exchange-traded funds") issued by stakeholders.

The change of regulation had been communicated to relevant departments and effected in internal policies.

- B. Under FSC Letter No. Jin-Guan-Yin-Guo-10420001450 dated May 12, 2015; partial amendments were made to "Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries."

The change of regulation had been communicated to relevant departments and effected in internal policies.

- C. Under President order No. Hua-Zong-1-Yi-10400078391 dated June 24, 2015; Article 34-1 was added to the Banking Act while amendments were made to Article 131.

The change of regulation had been communicated to relevant departments.

- D. Under President order No. Hua-Zong-1-Yi-10400077141 dated July 1, 2015, amendments were made to Articles 20-1, 43-1, 43-3, 156 and 178 of the Securities and Exchange Act. Under President order No. Hua-Zong-1-Yi-10400077261 dated July 1, 2015, amendments were made to Article 155 of the Securities and Exchange Act.

The change of regulation had been communicated to relevant departments.

- E. Under FSC Letter No. Jin-Guan-Yin-Kong-10460003280 dated September 16, 2015, information service providers and financial technology service providers have been recognized as banking-related businesses.

The change of regulation had been communicated to relevant departments.

- F. Under President order No. Hua-Zong-1-Yi-10400114361 dated September 30, 2015, amendments were made to Article 53 of the Financial Holding Company Act.

The change of regulation had been communicated to relevant departments.

- G. Under President order No. Hua-Zong-1-Yi-10400143891 dated December 9, 2015, amendments were made to all 16 articles of The Financial Institutions Merger Act. The changes were effected from the announcement date.

The change of regulation had been communicated to relevant departments.

#### **7.6.4 Financial impacts and responsive measures in the event of technological or industrial changes**

**A. Adjust investment focus and diversify risks**

Participants of the electronic industry are migrating into China given the rising cost of production. With the absence of a strong brand, Taiwanese high-tech companies have no choice but to continue their low-margin OEM productions. Given the dwindling profitability of the electronic OEM industry, it is necessary for the Company to adjust its investment strategies that were previously focused on the electronics business. First of all, the Company will be limiting its involvement in the electronics industry to businesses characterized by break-through technological applications or those that are still in the phase of high growth, such as touch-interactive multimedia, Internet of things, and biotechnology. Secondly, petrochemical and steel industries of monopolistic advantage and healthcare, tourism, culture, creativity, and green energy businesses may also offer favorable prospects. Meanwhile, given the rapid growth of consumer spending in China and other emerging markets, both in terms of quantity and quality, the Company will also be devoting part of its focus to this area as it diversifies its concentration from the high-tech industry.

**B. Integrated services and innovation**

Given how new financial instruments have evolved over time, the Company will aim to explore new business opportunities by offering customized Total Solutions to customers, while at the same time develop new financial instruments and investment solutions to satisfy institutional customers' needs for diversity and hedging. These solutions will be complemented by foreign currency and derivative instruments to help customers control financial risks and lower business costs to a greater extent. Furthermore, the Company has also been introducing innovative features to mobile trading and Internet banking services, as online payment and cross-border banking services mature.

**C. Cross-strait opportunities and asset management**

Given the ongoing deregulations to cross-strait commerce, the Company will be leveraging on its venture capital and investment banking expertise to work with private equity funds around the world for the creation of world-class venture capital and private equity funds, and establish itself as a key Asian investment partner to global investment institutions. Furthermore, investment banking services including financial advisory and underwriting will also play a key part in the Company's future strategies, for which the Company will aim to integrate resources across subsidiaries and capitalize on cross-strait M&A opportunities by offering end-to-end financial advisory from initial investment to IPO. Meanwhile, the Company has been actively transforming towards asset management services. Through a series of fund raising programs, the Company will expand its venture capital and private equity services from Taiwan into China and Asia Pacific. This new service will transform the Company's businesses by adding value as well as management fee income, and ultimately establish its reputation of a world-class private equity fund manager in Asia Pacific.

#### **7.6.5 Impacts and responsive measures in the event of change in corporate image of the financial holding company and subsidiaries**

The Company adopts a robust internal control system as well as the use of spokesperson and acting spokesperson. Upon discovery of any media coverage that does not conform to the underlying truth and is likely to compromise the image of the Company or its subsidiaries, the Company will notify TWSE immediately to host a press conference and clarify the misreported facts. After the press conference, information will be updated to MOPS as required by law.

#### **7.6.6 Expected benefits, risks and responsive measures of planned mergers or acquisitions**

Expected benefits include: business diversity, comprehensive service to customers, exposure to broader markets and opportunities, cost reduction through scaled economy, full integration of resources, and improved competitiveness.

Mergers/acquisitions may be prone to a number of risks such as high costs, inaccurate financial information, different M&A practices and laws adopted in other parts of the world, obstacles in business integrations, and inability to realize the expected benefits. Responsive measures that can be taken to minimize risks and increase yields from an M&A project include: active control over price range, extensive research to the financial status of the acquired, understanding of local commercial practices and laws, and execution of necessary reforms, training and reorganization after the merger/acquisition is completed.

#### **7.6.7 Risks and responsive measures associated with concentration of business activities**

The Company is somewhat overweight on the manufacturing industry, particularly in the high-tech segment such as PC, communication, electronic components, optoelectronics and semiconductors. This concentration was largely due to the growth pattern of Taiwan's industries.

To reduce industry concentration, the Company has recently been growing its private equity fund services as means of cutting back investment of proprietary capital, while at the same time earning revenues in the form of fund management fees. Meanwhile, the Company has also been shifting its investment focus towards non-electronics such as: green energy, private spending, culture, creativity, and healthcare. In terms of regional allocation, the Company has been increasing its investment position in overseas locations and China, and is constantly exploring ways to diversify and avoid concentration in any particular industry or region.

Apart from venture capital investments, the Company also places great emphasis in growing commercial banking and securities services to reduce business concentration.

Furthermore, the Company uses single customer limits and customer limits to further reduce concentration of business activities.

**7.6.8 Impacts, risks and responsive measures following a major transfer of shareholding by directors, supervisors, or shareholders with more than 1% ownership interest**

The Company's shares are held by a diverse group of shareholders. No single shareholder owns any significant percentage of the Company, therefore no transfer of shareholding by any director or major shareholder with more than 1% ownership interest would result in any significant change in shareholding structure, and neither would the transaction pose any immediate impact or risk to the Company.

**7.6.9 Impacts, risks and responsive measures associated with a change of management**

The Company's management is fairly stable and is not prone to any significant changes.

**7.6.10 Litigation and non-contentious cases**

**Major litigations, non-contentious cases, or administrative litigations involving the financial holding company, its subsidiary or any director, supervisor, president, person-in-charge, or major shareholder with more than 1% ownership interest, whether concluded or pending judgment, that are likely to pose significant impacts to shareholders' equity or securities prices of the financial holding company. Disclose the nature of dispute, the amount involved, the date the litigation first started, the key parties involved, and progress as of the publication date of this annual report**

**A. China Development Financial Holding Corp**

During the 2009 annual general meeting held by Taiwan International Securities Corp. ("TISC"), being one of the Company's subsidiaries, TISC had omitted the Company's director/supervisor votes from the election and hence made a wrong announcement of the elected directors/supervisors. In an attempt to protect its interests, the Company filed a litigation in July 2009 to Taipei District Court, claiming that representatives appointed by the Company and CDIB Strategic Venture Fund Ltd. ("CDIB SVF," which was later merged into CDIB Venture Capital Corp. on November 1, 2015) should be the ones elected as directors/supervisors. On June 4, 2010, Taipei District Court ruled to acknowledge the Company's vote in the 2009 TISC annual general meeting, and recognized the Company's and CDIB SVF's representatives as elected directors/supervisors. Appeals were made to the district court decision, and on July 12, 2011, Taiwan High Court ruled to dismiss the Company's claims and appeals on the basis

that all shareholding in TISC had already been disposed and no further benefits would yield from the dispute. The high court's decision was reversed by the Supreme Court on July 19, 2012, and the case is currently being reviewed by Taiwan High Court.

**B. KGI Commercial Bank Co., Ltd. ("KGI Bank")**

On December 19, 2012, Chinatrust Commercial Bank and Shanghai Commercial & Savings Bank (collectively referred to as "Plaintiff") claimed that: the third charge (the "Disputed Charge") that Prince Motor Co., Ltd. ("Prince Motor") and Prince Investments Ltd. ("Prince Investments") had placed upon Dunnan Prince Building (the "Disputed Property," which was jointly owned between Prince Motor and Prince Investments) in September 2007, totaling NT\$ 1,950,000,000 in favor of KGI Bank, was made without reciprocal benefits and had been detrimental to the claims of other creditors. For this reason, the Plaintiff requested to revoke Prince Motor's and Prince Investments' charge to KGI Bank and to clear the Disputed Property of the Disputed Charge. Given the fact that the Disputed Property had already been entrusted to United Real Estate Management Co., Ltd. ("URMC") since January 2008, the Plaintiff further demanded to have KGI Bank return the NT\$ 1,786,318,000 received from the disposal of the Disputed Property back to URMC. On February 14, 2014, Taipei District Court ruled to revoke the Disputed Charge that Prince Motor and Prince Investments had placed in favor of KGI Bank, which make KGI Bank liable to pay NT\$ 1,786,318,000 to URMC. KGI Bank filed an appeal against the decision, and the case is currently being reviewed by Taiwan High Court.

**C. KGI Securities Co., Ltd. ("KGI Securities")**

On September 24, 2002, investor Huang brought 11,000,000 shares of Jen-Hsin Securities Co., Ltd. ("JHSC") to JHSC's stock affairs department in an attempt to have them transferred to a third party; but because of incomplete documentation, the transfer could not be completed and the shares were placed under temporary custody of the stock affairs department. These shares were later taken away by JHSC Vice President Yang, for which JHSC requested a court order on November 6, 2002, to have Yang surrender the shares. The request for court order turned into litigation as Yang protested. After acquiring JHSC, KGI Securities assumed the case and notified Huang to participate in litigation. On August 29, 2003, Taipei District Court ruled against the favor of KGI Securities (referred to as "Initial Decision" below), which KGI Securities accepted without appeal. Huang disagreed with the decision and filed a lawsuit in July 2004 against Yang and KGI Securities (as joint defendants) in an attempt to revert the Initial Decision and recover the misappropriated shares or NT\$ 90,379,000 plus statutory interest. On March 24, 2006, Taipei District Court ruled in favor of KGI Securities, which Huang disagreed and appealed to the decision. This case has been remanded by the Supreme Court and is

currently being reviewed by Taiwan High Court. In the meantime, Huang changed claims to have KGI Securities pay a sum of NT\$ 90,379,000 plus interests accruing from July 22, 2004, until September 21, 2009, on the basis that the Initial Decision was final and KGI Securities could no longer recover shares from Yang; also, an alternative claim for 2,000,000 shares of JHSC and a sum of NT\$ 73,946,000 plus statutory interest was made against Yang and KGI Securities. On October 16, 2014, the case was again remanded back to Taiwan High Court by the Supreme Court.

#### **D. China Development Industrial Bank ("CDIB")**

- (1) Following the prosecutor's investigation into the financial distress of Far Eastern Air Transport ("FAT") in February 2008, a total of 9 people including Hu, Tsui and Chen were indicted. Due to the fact that Hu had once been CDIB's director representative at FAT, FAT thus made a civil claim on top of its criminal claim and held Hu and CDIB jointly liable for compensating NT\$ 677,199,000 in damages plus statutory interest. FAT's criminal claims were concluded on September 28, 2012; during which Hu was ruled not guilty and the criminal court thus rejected FAT's civil claim against CDIB. FAT disagreed with the decision and requested the prosecutor to appeal to Hu's criminal judgment, while at the same time making a civil claim of NT\$ 660,000,000 plus statutory interest against CDIB. Taiwan High Court later ruled Hu not guilty on January 28, 2016, which once again resulted in the rejection of FAT's civil claim against CDIB.

Meanwhile, FAT filed another lawsuit in July 2013 against Yageo Corporation, Fontainebleau Co., Ltd., Yong Chun Co., Ltd. and CDIB, claiming that it was the defendants' lack of care while serving as directors/supervisors that resulted in the embezzlement of FAT's assets, for which the defendants were held liable to pay a compensation of NT\$ 100 million plus statutory interest. On December 30, 2014, Taipei District Court ruled against FAT's favor, which FAT appealed and the case is currently being reviewed by Taiwan High Court.

- (2) CDIB previously engaged Morgan Stanley in a USD\$ 275-million Stack 2006-1 CDO Superior Swap deal, which CDIB suspected Morgan Stanley of having been involved in miss-selling that resulted in the heavy losses endured by CDIB. CDIB had submitted its brief to the Supreme Court of the State of New York on July 15, 2010, and the case is currently undergoing legal proceedings.

#### **E. China Development Capital Management Consulting Co., Ltd. ("CDCMC")**

On November 12, 2013, CDCMC (previously known as "CDIB Private Equity Corp.") received a brief of complaint from Securities and Futures Investors Protection Center (SFIPC), claiming that Powercom Co., Ltd. ("PCM") had misstated or omitted

information in financial statements dated between 2009 first quarter and 2011 third quarter as a result of negligence by CDCMC's director representatives at PCM (two director representatives were appointed during this time). SFIPC then held CDCMC jointly responsible for PCM's release of false financial information that resulted in investors' losses, and thus made a claim of NT\$ 592,648,000 plus statutory interest against CDCMC, PCM and the two directors. The case is currently being reviewed by New Taipei District Court.

#### **7.6.11 Other key risks and responsive measures**

None

## **7.7 Risk Management and Response Mechanism**

In order to ensure the completeness, validity and reasonability of the risk management mechanism, CDF has established the “guideline for security maintenance” in accordance with the “Regulations Governing the Security Maintenance and Administration of Financial Institutions”, promulgated by the Financial Supervisory Commission, and with the relevant standards issued by the Bankers Association of the Republic of China. In comply with the abovementioned guideline, head of CDF’s Operations and Technology Department, as an appointed supervisor, shall coordinate and supervise all subsidiaries to establish and implement its own crisis response policy accordingly.

KGI Bank has taken similar measures, namely its "Operational Crisis Response Procedures and Emergency Response Procedural Guidelines". These procedures and guidelines have put in place crisis and disaster emergency response mechanisms in the form of an operational crisis response division and a disaster emergency task force division. To ensure disaster preparedness, KGI Bank conducts annual training drills on various disaster emergency scenarios and related operational risks to the company. The company’s goals are to ensure continued business operations, to minimize any potential losses to the bank and its clients, and to affect a rapid return to normality in the wake of an emergency event.

As for KGI Securities, its Disaster Recovery Action Plan guidelines stipulate that all offices operated by the company set up their own disaster and safety emergency management and recovery task forces to be prepared for emergency events, including natural and manmade disasters, with a view to protecting employees and local residents, safeguarding corporate assets and recovering a normalcy of operations in a timely manner.

Operations and Technology Department of CDIB is in charge of coordinating with all internal departments and overseas branches for the implementation of crisis/disaster management. The disaster management policy emphasizes on maintaining close ties with local communities in order to keep abreast of any change of circumstance in the local vicinity. It also keeps close contact with the local police precinct in order to support local patrol and inspection drills. These precautionary liaison measures ensure a swift, specific response to crisis/ disaster events, thereby enhancing damage control and helping avert further deterioration of a public security incident in the locale.

## **7.8 Other Major Events**

None

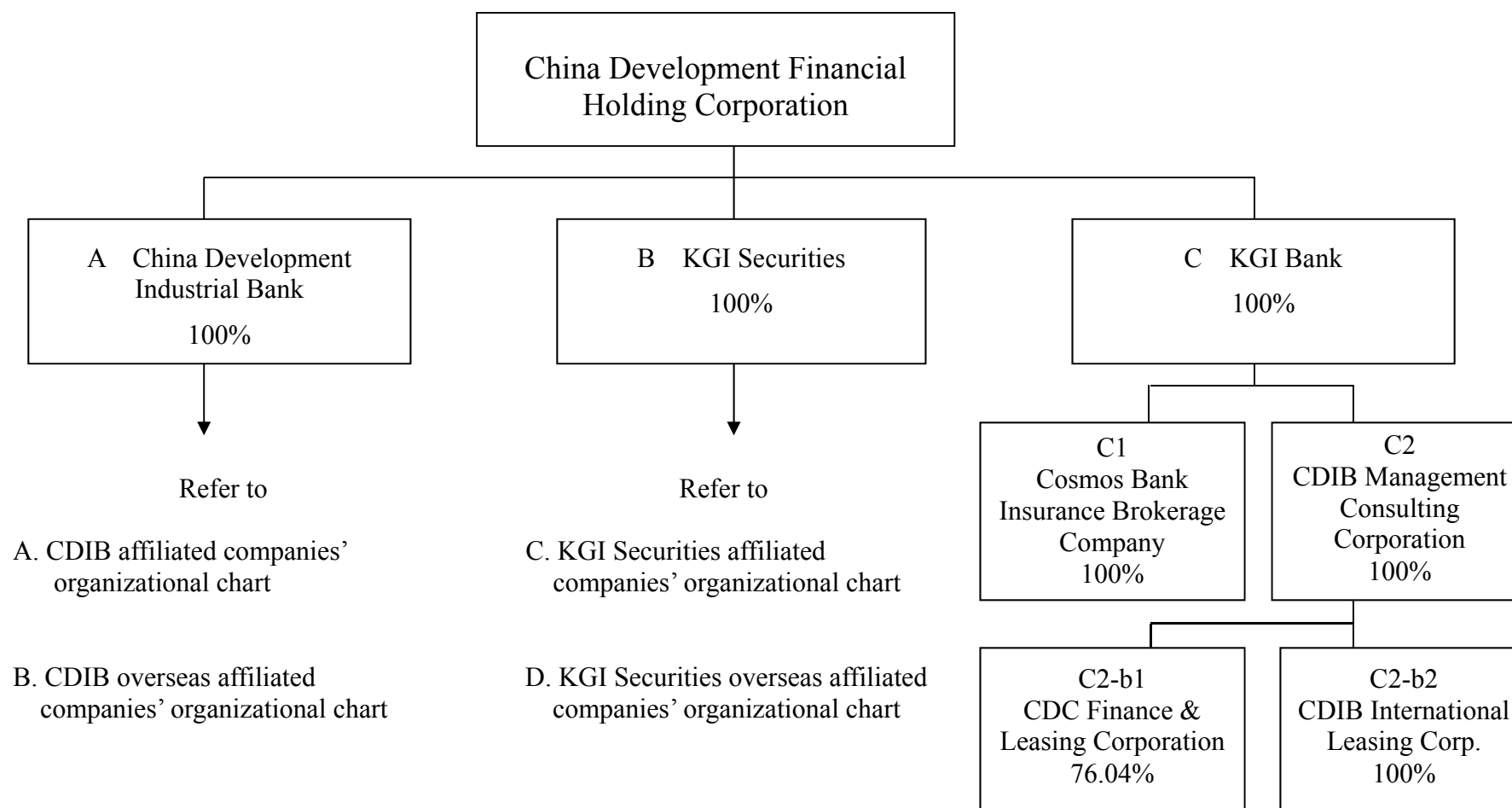


## VIII. Special Disclosure

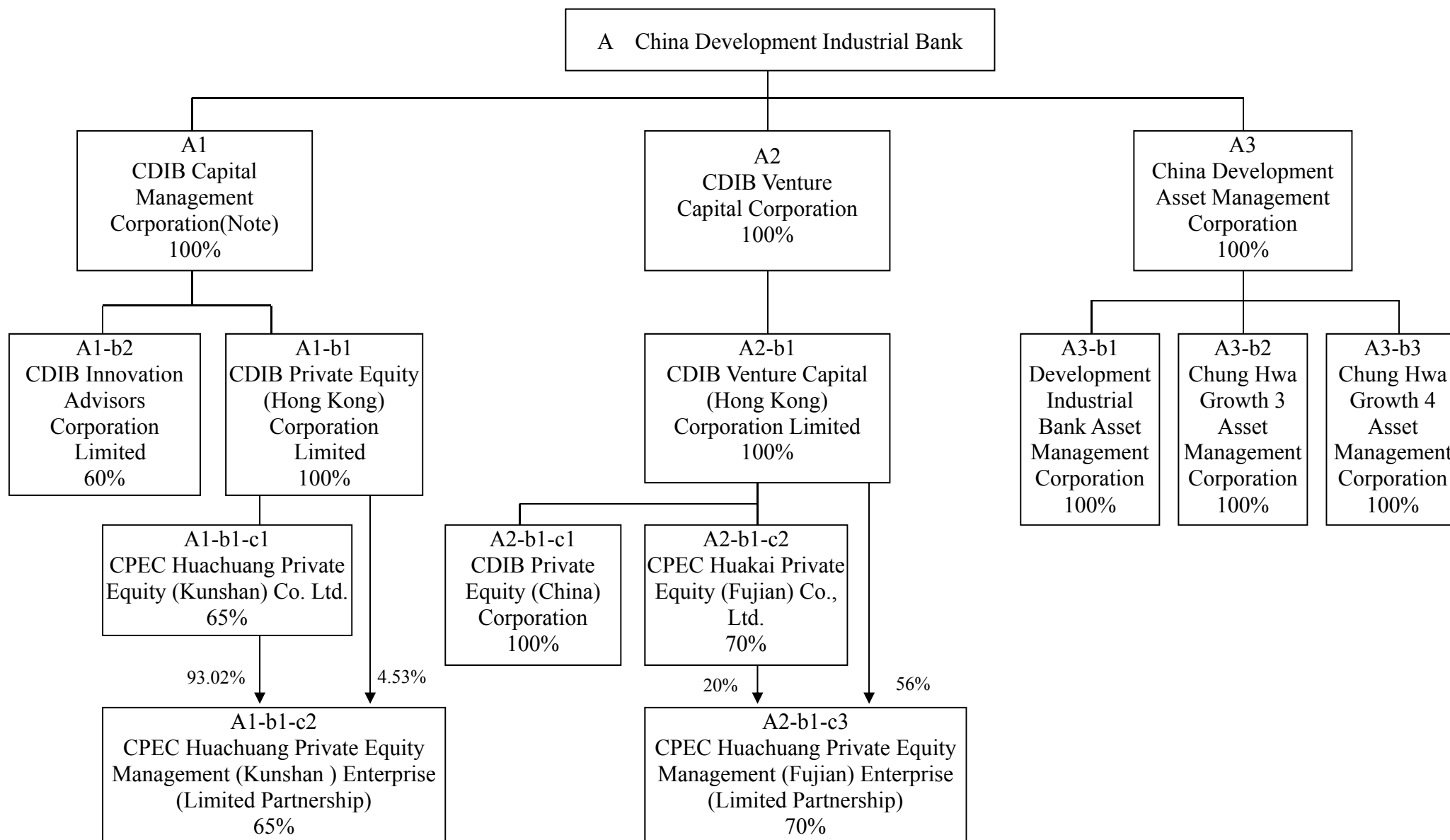
### 8.1 Summary of Affiliated Companies

#### 8.1.1 Organizational Chart

As of December 31, 2015

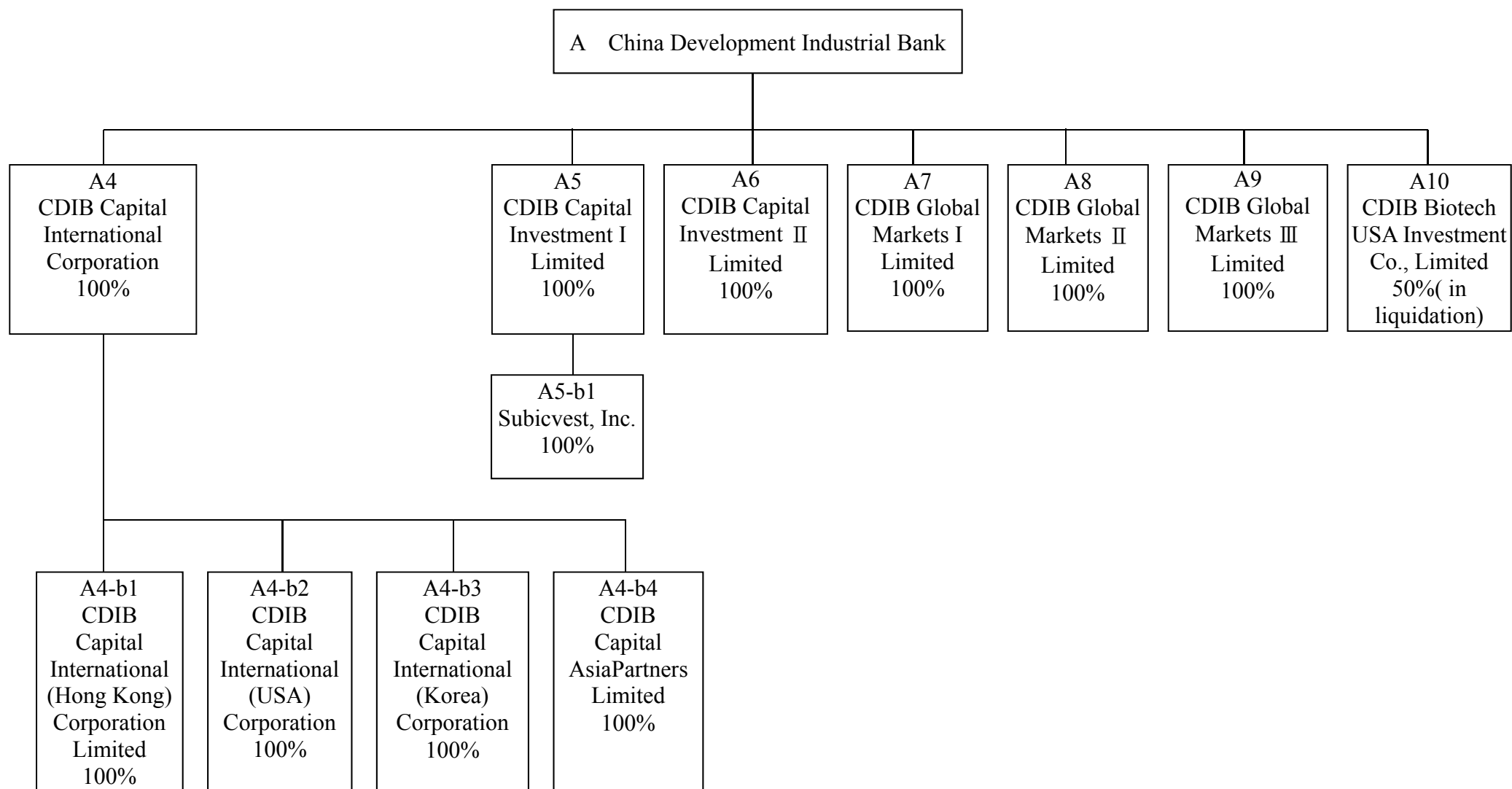


## A. CDIB affiliated companies' organizational chart

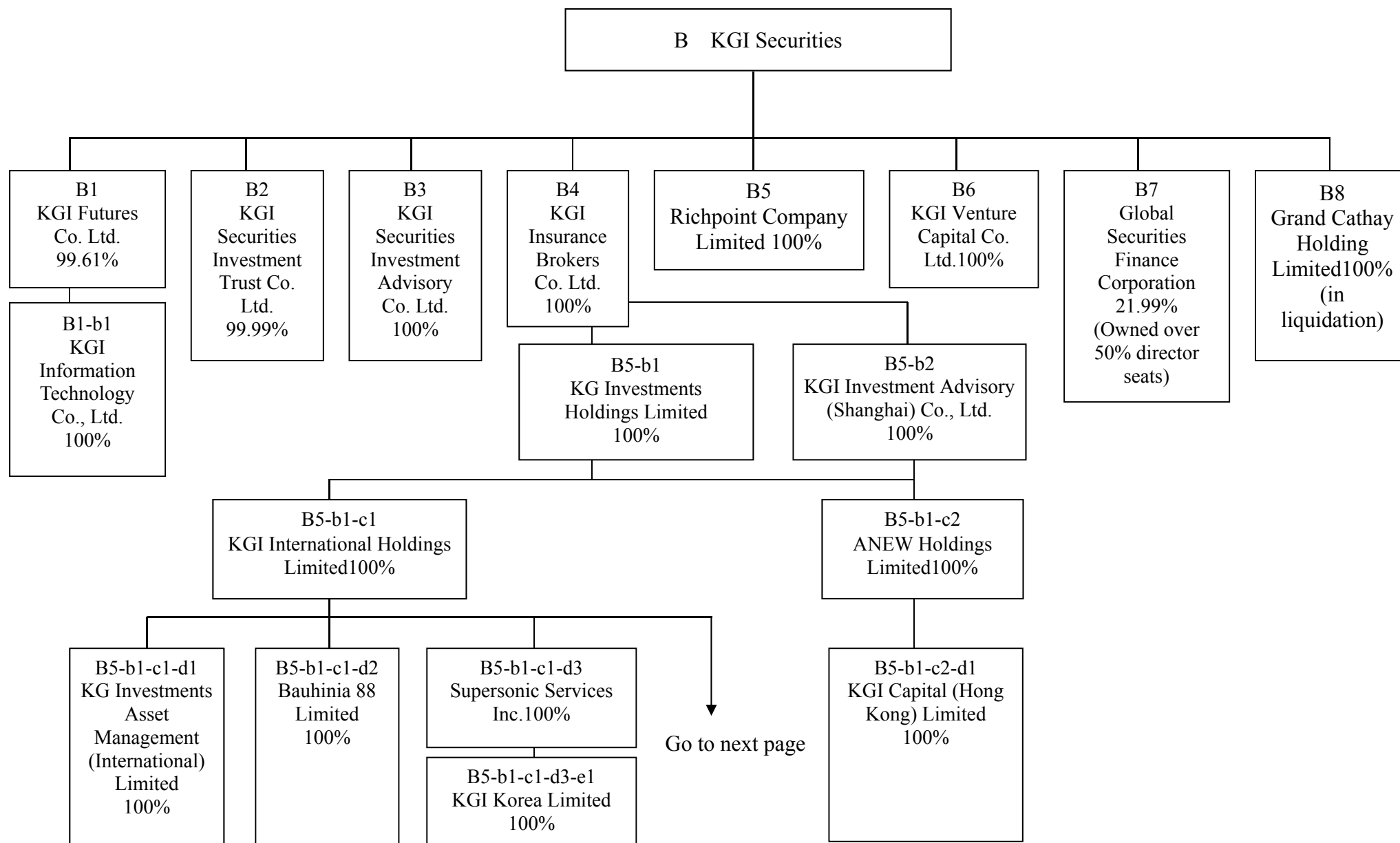


Note : Renamed from “CDIB Private Equity Corporation”

## B. CDIB overseas affiliated companies' organizational chart

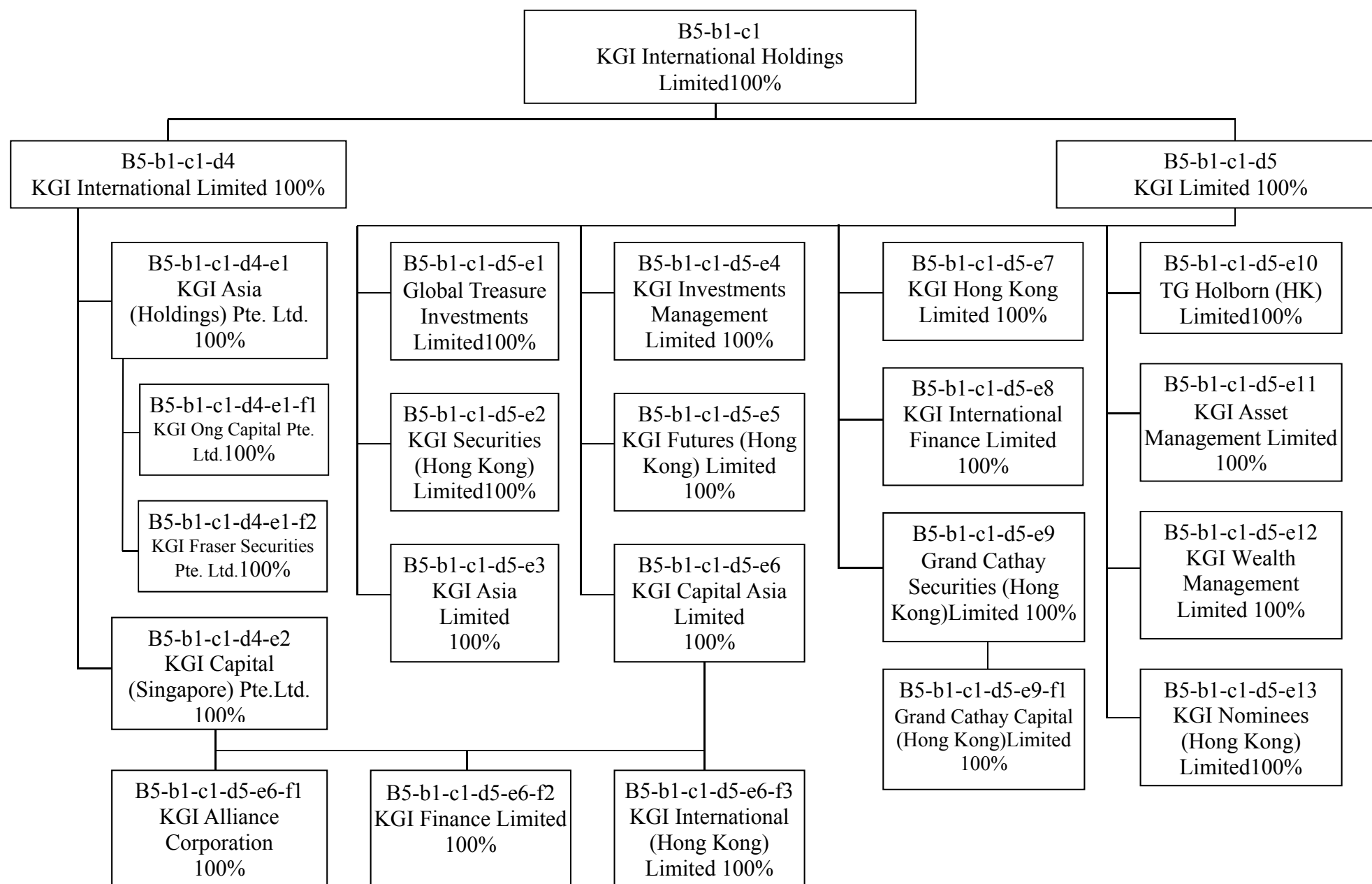


### C. KGI Securities affiliated companies' organizational chart



Go to next page

**D. KGI Securities overseas affiliated companies' organizational chart**



## 8.1.2 Backgrounds of affiliated enterprises

### ◎ China Development Financial Holding Corporation

December 31, 2015  
Unit : NT\$'000

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
A	China Development Industrial Bank	1959.05.14	No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	20,603,994	Industrial Bank	
B	KGI Securities	1988.09.14	No. 700, Mingshui Rd., Taipei City, Taiwan	37,988,123	Financial Services	
C	KGI Bank	1992.01.14	No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	46,061,623	Commercial Bank	

### ◎ China Development Industrial Bank

#### A. Domestic

December 31, 2015  
Unit : NT\$'000/US\$'000/HKD\$'000 /RMB\$'000(When otherwise stated)

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
A1	CDIB Capital Management Corporation	2001.01.03	No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	730,939	Management Consulting	Note <sup>1</sup>
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	2014.01.29	Suites 701-703, ICBC Tower, 3 Garden Rd., Central, Hong Kong	HKD 51,900	Equity Investment and Management Consulting	
A1-b1-c1	CPEC Huachuang Private Equity (Kunshan) Co. Ltd.	2014.07.04	Room 1201, No. 1228, Qianjin E. Rd., Kunshan, China	RMB 7,000	Fund management	
A1-b1-c2	CPEC Huachuang Private Equity Management (Kunshan ) Enterprise (Limited Partnership)	2014.11.03	Room 1202, No. 1228, Qianjin E. Rd., Kunshan, China	RMB 4,300	Management Consulting	
A1-b2	CDIB Innovation Advisors Corporation Limited	2015.12.10	11F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	20,000	Management Consulting	
A2	CDIB Venture Capital Corporation	2002.03.05	11F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	8,227,909	Venture Capital	
A2-b1	CDIB Venture Capital (Hong Kong)	2011.02.22	Suites 701-703, ICBC Tower, 3 Garden Rd.,	HKD 420,000	Management Consulting	Note <sup>2</sup>

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
	Corporation Limited		Central, Hong Kong			
A2-b1-c1	CDIB Private Equity (China) Corporation	2012.01.16	Room 1507A, 1508B, Park Place Office Tower, No. 1601, Nanjing W. Rd., Jingan Dist., Shanghai, China	USD 4,000	Management Consulting	
A2-b1-c2	CPEC Huakai Private Equity (Fujian) Co., Ltd.	2013.05.31	Pingtang county, Fujian Province, China	RMB 10,000	Fund Management	
A2-b1-c3	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	2013.07.05	Pingtang county, Fujian Province, China	RMB 12,000	Management Consulting	
A3	China Development Asset Management Corporation	2001.09.11	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	4,000,000	Financial Institution Creditor's Right(Money) Purchase & Management	
A3-b1	Development Industrial Bank Asset Management Corporation	2001.12.05	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	1,200,000	Financial Institution Creditor's Right(Money) Purchase & Management	Note <sup>3</sup>
A3-b2	Chung Hwa Growth 3 Asset Management Corporation	2003.11.05	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	3,000,000	Financial Institution Creditor's Right(Money) Purchase & Management	Note <sup>3</sup>
A3-b3	Chung Hwa Growth 4 Asset Management Corporation	2003.11.21	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	270,000	Financial Institution Creditor's Right(Money) Purchase & Management	Note <sup>3</sup>

Note1 : Renames from CDIB Private Equity Corporation

Note2 : Subsidiary of CDIB Venture Capital Corporation

Note3 : Subsidiaries of China Development Asset Management Corporation

## B. Overseas

December 31, 2015

Unit : US\$'000/PHP\$'000/HKD\$'000 /KRW\$'000(When otherwise stated)

No.	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
A4	CDIB Capital International Corporation	2009.05.11	Cayman Islands	USD 4,700	Venture Capital	
A4-b1	CDIB Capital International (Hong Kong) Corporation Limited	2009.06.15	Hong Kong	HKD 15,400	Venture Capital	Note <sup>1</sup>
A4-b2	CDIB Capital International (USA) Corporation	1997.07.15	California, USA	USD 0.8	Venture Capital	Note <sup>1</sup>
A4-b3	CDIB Capital International (Korea) Corporation	1997.12.29	Seoul, Korea	KRW 9,240,000	Venture Capital	Note <sup>1</sup>
A4-b4	CDIB Capital Asia Partners Limited	2014.03.21	Cayman Islands	USD 0.001	Fund Management	Note <sup>1</sup>
A5	CDIB Capital Investment I Limited	1996.12.27	British Virgin Islands	USD 132,800	Investment	
A5-b1	Subicvest, Inc.	1996.06.27	Philippines	PHP 2,000	Leasing	Note <sup>2</sup>
A6	CDIB Capital Investment II Limited	2002.09.03	British Virgin Islands	USD 80,000	Investment	
A7	CDIB Global Markets I Limited	2003.03.19	British Virgin Islands	USD 76,223	Investment	
A8	CDIB Global Markets II Limited	1999.07.06	Malaysia	USD 31,684	Investment	
A9	CDIB Global Markets III Limited	1996.09.25	British Virgin Islands	USD 75,452	Investment	
A10	CDIB Biotech USA Investment, Co., Limited	2000.10.04	British Virgin Islands	—	Investment	In Liquidation

Note1 : Subsidiaries of CDIB Capital International Corporation

Note2 : Subsidiary of CDIB Capital Investment I Limited



Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
B1	KGI Futures Co. Ltd.	1993.12.08	F6, F12-13, No. 2, Sec. 1, Chongqing S. Rd., Taipei City, Taiwan	860,800	Future
B1-b1	KGI Information Technology Co., Ltd.	2015.11.12	F12, No. 2, Sec. 1, Chongqing S. Rd., Taipei City, Taiwan	50,000	Management Consulting, Software Design, Data Processing and Digital Information Supply Services
B2	KGI Securities Investment Trust Co. Ltd.	2001.04.19	No. 698, Mingshui Rd., Taipei City, Taiwan	300,000	Securities Investment Trust, Discretionary Investment Business
B3	KGI Securities Investment Advisory Co. Ltd.	1996.12.19	1F, No. 700, Mingshui Rd., Taipei City, Taiwan	150,000	Securities Investment Advisory, Discretionary Investment Business
B4	KGI Insurance Brokers Co. Ltd.	2003.03.13	7F, No. 700, Mingshui Rd., Taipei City, Taiwan	3,000	Life / Property Insurance Brokerage
B5	Richpoint Company Limited	1996.10.18	British Virgin Islands	USD 229,751	Holding Company
B5-b1	KG Investments Holdings Limited	1996.11.05	Cayman Islands	USD 156,864	Holding Company
B5-b1-c1	KGI International Holdings Limited	2000.04.20	Cayman Islands	USD 209,248	Holding Company
B5-b1-c1-d1	KG Investments Asset Management (International) Limited	1996.12.23	British Virgin Islands	USD 10	Investment
B5-b1-c1-d2	Bauhinia 88 Ltd.	1997.06.18	Cayman Islands	USD 0.002	Holding Company
B5-b1-c1-d3	Supersonic Services Inc.	1999.03.29	British Virgin Islands	USD 0.1	Holding Company

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
B5-b1-c1-d3-e1	KGI Korea Limited	1999.12.20	Malaysia	USD 10	Holding Company
B5-b1-c1-d4	KGI International Limited	1997.03.24	British Virgin Islands	USD 77,863	Holding Company
B5-b1-c1-d4-e1	KGI Asia (Holdings) Pte. Ltd.	1997.09.25	Singapore	USD 72,101	Holding Company
B5-b1-c1-d4-e1-f1	KGI Ong Capital Pte. Ltd.	1984.10.10	Singapore	SGD 95,000	Future and Forex
B5-b1-c1-d4-e1-f2	KGI Fraser Securities Pte. Ltd.	1955.12.30	Singapore	SGD 137,528	Securities
B5-b1-c1-d4-e2	KGI Capital (Singapore) Pte. Ltd.	1998.11.24	Singapore	SGD 7,000	Future
B5-b1-c1-d5	KGI Limited	1997.03.24	British Virgin Islands	USD 308,341	Holding Company
B5-b1-c1-d5-e1	Global Treasure Investments Limited	1999.04.12	Hong Kong	HKD 0.002	Investment
B5-b1-c1-d5-e2	KGI Securities (Hong Kong) Limited	1996.10.01	Hong Kong	USD 11,500	Securities
B5-b1-c1-d5-e3	KGI Asia Limited	1996.10.01	Hong Kong	USD 95,000	Securities
B5-b1-c1-d5-e4	KGI Investments Management Limited	1986.03.04	Hong Kong	HKD 26,250	Insurance Brokerage
B5-b1-c1-d5-e5	KGI Futures (Hong Kong) Limited	1996.12.27	Hong Kong	USD 45,000	Future Brokerage, Clearing & Settlement
B5-b1-c1-d5-e6	KGI Capital Asia Limited	1993.06.23	Hong Kong	USD 117,963	Securities
B5-b1-c1-d5-e6-f1	KGI Alliance Corporation	1996.11.18	British Virgin Islands	USD 100	Investment
B5-b1-c1-d5-e6-f2	KGI Finance Limited	1996.10.01	Hong Kong	USD 42,914	Investment & Financing
B5-b1-c1-d5-e6-f3	KGI International (Hong Kong) Limited	1997.02.21	Hong Kong	USD 100,000	Derivative
B5-b1-c1-d5-e7	KGI Hong Kong Limited	1996.10.01	Hong Kong	USD 15	Management Consulting
B5-b1-c1-d5-e8	KGI International Finance Limited	2000.08.30	Hong Kong	USD 10,000	Investment & Financing

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
B5-b1-c1-d5-e9	Grand Cathay Securities (Hong Kong) Limited	1997.09.19	Hong Kong	HKD 487,252	Securities
B5-b1-c1-d5-e9-f1	Grand Cathay Capital (Hong Kong) Limited	2008.07.25	Hong Kong	HKD 287,663	Investment
B5-b1-c1-d5-e10	TG Holborn(HK) Limited	1995.11.09	Hong Kong	HKD 171	Insurance Brokerage
B5-b1-c1-d5-e11	KGI Asset Management Limited	1997.09.24	Hong Kong	HKD 5,000	Asset Management
B5-b1-c1-d5-e12	KGI Wealth Management Limited	1992.12.10	Hong Kong	HKD 113,450	Securities
B5-b1-c1-d5-e13	KGI Nominees (Hong Kong) Limited	1994.07.19	Hong Kong	HKD 0.003	Trust
B5-b1-c2	ANEW Holdings Limited	1996.11.06	British Virgin Islands	USD 55,924	Holding Company
B5-b1-c2-d1	KGI Capital (Hong Kong) Limited	2004.04.01	Hong Kong	HKD 20,000	Securities
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	2013.11.25	Shanghai, China	USD 2,000	Investment Advisory
B6	KGI Venture Capital Co. Ltd.	2012.11.26	7F, No. 700, Mingshui Rd., Taipei City, Taiwan	600,000	Venture Capital
B7	Global Securities Finance Corporation	1995.05.04	17F, No.54, Sec. 2. Keelung Rd., Taipei City, Taiwan	4,000,000	Securities Finance
B8	Grand Cathay Holding Limited (in liquidation)	1984.10.10	Singapore	—	Future and Forex

◎ **KGI Bank (Note)**

December 31, 2015  
Unit : NT\$'000

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
C1	Cosmos Bank Insurance Brokerage Company	2003.8.28	5F, No.188, Jingping Rd., Zhonghe Dist., New Taipei City, Taiwan	17,300	Life/Property Insurance Brokerage
C2	CDIB Management Consulting Corporation	2011.7.22	3F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	1,531,719	Management Consulting
C2-b1	CDC Finance & Leasing Corporation	1996.05.01	5-6F, No. 224, Sec.3, Nanjing E. Rd., Taipei City, Taiwan	767,048	Leasing
C2-b2	CDIB International Leasing Corp.	2012.03.27	12F, No. 1228, Qianjin E. Rd., Kunshan, China	USD 30,000	Leasing

### 8.1.3 Common Shareholders among Controlling and Controlled Entities

None

### 8.1.4 Backgrounds of directors, supervisors and presidents of affiliated enterprises: as of the publication date of annual report. Unit: shares;

#### ◎ China Development Financial Holding (CDFH)

December 31, 2015

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A	China Development Industrial Bank	Director / CDFH	Chia-Juch Chang David Chen Paul Yang Yung-Pang Hsu Frank Lee Chun-Huei Ho	2,060,399,410	100
		Independent Director	Ching-Yen Tsay Gilbert T.C. Bao Hue-Sun Teng		
		President	Paul Yang		
B	KGI Securities	Director / CDFH	Daw-Yi Hsu Albert Ding Chia-Juch Chang Chin-Lung Tseng Shirley Wang Julian Yen	3,798,812,320	100
		Independent Director	Len-Kuo Hu Cheng-Erh Lin James Tai		
		President	Albert Ding		
C	KGI Bank	Director / CDFH	Mark Wei Eddie Wang Richard Chang Long-I Liao Hsiao-Ling Shen	4,606,162,291	100
		Independent Director	Hsiou-Wei Lin Hsien-Lang Lin Wen-Yeu Wang		
		President	Richard Chang		

© China Development Industrial Bank (CDIB)

A. Domestic

December 31, 2015

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A1	CDIB Capital Management Corporation	Director / CDIB  Supervisor  President	David Chen Sherie Chiu Paul Yang Lawrence Liu Kathy Young Julian Yen Melanie Nan Frances Tsai Cathy Han Kathy Young	73,093,889	100
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	Director	David Chen Paul Yang Daw-Yi Hsu Kathy Young Jenny Chiang Frances Tsai Michael Chang	51,900,000	100
A1-b1-c1	CPEC Huachuang Private Equity (Kunshan) Co. Ltd.	Director / CDIB Private Equity (Hong Kong)	David Chen Daw-Yi Hsu Kathy Young	None	65
		Director / ADDOR Capital Management Co., Ltd.	Ying Wen Lu Dong Liang		35
		Supervisor / CDIB Private Equity (Hong Kong) President	Julian Yen Yen Lu		
A1-b1-c2	CPEC Huachuang Private Equity Management (Kunshan ) Enterprise (Limited Partnership)	None	None	None	93.02
A1-b2	CDIB Innovation Advisors Corporation Limited	Director / CDIB Capital Management Corporation  Director / Meet Digital Innovation Co., Ltd.  Supervisor President	Sherie Chiu Kathy Young Melanie Nan Huang-Tze Jan Shu-Lan Chen  Cathy Han Ryan Kuo	1,200,000	60

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A2	CDIB Venture Capital Corporation	Director / CDIB      Supervisor President	Lawrence Liu Paul Yang David Chen Eddy Chang Kathy Young Frances Tsai Wayne Lo Michael Chang Kathy Young	822,790,915	100
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	Director      President	David Chen Paul Yang Beatrice Chou Eddy Chang Kathy Young Lawrence Liu Frances Tsai Michael Chang Kathy Young	420,000,000	100
A2-b1-c1	CDIB Private Equity (China) Corporation	Director / CDIB Venture Capital (Hong Kong)     Supervisor President	Cathy Han Paul Yang Lawrence Liu Kathy Young Melanie Nan Cathy Han Jhen-Yu Wang Michael Chang Kathy Young	None	100
A2-b1-c2	CPEC Huakai Private Equity (Fujian) Co., Ltd.	Director / CDIB Venture Capital (Hong Kong)	Cathy Han Daw-Yi Hsu Kathy Young	None	70
		Director / Fujian Electronics & Information (Group) Co., Ltd.	Yulong Shao Zuo Wang		30
		Supervisor : CDIB Venture Capital (Hong Kong) President	Julian Yen Hans Weng		
A2-b1-c3	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	None	None	None	56

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A3	China Development Asset Management Corporation	Director / CDIB  Supervisor President	Daniel Wu T.H. Liu Tien-Sung Lee Kiki Shih Cathy Han Lawrence Liu T.H. Liu	400,000,000	100
A3-b1	Development Industrial Bank Asset Management Corporation	Director / China Development Asset Management Corporation  Supervisor	Daniel Wu T.H. Liu Tien-Sung Lee Christy Lin Cathy Han Wen-Yan Hsu	120,000,000	100
A3-b2	Chung Hwa Growth 3 Asset Management Corporation	Director / China Development Asset Management Corporation  Supervisor	Daniel Wu T.H. Liu Tien-Sung Lee Christy Lin Cathy Han	300,000,000	100
A3-b3	Chung Hwa Growth 4 Asset Management Corporation	Director / China Development Asset Management Corporation  Supervisor	Daniel Wu T.H. Liu Tien-Sung Lee Christy Lin Cathy Han	27,000,000	100

Note : All representatives do not have any personal shareholding.



## B. Overseas

December 31, 2015

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A4	CDIB Capital International Corporation	Director       President	Paul Yang Sherie Chiu Melanie Nan Eddie Wang Beatrice Chou Jenny Chiang Lionel De Saint-Exupery Lionel De Saint-Exupery	4,700,000	100
A4-b1	CDIB Capital International (Hong Kong) Corporation Limited	Director       President	Paul Yang Sherie Chiu Melanie Nan Eddie Wang Beatrice Chou Jenny Chiang Lionel De Saint-Exupery Lionel De Saint-Exupery	15,400,000	100
A4-b2	CDIB Capital International (USA) Corporation	Director       President	Paul Yang Sherie Chiu Melanie Nan Eddy Chang Beatrice Chou Jenny Chiang Lionel De Saint-Exupery Lionel De Saint-Exupery	8,000,000	100
A4-b3	CDIB Capital International (Korea) Corporation	Director       Supervisor Representative Director	Paul Yang Sherie Chiu Melanie Nan Eddy Chang Jenny Chiang Hyun Yong Kim Lionel De Saint-Exupery Beatrice Chou Hyun Yong Kim	1,848,000	100
A4-b4	CDIB Capital Asia Partners Limited	Director	Paul Yang Sherie Chiu Melanie Nan Jenny Chiang Lionel De Saint-Exupery Hyun Yong Kim Victor F. Gao	none	100
A5	CDIB Capital Investment I Limited	Director	Paul Yang Sherie Chiu Melanie Nan Kathy Young Frances Tsai Lionel De Saint-Exupery	132,800,000	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A5-b1	Subicvest, Inc.	Director     President	Cindy Hou Phoebe Teng Jeff Lin Alfredo Alex S. Cruz III Mark R. Bocobo Cindy Hou	200,000	100
A6	CDIB Capital Investment II Limited	Director	Paul Yang Sherie Chiu Melanie Nan Kathy Young Frances Tsai Lionel De Saint-Exupery	80,000,000	100
A7	CDIB Global Markets I Limited	Director	Paul Yang Sherie Chiu Melanie Nan Kathy Young Frances Tsai Lionel De Saint-Exupery	76,222,871	100
A8	CDIB Global Markets II Limited	Director	Paul Yang Chris Sun Jason Sass Kathy Young Frances Tsai Lionel De Saint-Exupery	200,000	100
A9	CDIB Global Markets III Limited	Director	Paul Yang Sherie Chiu Melanie Nan Kathy Young Frances Tsai Lionel De Saint-Exupery	75,451,771	100
A10	CDIB Biotech USA Investment, Co., Limited (in Liquidation)	Director	Cindy Hou Wen-Long Chen Ruei-Fen Liao	3,060,000	50

Note : All Directors and Supervisors do not have any personal shareholding.

December 31, 2015

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B1	KGI Futures Co. Ltd.	Director / KGI Securities  Supervisor President	I-Yung Mai Pin-Cheng Chen Jui-Chueh Chen Yao-Min Chou Jui-Chueh Chen	85,744,086	99.61
B1-b1	KGI Information Technology Co., Ltd.	Director / KGI Futures Co. Ltd.  Supervisor	Chia-Chun Yang Pin-Cheng Chen Jui-Chueh Chen Yao-Min Chou	5,000,000	100
B2	KGI Securities Investment Trust Co. Ltd.	Director  Supervisor  President	Ching-Ching Lee Yi-Jiao Yuan Yu-Chuan Lin Yen-Chun Lin Hui-Chen Lin Yu-De Chen	29,998,147	99.99
B3	KGI Securities Investment Advisory Co. Ltd.	Director / KGI Securities  Supervisor / KGI Securities President	Jin-Long Du Yen-Min Chu Kuo-Hsiung Wang Chang-Ti Liu Yen-Min Chu	15,000,000	100
B4	KGI Insurance Brokers Co. Ltd.	Director / KGI Securities  Supervisor / KGI Securities President	Chin-Lung Tseng Chih-Cheng Cheng Yao-Min Chou Kuei-Ling Lee Kuan-Yu Chen	300,000	100
B5	Richpoint Company Limited	Director	Daw-Yi Hsu Albert Ding Chin-Lung Tseng	229,751,070	100
B5-b1	KG Investments Holdings Limited	Director	Daw-Yi Hsu Chin-Lung Tseng Wong Hoe Choon Reddy	156,864,163	100
B5-b1-c1	KGI International Holdings Limited	Director	Chin-Lung Tseng Jenny Huang Wong Hoe Choon Reddy	209,248,261	100
B5-b1-c1-d1	KG Investments Asset Management (International) Limited	Director	Chii-Horng Lin	10,000	100
B5-b1-c1-d2	Bauhinia 88 Ltd.	Director	Chii-Horng Lin	2	100
B5-b1-c1-d3	Supersonic Services Inc.	Director	Albert Ding Wong Hoe Choon Reddy	100	100
B5-b1-c1-d3-e1	KGI Korea Limited	Director	Kwong Man Bun	10,000	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B5-b1-c1-d4	KGI International Limited	Director	Foong Hock Meng Wong Hoe Choon Reddy Wong Chak Wai	77,863,147	100
B5-b1-c1-d4-e1	KGI Asia (Holdings) Pte. Ltd.	Director	Foong Hock Meng Wong Hoe Choon Reddy Wong Chak Wai	72,100,736	100
B5-b1-c1-d4-e1-f1	KGI Ong Capital Pte. Ltd.	Director	Foong Hock Meng I-Yung Mai Ong Ka Thai Wong Chak Wai Wong Hoe Choon Reddy	9,500,000	100
B5-b1-c1-d4-e1-f2	KGI Fraser Securities Pte. Ltd.	Director	Foong Hock Meng Wong Chak Wai Wong Hoe Choon Reddy Chih-Chien Yen Yeo Kok Chin	137,527,908	100
B5-b1-c1-d4-e2	KGI Capital (Singapore) Pte. Ltd.	Director	Foong Hock Meng Wong Hoe Choon Reddy Wong Chak Wai	7,000,000	100
B5-b1-c1-d5	KGI Limited	Director	Jenny Huang Wong Hoe Choon Reddy Wong Chak Wai	308,341,129	100
B5-b1-c1-d5-e1	Global Treasure Investments Limited	Director	Piao Song	2	100
B5-b1-c1-d5-e2	KGI Securities (Hong Kong) Limited	Director	Chu Kuan Hsun Jenny Huang Kwong Man Bun Lau Hung Chuen Wong Chak Wai	11,500,000	100
B5-b1-c1-d5-e3	KGI Asia Limited	Director	Chu Kuan Hsun Jenny Huang Kwong Man Bun Lau Hung Chuen Wong Chak Wai	95,000,000	100
B5-b1-c1-d5-e4	KGI Investments Management Limited	Director	Chan Hin Geung Mark Chu Kuan Hsun Wong Chak Wai Chiang-Li Wu Wong Hoe Choon Reddy	26,250,000	100
B5-b1-c1-d5-e5	KGI Futures (Hong Kong) Limited	Director	Chu Kuan Hsun Kwong Man Bun Lee Man Sik I-Yung Mai Wong Chak Wai	45,000,000	100
B5-b1-c1-d5-e6	KGI Capital Asia Limited	Director	Jenny Huang Kwan Ringo Cheukkai Kwong Man Bun Lee Siu Lun Wong Chak Wai Wong Hoe Choon Reddy Kwan Lai On Warren	117,962,769	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B5-b1-c1-d5-e6-f1	KGI Alliance Corporation	Director	Chih-Chien Yen Jenny Huang Foong Hock Meng	100,000	100
B5-b1-c1-d5-e6-f2	KGI Finance Limited	Director	Jenny Huang Wong Chak Wai Wong Hoe Choon Reddy	42,913,985	100
B5-b1-c1-d5-e6-f3	KGI International (Hong Kong) Limited	Director	Jenny Huang Wong Chak Wai Wong Hoe Choon Reddy	100,000,000	100
B5-b1-c1-d5-e7	KGI Hong Kong Limited	Director	Wong Chak Wai Wong Hoe Choon Reddy Jenny Huang	15,000	100
B5-b1-c1-d5-e8	KGI International Finance Limited	Director	Jenny Huang Wong Chak Wai Wong Hoe Choon Reddy	10,000,000	100
B5-b1-c1-d5-e9	Grand Cathay Securities (Hong Kong) Limited	Director	Wong Chak Wai Chiang Li Wu Wong Hoe Choon Redd	487,251,500	100
B5-b1-c1-d5-e9-f1	Grand Cathay Capital (Hong Kong) Limited	Director	Kwong Man Bun Wong Hoe Choon Reddy	287,663,301	100
B5-b1-c1-d5-e10	TG Holborn(HK) Limited	Director	Leung Yin Wing Yau Shu Cheung	170,670	100
B5-b1-c1-d5-e11	KGI Asset Management Limited (Note <sup>1</sup> )	Director	Wong Chak Wai Wong Hoe Choon Reddy Chih-Chien Yen Leung Yin Wing Yau Shu Cheung	25,000	100
B5-b1-c2-d5-e12	KGI Wealth Management Limited (Note <sup>2</sup> )	Director	Kwong Man Bun Wong Chak Wai Wong Hoe Choon Reddy Chiang Li Wu Chih-Chien Yen	113,450	100
B5-b1-c2-d5-e13	KGI Nominees (Hong Kong) Limited (Note <sup>2</sup> )	Director	Chu Kuan Hsun Chiang Li Wu Wong Chak Wai	3	100
B5-b1-c2	ANEW Holdings Limited	Director	Chin-Lung Tseng Chih-Yuan Chi Wong Hoe Choon Reddy	55,924,236	100
B5-b1-c2-d1	KGI Capital (Hong Kong) Limited	Director	Albert Ding Yi-Jyun Wu	20,000	100
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	Director Supervisor	Daw-Yi Hsu Yi-Jyun Wu Chih-Yuan Chi Chien Hua Pan	2,000,000	100
B6	KGI Venture Capital Co. Ltd.	Director / KGI Securities  Supervisor / KGI Securities President	Daw-Yi Hsu Chin-Lung Tseng Chang-Huan Chou Chin-Lung Liu  Tung-Chi Li	60,000,000	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B7	Global Securities Finance Corporation	Director / KGI Securities	Chin-Lung Tseng Chih-Chien Yen Piao Song Shu-Chen Chiu Chih-Chang Cheng Rong-Jhong Ou	87,958,558	21.99
		Director / Tuntex Petrochemicals, Inc. Director Supervisor Supervisor / CDIB & Partners Investment Holding Corporation President	Kuo-Pin Kao Mu-Hsien Chen Chao-Chiu Lin  Chih-Chang Cheng		
B8	Grand Cathay Holding Limited (in Liquidation)	Director	Ping Chen	—	—

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Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
C1	Cosmos Bank Insurance Brokerage Company	Director / KGI Bank	Spencer Kao Terrence Yeh Danny Lin	none	100
C2	CDIB Management Consulting Corporation	Director / KGI Bank  Supervisor  President	Eddie Wang J.M. Meng Andy Lin Chih-Chin Wang Wen-Yan Hsu Kiki Shih Hans Tzou Advance Ju	153,171,873	100
C2-b1	CDC Finance & Leasing Corporation	Director / CDIB Management Consulting Corporation President	J.M. Meng Tony Lin Andy Lin Jane Lai J.M. Meng	58,328,460	76.04
		Director / Pacific Resource Co. Ltd. Supervisor Supervisor	Stanley Liu Jack Hung  Jenny Huang Wen-Yan Hsu	0 17,179,987	0 22.40
C2-b2	CDIB International Leasing Corp.	Director / CDIB Management Consulting Corporation  Supervisor  President	Eddie Wang Advance Ju Andy Lin Chih-Chin Wang Wen-Yan Hsu Kiki Shih Hans Tzou Advance Ju	none	100

## 8.1.5 Performance of affiliated enterprises

### ◎ China Development Financial Holding Corporation

December 31, 2015

Unit: NT\$ '000

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A	China Development Industrial Bank Inc.	20,603,994	71,178,194	1,625,949	69,552,245	5,895,344*	5,895,344*	4,872,495	1.49
B	KGI Securities Co., Ltd.	37,988,123	171,938,098	110,655,390	61,282,708	8,822,805	355,352	2,552,411	0.67
C	KGI Commercial Bank Co., Ltd.	46,061,623	539,599,373	481,914,833	57,684,540	10,349,620* (Note1)	10,349,620* (Note1)	5,183,385 (Note1)	1.13 (Note1)

Note\*: It indicates “Net revenue” here.

Note1: Including prior interests under joint control.

### ◎ China Development Industrial Bank Inc.

#### A. Domestic

December 31, 2015

Unit: NT\$ '000

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A1	CDIB Capital Management Corp.	730,939	1,149,927	160,916	989,011	214,555	158,505	130,510	1.79
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	221,426	220,360	429	219,931	0	(827)	(827)	(0.02)
A1-b1-c1	CPEC Huachung Private Equity (Kunshan) Co., Ltd.	35,228	70,566	32,378	38,188	49,982	6,484	3,946	—
A1-b1-c2	CPEC Huachung Private Equity (Kunshan) Enterprise (Limited Partnership)	na	21,011	312	20,699	0	(602)	(602)	—
A1-b2	CDIB Innovation Advisors Corporation Limited	20,000	19,998	0	19,998	0	(2)	(2)	(0.00)
A2	CDIB Venture Capital Corporation	8,227,909	7,853,025	98,988	7,754,037	391,617	281,028	248,496	0.30
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	1,791,888	1,598,415	546	1,597,869	7,371	6,243	6,243	—
A2-b1-c1	CDIB Private Equity Management Corporation	125,817	74,548	16,839	57,709	35,747	22,173	22,173	—
A2-b1-c2	CPEC Huakai Private Equity (Fujian) Co., Ltd.	50,326	140,908	49,174	91,734	113,025	30,498	30,498	—
A2-b1-c3	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited	na	60,225	327	59,898	(314)	(314)	(314)	—



Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
	Partnership)								
A3	China Development Asset Management Corp.	4,000,000	5,371,926	862,918	4,509,008	90,568	(208)	206,111	0.52
A3-b1	Development Industrial Bank Asset Management Corp.	1,200,000	1,403,308	13,448	1,389,860	0	(3,025)	18,578	0.15
A3-b2	Chung Hwa Growth 3 Asset Management Corp.	3,000,000	3,421,369	73,414	3,347,955	89,905	52,541	186,348	0.62
A3-b3	Chung Hwa Growth 4 Asset Management Corp.	270,000	288,846	5,988	282,858	10,215	(3,933)	4,017	0.15

## B. Overseas

December 31, 2015

Unit: NT\$ '000

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A4	CDIB Capital International Corporation	155,410	893,285	297,469	595,816	768,648	179,808	179,814	—
A4-b1	CDIB Capital International (Hong Kong) Corporation Limited	65,703	244,242	64,375	179,867	259,759	21,155	21,817	—
A4-b2	CDIB Capital International (USA) Corporation	26	62,337	12,921	49,416	35,927	2,017	2,017	—
A4-b3	CDIB Capital International (Korea) Corporation	259,810	194,790	23,158	171,632	51,633	5,118	5,597	—
A4-b4	CDIB Capital Asia Partners Limited	0	86	1,222	(1,136)	0	(746)	(746)	—
A5	CDIB Capital Investment I Limited	4,391,165	7,484,817	525	7,484,292	1,140,024	1,067,656	1,062,606	—
A5-b1	Subicvest, Inc.	1,410	2,801	133	2,668	0	(165)	(165)	—
A6	CDIB Capital Investment II Limited	2,645,280	2,351,584	2,477	2,349,107	48,536	(21,993)	(20,899)	—
A7	CDIB Global Markets I Limited	2,520,385	2,962,053	2,938	2,959,115	221,967	83,983	91,637	—
A8	CDIB Global Markets II Limited	1,047,670	5,442,129	14,652	5,427,477	481,932	336,490	338,163	—
A9	CDIB Global Markets III Limited	2,494,888	1,791,194	2,115	1,789,079	(193,370)	(251,684)	(248,681)	—
A10	CDIB Biotech USA Investment Co., Limited (Liquidated)	202,363	100,682	349	100,333	0	0	0	—

◎ KGI Securities Co., Ltd.

December 31, 2015

Unit: NT\$'000

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
B1	KGI Futures Co. Ltd.	860,800	21,267,126	18,642,458	2,624,668	1,999,376	406,174	512,405	5.95
B1-b1	KGI Information Technology Co., Ltd.	50,000	50,002	30	49,972	0	(44)	(28)	(0.01)
B2	KGI Securities Investment Trust Co. Ltd.	300,000	324,621	15,373	309,248	121,745	346	2,068	0.07
B3	KGI Securities Investment Advisory Co. Ltd.	150,000	234,572	74,868	159,704	188,435	7,133	7,446	0.5
B4	KGI Insurance Brokers Co. Ltd.	3,000	118,888	42,858	76,030	313,891	78,533	65,489	218.30
B5	Richpoint Company Limited	7,596,947	17,119,095	1,509,150	15,609,945	0	(91,394)	609,842	—
B5-b1	KG Investments Holdings Limited	5,186,865	18,765,153	5,963,287	12,801,866	0	(72,580)	553,194	—
B5-b1-c1	KGI International Holdings Limited	6,918,994	21,317,901	4,647,790	16,670,111	72,381	(131,570)	579,614	—
B5-b1-c1-d1	KG Investments Asset Management (International ) Limited	331	0	0	0	392,791	392,791	398,445	—
B5-b1-c1-d2	Bauhinia 88 Limited	0	0	0	0	0	0	0	—
B5-b1-c1-d3	Supersonic Services Inc.	3	0	0	0	0	0	0	—
B5-b1-c1-d3-e1	KGI Korea Limited	331	2,414	0	2,414	0	0	(2)	—
B5-b1-c1-d4	KGI International Limited	2,574,618	2,284,728	87,096	2,197,632	0	0	(285,624)	—
B5-b1-c1-d4-e1	KGI Asia (Holdings) Pte.Ltd.	2,384,092	6,376,943	4,132,027	2,244,917	22,088	(9,655)	(25,858)	—
B5-b1-c1-d4-e1-f1	KGI Ong Capital Pte. Ltd.	222,443	12,539,322	11,833,726	705,595	827,609	837,430	6,051	—
B5-b1-c1-d4-e1-f2	KGI Fraser Securities Pte. Ltd.	3,220,218	4,400,258	2,209,272	2,190,986	244,788	316,574	(309,101)	—
B5-b1-c1-d4-e2	KGI Capital (Singapore) Pte. Ltd.	163,905	121,352	33	121,319	33	3,373	2,083	—
B5-b1-c1-d5	KGI Limited	10,195,604	11,994,163	2,698,153	9,296,010	15,938	15,938	15,905	—
B5-b1-c1-d5-e1	Global Treasure Investments Limited	0	0	0	0	0	(33)	(331)	—
B5-b1-c1-d5-e2	KGI Securities (Hong Kong) Limited	380,259	2,008,297	321,765	1,686,531	1,265,568	1,264,841	203,422	—

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
B5-b1-c1-d5-e3	KGI Asia Limited	3,141,270	37,950,245	31,684,073	6,266,172	3,575,063	3,741,220	413,259	—
B5-b1-c1-d5-e4	KGI Investments Management Limited	111,993	25,792	397	25,395	10,449	10,449	(1,190)	—
B5-b1-c1-d5-e5	KGI Futures (Hong Kong) Limited	1,487,970	7,052,647	4,812,392	2,240,255	397,321	405,059	68,546	—
B5-b1-c1-d5-e6	KGI Capital Asia Limited	3,900,565	3,902,945	2,876	3,900,069	36,802	15,739	(52,476)	—
B5-b1-c1-d5-e6-f1	KGI Alliance Corporation	3,307	816,598	804,793	11,805	0	5,985	5,985	—
B5-b1-c1-d5-e6-f2	KGI Finance Limited	1,418,994	2,775,130	1,625,095	1,150,035	152,765	157,791	157,394	—
B5-b1-c1-d5-e6-f3	KGI International (Hong Kong) Limited	3,306,600	22,258,344	19,103,815	3,154,529	447,714	554,748	65,867	—
B5-b1-c1-d5-e7	KGI Hong Kong Limited	496	294,287	1,054,078	(759,791)	3,542,493	77,176	63,950	—
B5-b1-c1-d5-e8	KGI International Finance Limited	330,660	2,488,547	2,256,093	232,454	60,114	92,486	(46,557)	—
B5-b1-c1-d5-e9	Grand Cathay Securities ( Hong Kong ) Limited	2,078,812	1,587,465	68,744	1,518,721	231	23,047	22,782	—
B5-b1-c1-d5-e9-f1	Grand Cathay Capital (Hong Kong) Limited	1,227,285	2,647,264	344,779	2,302,485	61,139	65,735	54,989	—
B5-b1-c1-d5-e10	TG Holborn (HK) Limited	730	21,989	6,713	15,276	38,919	38,919	8,928	—
B5-b1-c1-d5-e11	KGI Asset Management Limited	21,332	21,955	1,190	20,765	1,719	1,852	694	—
B5-b1-c1-d5-e12	KGI Wealth Management Limited	484,023	5,838,662	5,155,353	683,309	372,555	380,325	39,415	—
B5-b1-c1-d5-e13	KGI Nominees (Hong Kong) Limited	0	0	0	0	0	0	0	—
B5-b1-c2	ANEW Holdings Limited	1,849,183	2,062,095	0	2,062,095	0	0	46,524	—
B5-b1-c2-d1	KGI Capital (Hong Kong) Limited	85,277	0	0	0	0	0	2	—
B5-b2	KGI Investment Advisory (Shanghai) Co Ltd	66,132	20,322	1,902	18,420	2,562	(25,635)	(25,635)	—
B6	KGI Venture Capital Co. Ltd.	600,000	696,797	587	696,210	1,718	(1,875)	4,046	0.09
B7	Global Securities Finance Corporation	4,000,000	6,645,244	2,416,431	4,228,813	228,981	64,674	72,636	0.18
B8	Grand Cathay Holding Limited (Liquidated)	0	0	0	0	0	0	0	—

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
C1	Cosmos Insurance Brokers Co., Ltd.	17,300	157,036	79,638	77,398	138,133	52,978	44,208	—
C2	CDIB Management Consulting Corporation	1,531,719	1,396,541	15,495	1,381,046	(189,350)	(209,989)	(210,075)	(1.37)
C2-b1	CDC Finance & Leasing Corporation	767,048	4,667,865	3,775,276	892,589	263,477	73,012	75,257	0.98
C2-b2	CDIB International Leasing Corp.	944,868	3,369,926	2,662,888	707,038	286,922	(313,930)	(246,561)	—

## **8.2 Any private placement of securities in the recent years up to the publication of this annual report**

None

## **8.3 The shares in the Financial Holding Company held or disposed of by subsidiaries in the recent years up to the publication of this annual report.**

Name of Subsidiary (Note 1)	Stock Capital Collected ('000)	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired (Note 2)	Shares and Amount Disposed of (Note 2)	Investment Gain (Loss)	Shareholdings and Amount in Most Recent Year (Note 3)	Pledged by the Subsidiary
KGIS	37,988,123	—	100%	—	—	—	—	302,585,796 shares NT\$3,283,056,000	—
CDIB	20,603,994	—	100%	—	—	—	—	20,646,142 shares NT\$164,963,000	—

Note1: Name of the subsidiary should be clearly stated.

Note2: The actual acquired or disposed amount.

Note3: Shares hold or disposed should be stated separately.

## **8.4 Other important supplementary information**

### **8.4.1 Events occurred in the previous year or up to the publication of this annual report, which significantly affect shareholders' equity or price of shares pursuant to Paragraph 2.3 of Article 36 of the Securities and Exchange Act**

None

China Development Financial Holding Co., Ltd.

Chairman Mu-Tsai Chen