



China Development Financial

2016 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

In 2016, the world economy began a slow recovery, with markets consolidating in an effort to stabilize. Among major economies, the US realized decent gains, achieving solid growth in the job and housing markets and steadily increased private spending, which provided a foundation for the Federal Reserve's roadmap for interest rate hikes. With a more relaxed policy environment, the Eurozone was resilient amid post-Brexit political and market turmoil. China continued rolling out stimulus programs in an effort to expedite industry transformation and economic structural reform. In 2016, Taiwan's GDP growth advanced to 1.5% amid a global recovery. According to Taiwan Securities Association, aggregate TWSE and TPEX daily turnover averaged NT\$98.7 billion in 2016, representing a 14.5% decrease over 2015. The Taiex opened at 8,338 last year and closed at 9,253, representing a yearly gain of 10.98%.

CDF continues to focus on its three core businesses, including commercial banking (KGI Bank), securities (KGI Securities) and private equity/venture capital investment (CDIB Capital Group) with the most completed lineup of financial services and products. However, due to ongoing international political and economic upheaval and market uncertainty, financial markets experienced varying levels of volatility in 2016, which created a challenging environment for trade across markets. Under these circumstances, shrinking turnover in a FINI-dominated Taiex dampened local brokerage performance and hindered asset monetization plans of principal investment. Meanwhile, the commercial banking unit yielded lower net profit due to intensifying pricing competition among peers on lending margins, and due to pressure to adjust credit mix catering to China's structural economic slowdown. In an overall unfavorable business environment, the Company delivered consolidated net profit of NT\$5.99 billion (non-controlling interests of NT\$64 million included) in 2016, for EPS of NT\$0.40, and consolidated return on equity (ROE) of 3.57%. Below is an outline of 2016 highlights and strategies for the Company's core business units.

1. KGI Bank (Commercial Banking)

In response to the financial world's changing landscape and to leverage resources within the Company, KGI Bank established the Retail Banking Group that specializes in providing clients with a customized experience. KGI Bank's financial services include the following: (1) Corporate banking – KGI Bank delivers each customer a “total solution”, ensuring each client's needs are itemized and assigned to the appropriate people that specialize in appropriate solutions. This segment continues to enhance cash management and trade finance businesses, along with trading products, strengthening relations with key corporate customers to take command of the structured finance business. It continues to adjust revenue and clientele mix, while developing wealth management business with corporate clients and individual business owners to leverage

cross-selling synergy and expedite the diversification of asset allocation. (2) Global markets – With a focus on prudent risk control and hedging strategies, KGI Bank strives to optimize asset allocation and deliver consistent returns by scaling its medium- to long-term positions in domestic and foreign bonds and stocks. It maintains close relations with multiple channels to access corporate clients, entrepreneurs, and professional investors to market financial products and offer wealth and asset management services. (3) Consumer banking – KGI Bank offers a wide spectrum of mortgage and loan solutions to suit every individual and premium corporate customers' special financing needs. It also completely revamped its credit card product line to boost per-card spending. KGI Bank continues to blend digital technologies into services as it rigorously pursues retailers to grow its merchant acquiring service network and provides attractive offers as incentives to boost transactions among young generation users. (4) Wealth management – This segment primarily cultivates in-depth relationships with target clientele, which it engages via a nationwide network of branches. The division aims to expand its customer base through the transfer of stock settlements accounts, courtesy of KGI Securities, and the development of employee payroll accounts. KGI Bank aims to enrich its product range and leverage expertise from the research department to offer analysis of global financial market trends and forecasts to help clients effectively manage asset allocation. (5) Digital banking – This segment optimizes KGI Bank's digital channels, upgrading its transfer, forex and other online transaction services, as well as its mobile banking platform. In addition, the division aims to create an online ecosystem built around FinTech services, and is supported by a good variety of transaction protocol standards, covering cash management, electronic payment, billing and merchant acquiring services. Furthermore, the division is also committed to an internal payment platform infrastructure plan to expedite KGI Bank's rollout of electronic wallet and e-commerce ecosystem apps Love Pay and Living Circle, designed to provide mobile users with a secure and convenient transaction experience.

2. KGI Securities (Brokerage)

With retail investors increasingly stranded on the sidelines and FINI growing in dominance over the last few years, the liquidity structure of the Taiex has fundamentally changed. In a challenging marketplace characterized by sluggish daily trading and declining margin loan balance, KGI Securities has managed to maintain its leading position and competitive edge across the board. At the bond underwriting and investment banking divisions, KGI Securities has delivered solid growth while demonstrating outstanding professionalism in pre-listing advisory and topping peers in all business rankings. It has also gained a foothold in the TPEx trading board of international bonds in the global marketplace, and improved its reputation as a professional underwriter for US dollar-denominated European bond issuance. Amid intensifying competition, KGI Securities also managed to secure the second largest market share as underwriter of foreign bonds issued on the international bonds board last year, while remaining active in wealth management, providing customers with more competitive financial services through

identification of investment needs, risk profiling and a diversified product mix. With regard to KGI Securities' overseas deployment, the Singapore subsidiaries have delivered steady business growth, with the futures unit continuing to gain new clients and the brokerage house greatly enhancing average margin loan balance. In July of 2016, KGI Securities and Hong Kong subsidiary KGI Asia Limited signed an MOU with Korea's Samsung Securities to further expand their brokerage footprints on the international stage. Going forward, KGI Asia Limited will serve as the integral platform committed to advancing overseas strategies and expediting link-ups between the Greater China and ASEAN regions and interactions among the Hong Kong, Singapore, Thailand and Indonesia markets.

3. CDIB Capital Group (Private Equity / Venture Capital Investment)

Despite overall gains across local and foreign stock markets, performances among sectors were a mixed bag in 2016 due to volatility. A number of postponed IPOs also undermined portfolio returns and valuations of the principal investment business. On the other hand, the fundraising and management business saw visible progress. Total investment of five funds, including CDIB Capital Creative Industries Ltd., CDIB Capital Healthcare Ventures Ltd., CDIB Private Equity (Fujian) Enterprise (L.P.), CDIB Yida Private Equity (Kunshan) Enterprise (L.P.) and Asia Partners L.P. (a USD-denominated private equity fund) reached NT\$14.0 billion as of end-2016. As for fundraising progress for newly launched funds, Alibaba Taiwan Entrepreneurs, a commitment of US\$100 million, was established in 2Q16 with Alibaba Group. In addition, the establishment of CDIB Capital Innovation Accelerator Co. Ltd. with fund size of NT\$750 million has been completed in March 2017. Meanwhile, CDIB Capital Growth Partners L.P is anticipated to be completed in 1H 2017 and the new renminbi- and dollar-denominated funds will also be raised. Therefore, total AUM is expected to rise further along with internal rate of return (IRR) in 2017.

In terms of credit ratings, in November 2016, Taiwan Ratings Corp. gave CDF a long-term rating of "twA+," a short-term rating of "twA-1," and a "Stable" outlook. These ratings were in recognition of the group's strong capital, robust foundation in the business of banking and securities, and well-diversified business portfolio.

In 2017, the new US administration's trade policy has increased global uncertainties, though its pro-growth sentiment is deemed a catalyst of domestic hiring, spending and capex, which would be a major boost to global supply chain growth. We project Taiwan's economic growth rate to advance to 2% in 2017, buoyed by foreign demand and stimulus packages. Some key risks to monitor include the rate of slowdown in China and a shift to protectionism by the US. In response to the challenges thrown up by a changing market landscape, KGI Bank will strengthen its IT infrastructure to tap into FinTech opportunities. It is seeking to expand its customer base

through perfection of its product scope. Leveraging an e-commerce platform, it is committed to scaling up operations with a niche Asia-Pacific commercial-banking business model. KGI Securities, meanwhile, will focus on implementing cost control mechanisms as it fully transforms into a wealth management-oriented business, pursuing overseas profit growth. By optimizing resource efficiencies, KGI Securities will strive to become the most competitive investment bank in Taiwan. Formerly known as CDIB, the venture capital entity has transformed its business under guidelines of CDF's strategic roadmap and national policy, and reincorporated as CDIB Capital Group on March 15, 2017, realigning its core business with capital sourcing and management of private equity (PE) and venture capital (VC) funds. It aspires to become a distinguished PE/VC manager within the Asia-Pacific by leveraging the team efforts of the group's talents.

All told, in today's rapidly changing marketplace, the Group's overriding goal is keeping core operations on a solid footing. Our employees will continue to provide customers with highly professional, differentiated services with dedication and passion. And together, we will move steadily toward our shared vision of becoming the most distinguished financial group in the Greater China region.

Best regards

Chairman | Chia-Juch Chang

President | Daw-Yi Hsu

II. Company Profile

2.1 Date of Incorporation

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

Established and operated on 28 December, 2001

2.1.2 Subsidiaries

- (1) CDIB Capital Group (CDIB Capital), formerly China Development Industrial Bank :

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 (now CDIB Capital Group), the resolution of establishing the entity of China Development Financial (CDF) via share swap was approved. 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 Capital Group, formerly China Development Corporation and later China Development Industrial Bank, was the first private development-oriented financial institution in Taiwan. It was established in 1959 through the coordinating efforts of the Economic Stabilization Committee of the Executive Yuan, the World Bank and private funding. In 1999, it was restructured to become an industrial bank. In its more than 50 years of existence, CDIB Capital Group has concentrated on the principal investment and corporate banking businesses. It has invested in and provided services to domestic and overseas clients in over 100 industries, and it continues to play a critical 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 aimed to fully focus on its venture capital and private equity fund businesses in Taiwan, mainland China, and the Asia-Pacific region, with a view to increasing fee revenue. It also proactively engages with the group's restructuring plan to gradually dispose of investment positions and enlarge the size of managed equity funds, it was then renamed to CDIB Capital Group upon the business transformation on March 15, 2017 and aims to become 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 Capital Group'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 (last 3 years)

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

2016

BSI, ISO/IEC 27001: 2013 Specification for Information Security Management

Business Today, Wealth Management Award, Best Wealth Management for Securities Houses and Best Sales Team

FinanceAsia's 20th Anniversary Platinum Awards, Best Domestic Bond House

Financial Information Service Co., Best Virtual Cash Flow Business Innovation

MasterCard's Best Mobile Innovation of the Year 2016

TAIFEX Futures Trading Diamond Awards, for

-- Trading Volume for Banks (Ranked #1)

-- Growth in Trading Volume for Banks (Ranked #1)

Taipei Exchange, Recommending TPEX- and Emerging Stock Market-listed Companies (Ranked #3)

Taipei Exchange, Best Government Bond Market Maker

The Asset Triple A Country Awards, Best Bond House – Domestic

The Asset Benchmark Research Awards, Top Banks of Asian Currency Bonds

Top Banks in the Secondary Market in Asian Currency Bonds – Government Bonds (Ranked #1)

Top Banks in the Secondary Market in Asian Currency Bonds – Corporate Bonds (Ranked #3)

TWSE, Stock Float (Ranked #1), IPO Fund-Raising (Ranked #1), IPO Market Value (Ranked #2), and Average Daily Turnover (Ranked #2)

TWSE, Securities Dealers ETF Trading Contest, Distinguished Contribution Award (Ranked #1 & #2)

TWSE, Top Warrant Issuer, Total Value of Warrant Transactions (Ranked #2)

Wealth Magazine, Taiwan Financial Award, Best Brokerage Services

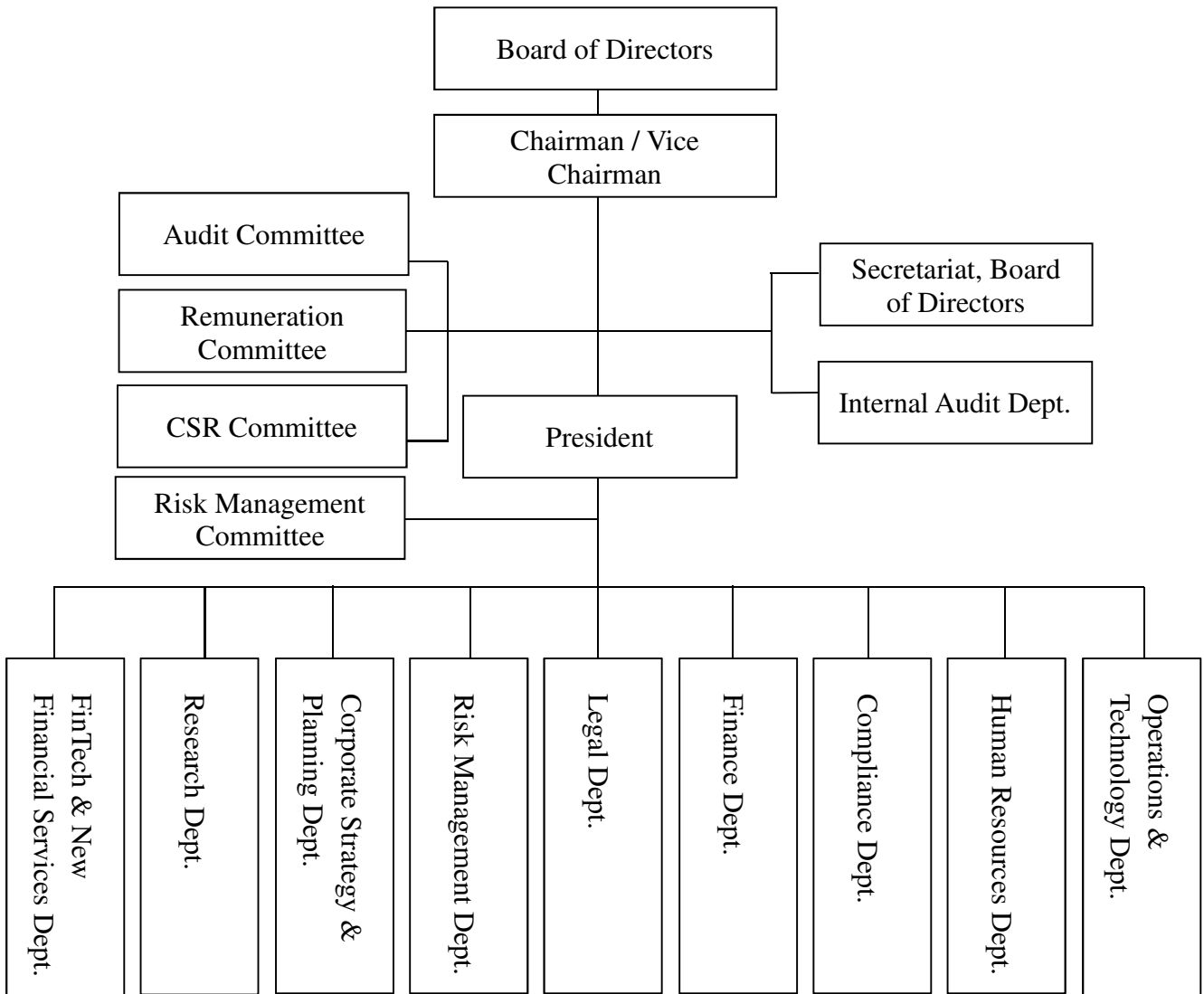
Wealth Magazine, Wealth Management Award, Best Brokerage Services

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
FinTech & New Financial Services Dept.	The development of digital finance strategy, the Big Data analysis and financial technology investment projects
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.

The Committee shall convene at least two meetings per year and shall meet at any time if necessary

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;

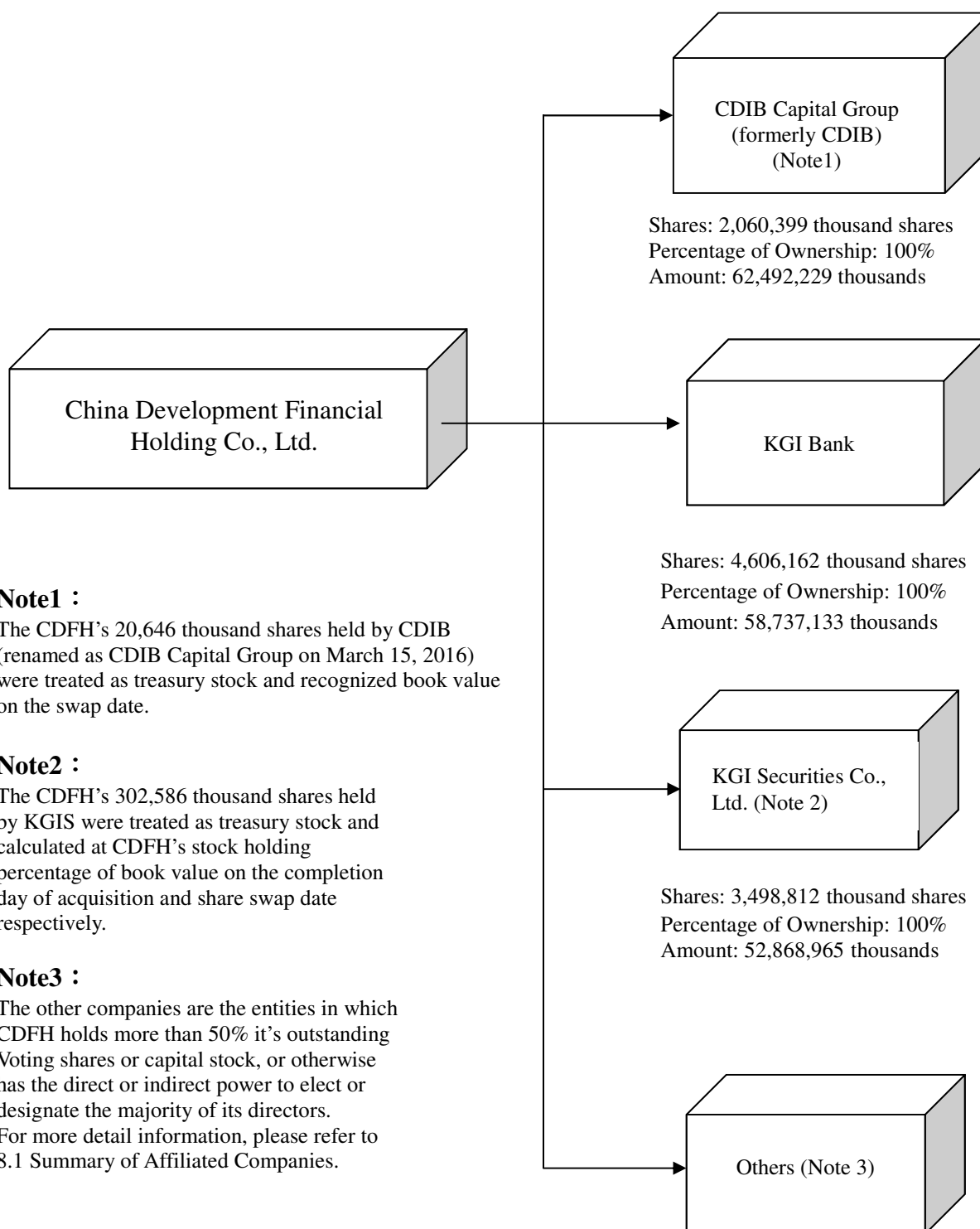
Supervising the establishment of the risk management framework; overseeing the execution of overall risk management practice;

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, 2016



Note 1 :

The CDFH's 20,646 thousand shares held by CDIB (renamed as CDIB Capital Group on March 15, 2016) were treated as treasury stock and recognized book value on the swap date.

Note 2 :

The CDFH's 302,586 thousand shares held by KGIS 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.

Note 3 :

The other companies are the entities in which CDFH holds more than 50% it's 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

March 31, 2017

Title	Nationality / Country of Origin	Name	Gender	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.	-	05/16/2016	3	04/05/2004	900,611	0.01	900,611	0.01	0	0	0	0	Ph.D., Purdue University, U.S.A.; MINISTRY OF ECONOMIC AFFAIRS Minister	Chairman, CDIB Capital Group	None	None	None
		Representative Chia-Juch Chang	M	05/16/2016	3	07/01/2006 (Note1)	403,992	0	733,992	0	0	0	0	0			None	None	None
Director	R.O.C	Shin Wen Investment Co., Ltd	-	05/16/2016	3	06/15/2007	650,252,192	4.30	650,252,192	4.34	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	M	05/16/2016	3	07/01/2006	0	0	0	0	0	0	0	0			None	None	None
Independent Director	R.O.C	Ching-Yen Tsay	M	05/16/2016	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, CDIB Capital Group	None	None	None
Director	R.O.C	Chi Jie Investment Co., Ltd.	-	05/16/2016	3	04/05/2004	12,109,973	0.01	12,109,973	0.08	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;	None	None	None
		Representative Mark Wei	M	05/16/2016	3	06/19/2013	0	0.08	0	0	110,000	0.00	0	0			None	None	None
Director	R.O.C	Chi Jie Investment Co., Ltd.	-	05/16/2016	3	04/05/2004	917,249	0.01	917,249	0.01	0	0	0	0	M.B.A., Harvard University; MS, Massachusetts Institute of Technology President and Director, China Development Financial Holdings Corp. President and Director, CDIB Capital Group	Partner & CEO of Greater China, KKR Asia Limited Director, CDIB Capital Group	None	None	None
		Representative Paul Yang	M	06/13/2013	3	05/04/2009	17,133,454	0.11	20,961,956	0.14	0	0	0	0			None	None	None
Director	R.O.C	Shin Wen Investment Co., Ltd.	-	05/16/2016	3	06/15/2007	650,252,192	4.30	650,252,192	4.34	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	M	05/16/2016	3	06/18/2010 (Note2)	1,969,234	0.01	1,969,234	0.01	0	0	0	0			None	None	None
Director	R.O.C	Bank of Taiwan	-	05/16/2016	3	12/28/2001	205,999,742 (Note5)	1.36	286,941,073	1.92	0	0	0	0	Ph.D. in Economics, Georgia State University, U.S.A.; SVP & General Manager, Department of Credit Analysis, Bank of Taiwan; Board member, Auditing Committee, Bank of Taiwan	SVP & General Manager, Department of Economic Research, Bank of Taiwan	None	None	None
		Representative Shing-Shiang Ou	M	05/16/2016	3	12/28/2001 (Note4)	0	0	0	0	0	0	0	0			None	None	None

Title	Nationality / Country of Origin	Name	Gender	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
Independent Director	R.O.C	Gilbert T.C. Bao	M	05/16/2016	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, CDIB Capital Group Chairman, Chung Shing Textile Co., Ltd.;	None	None	None
Independent Director	R.O.C	Hsiou-Wei Lin	M	05/16/2016	3	05/16/2016	0	0	0	0	26,000	0	0	0	PhD in Business, Stanford University, U.S.A.; Independent Director, MStar Semiconductor, Inc.	Distinguished Professor and Dean of Management College, Tunghai University; Professor, Dept. of International Business National Taiwan University; Independent Director, KGI Bank			

Note 1 : Was not acting as director between February 17, 2013 and October 26, 2014

Note 2 : Was not acting as director between June 25th 2011- July 24th 2011

Note 3 : Shares held by Bank of Taiwan Co., Ltd. does not include shares held by the financial department of Bank of Taiwan.

Note 4 : 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

March 31, 2017

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	Taiwan Financial Holding Co., Ltd.	100.00

Chart 2: Major shareholders of the Company's major institutional shareholders

March 31, 2017

Name of Institutional Shareholders	Major Shareholders	Percentage (%)
GRAND PACIFIC PETROCHEMICAL CORP. (Note)	KGI Securities Co., Ltd.	7.43
	Fubon Life Insurance Co., Ltd.	4.89
	Cathay Life Insurance Co., Ltd.	4.66
	Chung Kwan Investment Co., Ltd.	3.05
	Angelo J.Y. Koo	2.64
	Citigroup (Taiwan) Custody- Norges Bank	2.55
	Shin Wen Investment Co., Ltd	2.28
	Jing Kwan Investment Co., Ltd.	2.20
	HSBC Direct Custody-Mitsubishi UFJ MS Securities Co., Ltd.	1.84
	Citigroup (Taiwan) Custody- Dimensional Emerging Market Value Fund	1.60
Wei Hung Investment Co., Ltd.	Prime Bridge International Limited.	100.00
Taiwan Financial Holding Co., Ltd.	Ministry of Finance	100.00

Note: as of April 18, 2017

Professional qualifications and independence analysis of directors and supervisors

March 31, 2017

Name	Criteria			Independence Criteria(Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			1	2	3	4	5	6	7	8	9	10	
	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											
Kai Don Investment Co., Ltd. Representative Chia-Juch Chang	✓		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	0
Shin Wen Investment Co., Ltd Representative Long-I Liao			✓	✓		✓	✓	✓	✓	✓	✓	✓		1
Ching-Yen Tsay	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
GPPC Chemical Corp. Representative Mark Wei			✓	✓		✓	✓	✓	✓	✓	✓	✓		0
Chi Jie Investment Co., Ltd. Representative Paul Yang			✓			✓	✓	✓	✓	✓	✓	✓		0
Shin Wen Investment Co., Ltd Representative Howe Yong Lee			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Bank of Taiwan Co., Ltd Representative Shing-Shiang Ou			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Gilbert T.C. Bao			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Hsiou-Wei, Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	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 6th term Board of Directors

Directors & Independent Directors		Key Areas of Knowledge, Skills, and Experience											
Name	Years on CDF's Board	Execution & Strategic Planning	Government & Public Policy	Corporate Governance	Investment	Business & Marketing Leadership	Human Resources	Risk Management	Financial Services	Securities / Insurance	Commercial Banking	Info Technology	International Experience
Kai Tung Investment Co., Ltd. Representative: Chia-Juch Chang	5-10	√	√	√	√								√
Chi Jie Investment Co., Ltd. Representative: Paul Yang	5-10	√		√	√	√	√						√
Shin Wen Investment Co., Ltd. Representative: Long-I Liao	10+	√		√				√	√		√		
Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	5-10	√			√				√				√
GPPC Chemical Co., Ltd. Representative: Mark Wei	2-4	√	√	√					√	√	√		√
Bank of Taiwan Co. Ltd. Representative: Shing-Shiang Ou	10+		√								√		√
Independent Director Ching-Yen Tsay	5-10	√	√	√	√							√	
Independent Director Gilbert T.C. Bao	10+	√		√	√				√				√
Independent Director Hsiou-Wei Lin	1			√	√			√	√				

Kai Tung Investment Co., Ltd.
Representative:
Dr. Chia-Juch Chang
Chairman of Board

Current Position:
Chairman of China Development Financial Holding Corporation;
Chairman of CDIB Capital Group



Age: 67

Director since: 2006

Attendance:

2015

Board: 18 of 18, 100%
CSR Committee: 4 of 4, 100%

2016

Board: 18 of 18, 100%
CSR Committee: 4 of 4, 100%

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

- Chairman, CDIB Capital Group (formerly China Development Industrial Bank) (Since October 2014)
- Minister, Ministry of Economic Affairs, R.O.C. (February 2013~August 2014)
- Chairman& CEO, China Airlines Corporation (December 2010~February 2013)
- Chairman & CEO, China Steel Corporation (August 2008~June 2010)
- Supervisor / Standing Committee Director, China Development Financial Holding Corporation & CDIB Capital Group (July 2006~ February 2013)
- President & Distinguished Chair Professor, Chung Hua University, Hsinchu, Taiwan (August 2005~August 2008)
- 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)
- Professor & Director, Institute of Traffic and Transportation, National Chiao Tung University, Hsinchu, Taiwan (August 1982~August 1987)

**Chi Jie Investment Co.,
Ltd. Representative:
Mr. Paul Yang
Director**

Current Position:
Partner & CEO of Greater
China, KKR Asia Limited;
Director of CDIB Capital
Group



Age: 49

Director since: 2009

Attendance:

2015

Board: 14 of 18, 78%

*CSR Committee: 2 of 4,
50%*

2016

Board: 13 of 18, 72%

*CSR Committee: 3 of 4,
75%*

Education

M.B.A., Harvard University, U.S.A.

M.S. in Mechanical Engineering, Massachusetts Institute of Technology, U.S.A.

Key Areas of Expertise/Experience

Strategy, Vision and Mission Planning

Corporate Governance

Investment

Business and Marketing Leadership

Human Resources Management

International Experience

Professional Background

- President & CEO, China Development Financial Holding Corporation (August 2011~ January 2017)
- President & CEO, CDIB Capital Group (formerly China Development Industrial Bank) (October 2011~ January 2017)
- Chairman, CDIB Capital International Corporation (February 2012~ January 2017)
- Senior Executive Vice President & Chief Investment Officer, China Development Financial Holding Corporation (2 years)
- Executive Vice President & Chief Investment Officer, China Development Financial Holding Corporation (3.5 years)
- Managing Director & Head, Private Equity and Mezzanine Finance, DBS Bank (4 years)

Shin Wen Investment Co., Ltd.

Representative:

Mr. Long-I Liao

Standing Committee

Director

Current Position:

Director of KGI Bank;
Independent Director of
TCI Co., Ltd.



Education

B.A. in Economics, National Taiwan University

Key Areas of Expertise/Experience

Senior Executive / Strategic Leadership
Corporate Governance
Risk Management
Financial Services
Commercial Banking Management

Professional Background

- Standing Committee Director / Director, China Development Financial Holding Corporation (Since July 2006)
- Director, KGI Bank (Since September 2014)
- Independent Director, TCI Co., Ltd. (Since March 2012)
- Director / Standing Committee, CDIB Capital Group (formerly China Development Industrial Bank) (July 2006~ September 2014)
- Vice President / President, First Commercial Bank (June 1997~ April 2006)
- Chairman, Trust Association of R.O.C. (1 year)

Age: 77

Director since: 2006

Attendance:

2015

Board: 18 of 18, 100%

Committee: N/A

2016

Board: 17 of 18, 94%

Committee: N/A

**Shin Wen Investment
Co., Ltd.**

Representative:

Mr. Howe Yong Lee

Director

Current Position:

Director of Lee Kim

Yew (Pte.) Ltd.;

Director of Lee Kim

Yew (Trading) Pte. Ltd.,

Director of Lee Kim

Yew (Property) Pte.

Ltd., Singapore



Age: 61

Director since: 2011

Attendance:

2015

Board: 7 of 18 , 39%

Committee: N/A

2016

Board: 8 of 18 , 44%

Committee: N/A

Education

B.A. in Business Administration, University of Washington , U.S.A., 1984

Key Areas of Expertise/Experience

Senior Executive / Strategic Leadership

Investments

Financial Services

International Experience

Professional Background

- Director, Lee Kim Yew (Pte.) Ltd. (Since September 1979)
- Director, China Development Financial Holding Corporation (Since July 2011)
- Supervisor, China Development Financial Holding Corporation (June 2010~ June 2011)
- Independent Non-Executive Director, GigaMedia Limited (2004~2012)
- Director, China Development Corporation Limited, Hong Kong (1997~2000)
- Director, Transmarco Limited, Singapore (1995~1997)

**GPPC Chemical Co.,
Ltd. Representative:
Mr. Mark Wei
Director**

Current Position:
Chairman of KGI Bank



Age: 59

Director since: 2013

Attendance:

2015

*Board: 16 of 18, 89%
CSR Committee: 4 of 4,
100%*

2016

*Board: 18 of 18; 100%
CSR Committee: 4 of 4,
100%*

Education

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

Key Areas of Expertise/Experience

Senior Executive / Strategic Leadership
Government / Public Policy
Corporate Governance
Financial Services
Insurance Industry
Commercial Banking
International Experience

Professional Background

- 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.
- 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.
- 9 years (1991~2000) securities regulator, including Division Director of Corporate Finance and International Affairs of Securities & Futures Commission, respectively, as well as Section Chief of Investment Management.
- 6 years (1985~ 1991) foreign commercial service in Washington, D.C., U.S.A. appointed by the Taiwan Ministry of Economic Affairs.

**Bank of Taiwan Co.
Ltd. Representative:
Dr. Shing-Shiang Ou
Director**

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



Age: 59

Director since: 2004

Attendance:

2015 (Since March)

Board: 16 of 16, 100%

Committee: N/A

2016

Board: 18 of 18, 100%

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

Government & Regulations
Commercial Banking
International Experience
Economic Research

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
Standing Committee
(Independent) Director

Current Position:

Chairman of Taiwan
ITRI Entrepreneur Fund;
Chairman of LoFTech
Corporation; Standing
Committee
(Independent) Director
of CDIB Capital Group



Age: 73

Director since: 2007

Attendance:

2015

Board: 18 of 18, 100%

Committee:

Audit: 13 of 13, 100%

Remuneration: 10 of 10,
100%

CSR: 4 of 4, 100%

2016

Board: 16 of 18, 89%

Committee:

Audit: 14 of 14, 100%

Remuneration: 11 of 11,
100%

CSR: 4 of 4, 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

Corporate Governance

Investments

Science & Technology Policy & Management

Professional Background

- Chairman, Industrial Technology Research Institute (2010~2016)
- Chairman, Golden Asia Fund Taiwan Ltd. (Since 2011~2016)
- Chairman, Science and Technology Interchange Committee, Association of East Asia (2008~2016)
- 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)
- Vice Chairman, National Science Council, R.O.C. (1996~2000)
- Director-General of Central Weather Bureau / Director-General, Civil Aeronautics Administration, Ministry of Transportation and Communications, R.O.C. (1989~1996)
- Professor & Director, Department of Atmospheric Sciences, National Taiwan University (1974-1989)

Mr. Gilbert T.C. Bao
Independent Director



Age: 53

Director since: 2004

Attendance:

2015

Board: 16 of 18, 89%

Committee:

Audit: 12 of 13, 92%

*Remuneration: 10 of 10,
100%*

2016

Board: 13 of 18, 72%

Committee:

Audit: 11 of 14, 79%

*Remuneration: 10 of 11,
91%*

Education

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

Key Areas of Expertise/Experience

Senior Executive/ Strategic Leadership

Corporate Governance

Investments

Financial Management

International Experience

Current Positions

- Chairman, Chung Shing Textile Co., Ltd. (Since November 2007)
- Chairman, Chong Bai Department Store Co., Ltd. (Since November 2007)
- Director, Sunrise Department Store Co., Ltd.
- Director, Chung Shing Textile Marketing Co., Ltd. (Since October 2006)
- Independent Director, China Development Financial Holdings Corp. (Since June 2007)
- Independent Director, CDIB Capital Group (formerly China Development Industrial Bank) (Since June 2007)

Professional Background

- Chairman, Baw Chao-Yun Charity Foundation
- Executive Supervisor, Taiwan Spinner's Association
- Chairperson, Taiwan Man-Made Fiber Industries Association
- Managing Director, Taiwan Textile Printing Dyeing & Finishing Association

Dr. Hsiou-Wei Lin
Independent
Director

Current Position:
Distinguished Professor
and Dean of Management
College, Tunghai
University; Professor,
Department of
International Business,
National Taiwan
University; Independent
Director, KGI Bank



Age: 54

Director since: 2016

Attendance:

2015

Board: N/A

Committee: N/A

2016 (Since May)

Board: 12 of 12, 100%

Committee:

Audit: 8 of 8, 100%

Remuneration: 5 of 5,
100%

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

Corporate Governance
Investments
Risk Management
Financial Services / 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

March 31, 2017

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
Acting President	R.O.C	Daw-Yi Hsu	M	2017.02.16	511,091	0.00	5,600,000	0.04	0	0.00	MBA, The Ohio State University EVP of CDF, Chairman of KGI Securities	Chairman of KGI Securities Co. Ltd. Director of CPEC Huakai Private Equity (Fujian) Co., Ltd. Director of CPEC Huachuang Private Equity (Kunshan) Co. Ltd. Director of CDIB Private Equity (Hong Kong) Corporation Limited Director of KG Investments Holdings Limited Director of Richpoint Company Limited	-	-	-
Internal Audit Dept. Chief Auditor	R.O.C	Kenneth Huang	M	2009.10.22	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 Capital Group	Chief Auditor of CDIB Capital Group	-	-	-
Corporate Strategy and Planning Dept. and Research Dept. Executive VP	R.O.C	Eddy Chang	M	2015.05.01	1,712,214	0.01	0	0.00	0	0.00	MBA, University of Southern California EVP of CDF and CDIB Capital Group	EVP of CDIB Capital Group Director of CDIB & Partners Investment Holding Corp. Director of Development Industrial Bank Asset Management Corp. Director of CDIB Venture Capital Corp. Supervisor of Chung Hwa Growth 3 Asset Management Corp. Supervisor of Chung Hwa Growth 4 Asset Management Corp. Director of CDIB Venture Capital (Hong Kong) Corporation Limited Director of CDIB Capital International (Korea) Corporation Director of CDIB Capital International (USA) Corporation	-	-	-
Legal Dept. Executive VP	R.O.C	Julian Yan	M	2015.05.01	819,394	0.01	0	0.00	0	0.00	MBA, MIT LLM, University of Michigan EVP of CDF and KGI Securities	Director and EVP of KGI Securities Co. Ltd. Director of CDIB Capital Management Corp. Supervisor of CDIB CME Fund, Ltd. 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 Alliance Corporation Director of KGI Wealth Management Limited Director of KGI Asset Management Limited Director of KGI Securities (Thailand) Public Company Limited Director of KGI Securities (Singapore) Pte. Ltd.	-	-	-
FinTech & New Financial Service Dept. Executive VP	R.O.C	Brian Chou	M	2016.06.01	0	0.00	0	0.00	0	0.00	Master of Public Affairs Management, National Sun Yat-sen University SVP of CTBC Financial Holdings	-	-	-	
Compliance Dept. Executive VP	R.O.C	Te-En Chan	M	2017.01.01	8,000	0.00	0	0.00	0	0.00	Ph. D. of Criminology, National Chung Cheng University Associate Professor of Ming Chuan University	-	-	-	

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
Risk Management Dept. Executive VP	R.O.C	Jane Lai	F	2011.05.09	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 Capital Group	Director and EVP of KGI Bank	-	-	-
Human Resources Dept. Executive VP	R.O.C	Jenny Chiang	F	2014.04.14	1,539,261	0.01	0	0.00	0	0.00	Bachelor of Business, Ming Chuan University EVP of CDF and CDIB Capital Group	EVP of CDIB Capital Group Director of CDIB Capital Asia Partners Limited Director of CDIB Capital International Corporation Director of CDIB Capital International (Hong Kong) Corporation Limited Director of CDIB Capital International (Korea) Corp. Director of CDIB Capital International (USA) Corp. Director of CDIB Private Equity (Hong Kong) Corporation Limited	-	-	-
Finance Dept. Executive VP	R.O.C	Andy Lin	M	2015.10.01	39,196	0.00	1,500,000	0.01	0	0.00	Master of Financial Management, National Central University EVP of CDF and KGI Bank	EVP of KGI Bank Director of CDIB Capital Management Corp. Director of CDC Finance & Leasing Corp. Director of CDIB International Leasing Corp.	-	-	-
Operations and Technology Dept. Executive VP	R.O.C	Jane Lai	F	2016.06.01	150,000	0.00	0	0.00	0	0.00	Bachelor of Economics, Stanford University EVP of CDF and CDIB Capital Group	EVP of CDIB Capital Group Director of CDC Finance & Leasing Corp. Director of CDIB Venture Capital (Hong Kong) Corporation Limited	-	-	-
Secretariat, Board of Directors Executive VP	R.O.C	Chih-Yu Chou	M	2016.07.01	1,118,154	0.01	0	0.00	0	0.00	Master of Public Finance, National Chengchi University EVP of CDF and CDIB Capital Group	EVP of CDIB Capital Group	-	-	-
Executive VP	R.O.C	Eddie Wang	M	2008.05.16	4,731,396	0.03	0	0.00	0	0.00	Master of International Affairs, Florida State University / New York University MD of Citigroup Asia Pacific	Director and Vice Chairman of KGI Bank Chairman of CDIB Management Consulting Corp. Chairman of CDIB International Leasing Corp. Director of CDIB Capital International Corp. Director of CDIB Capital International (Hong Kong) Corporation Ltd.	-	-	-
Executive VP	R.O.C	Lawrence S. Liu	M	2004.08.02	2,504,498	0.02	0	0.00	0	0.00	Doctor of Laws (J. D.), University of Chicago Partner of Lee and Li Attorneys-at-Laws	Director of Taiwan Stock Exchange Corp. Director of HIM International Music Inc. Director of CECI Engineering Consultants, Inc., Taiwan Director of CDIB Capital Management Corp. Chairman of CDIB CME Fund, Ltd. Chairman of CDIB Healthcare Fund, Ltd. Supervisor of China Development Asset Management Corp. Chairman of CDIB Venture Capital Corp. Director of CDIB Private Equity (China) Corp. Director of CDIB Venture Capital (Hong Kong) Corporation Limited	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
Executive VP	Singapore	Reddy Wong	M	2009.3.30	3,163,782	0.02	0	0.00	0	0.00	B.B.A., National University of Singapore MD of CDIB Capital Limited	Director of Grand Cathay Securities (Hong Kong) Ltd. Director of KGI International (Hong Kong) Ltd. Director of Grand Cathay Capital (Hong Kong) Ltd. Director of Trinitus Asset Management Ltd. Director of KG Investments Holdings Ltd. Director of KGI International Holdings Ltd. Director of KGI International Ltd. Director of KGI Asia (Holdings) Pte. Ltd. Director of KGI Capital (Singapore) Pte. Ltd. Director of Supersonic Services Inc. Director of KGI Ltd. Director of KGI Finance Ltd. Director of KGI Investments Management Ltd. Director of KGI Capital Asia Ltd. Director and MD of KGI Hong Kong Ltd. Director of KGI International Finance Ltd. Director of KGI Wealth Management Ltd. Director of KGI Asset Management Ltd. Director of KGI Securities (Singapore) Pte. Ltd. Director of KGI Futures (Singapore) Pte. Ltd.	-	-	-
Executive VP	R.O.C	Janet Sheng	F	2015.05.01	1,609,149	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	Michael M. H. Peng	M	2015.05.01	1,300,000	0.01	0	0.00	0	0.00	Bachelor of Economics, ChungHsing University EVP of CDF	-	-	-	
Executive VP	R.O.C	Josephine Yang	F	2016.03.08	0	0.00	0	0.00	0	0.00	Bachelor of History, National Taiwan University SVP of Taipei Fubon Commercial Bank	EVP of CDIB Capital Group	-	-	-
Executive VP	R.O.C	Vincent Hung	M	2004.05.10	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	M	2009.01.05	964,703	0.01	683	0.00	0	0.00	Master of Computer Science, University of Southern California EVP of CDF and CDIB Capital Group	EVP of KGI Bank	-	-	-
Executive VP	R.O.C	David Kuo	M	2009.01.12	1,964,086	0.01	326,364	0.00	0	0.00	MBA, West Coast University EVP of CDF and CDIB Capital Group	EVP of KGI Bank	-	-	-
Executive VP	R.O.C	James Meng	M	2010.01.25	517,915	0.00	0	0.00	0	0.00	Master of Finance, National Taiwan University EVP of CDIB Capital Group	Director of CDIB Management Consulting Corp. Chairman and President of CDC Finance & Leasing Corp.	-	-	-
Executive VP	R.O.C	Guang -Yue Yeh	M	2015.05.01	0	0.00	0	0.00	0	0.00	Master of Computer Science, Mississippi State University EVP of KGI Bank	EVP of KGI Bank Director, Co-founder of Decision Analytics Consulting	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
Executive VP	R.O.C	Brian Huang	M	2014.02.17	0	0.00	0	0.00	0	0.00	Master of Laws, National Chengchi University VP in Global Compliance of BOA, Taipei Branch	EVP of CDIB Capital Group	-	-	-
Executive VP	R.O.C	Frances Tsai	F	2014.09.15	0	0.00	0	0.00	0	0.00	MBA, National Taiwan University Senior VP of Citi Bank	EVP of CDIB Capital Group Supervisor of CDIB Capital Management Corp. Supervisor of CDIB CME Fund, Ltd. Supervisor of CDIB Healthcare Fund, Ltd. Director of CDIB Venture Capital Corp. Director of CDIB Capital International Corp. Director of CDIB Capital International (Hong Kong) Corporation Limited Supervisor of CDIB Capital International (Korea) Corp. Director of CDIB Capital International (USA) Corp. Director of CDIB Venture Capital (Hong Kong) Corporation Limited Director of CDIB Private Equity (Hong Kong) Corporation Limited Director of CDIB Global Markets Ltd. Director of CDIB Capital Investment I Ltd. Director of CDIB Capital Investment II Ltd.	-	-	-
Executive VP	R.O.C	Kiki Shih	F	2015.05.01	1,270,668	0.01	555,135	0.00	0	0.00	Master of Accounting, National Taiwan University SVP of CDF	Director of China Sea Products Development Corp. Supervisor of CDIB Management Consulting Corp. Director of China Development Asset Management Corp. Supervisor of CDIB International Leasing Corp.	SVP	Steven Ching	Spouse
Executive VP	R.O.C	Isabel Liu	F	2015.05.01	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	M	2015.05.01	340,873	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Chung Hsing University SVP of CDF and CDIB Capital Group	EVP of CDIB Capital Group Supervisor of CDIB International Leasing Corp. Supervisor of CDIB Management Consulting Corp.	-	-	-
Executive VP	R.O.C	Teresa Li	F	2015.05.01	0	0.00	0	0.00	0	0.00	MBA, Wharton School of the University of Pennsylvania SVP of KGI Bank	EVP of KGI Bank	-	-	-
SVP	R.O.C	Amy Shan	F	2008.11.01	283,831	0.00	0	0.00	0	0.00	Bachelor of Banking, National Chengchi University VP of CDF	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C	Lecko Lai	F	2010.05.01	536,649	0.00	0	0.00	0	0.00	Bachelor of Finance, National Taiwan University VP of CDF and CDIB Capital Group	SVP of KGI Bank	-	-	-
SVP	R.O.C	Michael Chang	M	2011.07.01	0	0.00	0	0.00	0	0.00	Master of Laws, Harvard University VP of CDF and CDIB Capital Group	SVP of CDIB Capital Group Supervisor of CDIB Private Equity (China) Corp. Supervisor of CDIB Venture Capital Corp. Director of CDIB Venture Capital (Hong Kong) Corporation Ltd. Director of CDIB Private Equity (Hong Kong) Corporation Ltd.	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
SVP	R.O.C	Ellen Chang	F	2011.07.01	289,645	0.00	0	0.00	0	0.00	Master of Computer Science, University of West Florida VP of CDF and CDIB Capital Group	SVP of KGI Bank	-	-	-
SVP	R.O.C	Adrienne Chiu	F	2013.05.01	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 Development Industrial Bank Asset Management Corp. Supervisor of Chung Hwa Growth 3 Asset Management Corp. Supervisor of Chung Hwa Growth 4 Asset Management Corp. Director of Global Securities Finance Corp. Director of Grand Cathay Holding Ltd.	-	-	-
SVP	R.O.C	Vincent Hsiao	M	2014.01.01	0	0.00	214,485	0.00	0	0.00	MBA, National Chengchi University VP of CDF and CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C	Chris Sun	M	2014.08.01	194,138	0.00	0	0.00	0	0.00	Master of Accounting, National Chengchi University VP of CDF	SVP of KGI Bank	-	-	-
SVP	R.O.C	Alex Hung	M	2014.08.01	21,000	0.00	1,000	0.00	0	0.00	Bachelor of Open College with National Taipei University of Business VP of CDF and CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C	Lian-Yin Li	F	2014.08.01	297,384	0.00	0	0.00	0	0.00	Master of Public Policy, Harvard University VP of CDF and CDIB Capital Group	-	-	-	
SVP	R.O.C	Marisol Wang	F	2014.11.01	0	0.00	0	0.00	0	0.00	Master of Laws, Soochow University VP of CDF and CDIB Capital Group	SVP of CDIB Capital Group Supervisor of Development Industrial Bank Asset Management Corp.	-	-	-
SVP	R.O.C	Sharol Lin	F	2014.11.25	71,487	0.00	0	0.00	0	0.00	MBA, Oklahoma City University SVP of CDIB Capital Group	SVP of KGI Bank	-	-	-
SVP	R.O.C	Abby Chen	F	2014.12.30	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	F	2015.05.01	522,567	0.00	0	0.00	0	0.00	Bachelor of Accounting, Tunghai University VP of CDF and CCM	SVP of CDIB International Leasing Corp.	-	-	-
SVP	R.O.C	Christy Lin	F	2015.05.01	758,644	0.01	0	0.00	0	0.00	MBA, National Taiwan University VP of CDF	Director of CDIB Global Markets Limited	-	-	-
SVP	R.O.C	Sandra Yao	F	2015.05.01	92,470	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Taiwan University VP of CDF and CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C	Pi-Fa Yang	M	2015.05.01	43	0.00	0	0.00	0	0.00	Bachelor of International Trade, Takming University of Science and Technology SVP of CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C	Steven Ching	M	2015.05.01	555,135	0.00	1,270,668	0.01	0	0.00	Master of Accounting, Soochow University SVP of CDIB Capital Group	-	EVP	Kiki Shih	Spouse
SVP	R.O.C	James Chou	M	2015.05.01	80,000	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	SVP of CDIB Capital Group	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
SVP	R.O.C	Milly Liu	F	2015.07.01	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	-	-	-
SVP	R.O.C	Joann Tsai	F	2016.05.01	33,210	0.00	0	0.00	0	0.00	Bachelor of Laws, National Taiwan University VP of CDF and CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C	Thomas Wu	M	2016.05.01	0	0.00	0	0.00	0	0.00	Master of Accounting, Case Western Reserve University VP of CDF	-	-	-	-
SVP	R.O.C	Floyd Wang	M	2016.05.01	221,944	0.00	0	0.00	0	0.00	Bachelor of Applied Mathematics, Chinese Culture University VP of CDF and CDIB Capital Group	SVP of KGI Bank	-	-	-
SVP	R.O.C	Spencer Kao	M	2016.08.29	9,320	0.00	0	0.00	0	0.00	MBA, National Central University SVP of KGI Bank	SVP of KGI Bank	-	-	-
SVP	R.O.C	Patrick Huang	M	2016.09.01	0	0.00	0	0.00	0	0.00	Master of Journalism, Chinese Culture University VP of CDF and CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C	Marian Fu	F	2016.09.26	0	0.00	0	0.00	0	0.00	Master of Education, Cleveland State University SVP of KGI Bank	SVP of KGI Bank	-	-	-
VP	R.O.C	Willy Lu	M	2008.07.01	67,871	0.00	0	0.00	0	0.00	Bachelor of International Trade, Hsing Wu University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Chien Ping Lin	M	2012.01.01	263,012	0.00	0	0.00	0	0.00	MBA, National Chengchi University AVP of CDF and CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Dennis Yang	M	2012.01.01	362	0.00	23,376	0.00	0	0.00	B.B.A., National Taiwan University AVP of CDF and CDIB Capital Group	-	-	-	-
VP	R.O.C	Jessica Chen	F	2012.01.01	54,357	0.00	0	0.00	0	0.00	Master of Accounting, Pace University of New York AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Daphne Chuang	F	2012.01.01	168,867	0.00	0	0.00	0	0.00	Master of Information Engineering, National Taiwan University AVP of CDF and CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Justin Wu	M	2012.01.01	700,230	0.00	0	0.00	0	0.00	MBA, National Chengchi University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Wen-Chiao Chang	F	2012.01.01	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	F	2012.01.01	173,822	0.00	0	0.00	0	0.00	MBA, National Chengchi University AVP of CDF and Grand Cathay Securities	VP of CDIB Management Consulting Corp. VP of CDC Finance & Leasing Corp.	-	-	-
VP	R.O.C	Chris Chiang	F	2012.10.01	0	0.00	0	0.00	0	0.00	B.B.A., Ming Chuan University VP of Grand Cathay Securities	VP of CDIB Capital Group	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
VP	R.O.C	Fanny Lin	F	2012.10.25	465,071	0.00	775	0.00	0	0.00	MBA, Chinese Culture University VP of Grand Cathay Securities	VP of CDIB Capital Group Director of Grand Cathay Holding Limited	-	-	-
VP	R.O.C	Wen- Chung Lin	M	2013.11.01	150,018	0.00	0	0.00	0	0.00	MBA, University of Illinois AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Judy Mao	F	2014.05.20	49,483	0.00	0	0.00	0	0.00	Master of Economics , University of Wisconsin, Madison VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	I- Ling Lai	F	2014.05.20	65,962	0.00	45,208	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Claire Wang	F	2014.06.01	389	0.00	0	0.00	0	0.00	Bachelor of Business Mathematics, Soochow University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Chih- Shun Wang	M	2014.06.23	157,649	0.00	0	0.00	0	0.00	MBA, Texas A&M University VP of CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Shelly Chang	F	2015.05.01	0	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Hui-Ju Huang	F	2015.05.01	73,110	0.00	0	0.00	0	0.00	Master of Computer Science, University of Southern California VP of CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Yi -Wen Lin	F	2015.05.01	124,907	0.00	0	0.00	0	0.00	Master of Computer Science, The George Washington University VP of CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Wen-Jung Chen	F	2015.05.01	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	Kevin Hsu	M	2015.05.01	121,544	0.00	2,000	0.00	0	0.00	Master of Information Systems, Lawrence Technological University VP of CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Felicia Kuo	F	2015.07.20	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	Stephanie Kao	F	2015.12.01	2,000	0.00	0	0.00	0	0.00	Master of Education, University of Bath VP of Horizon Securities	-	-	-	-
VP	R.O.C	Daisy Wu	F	2016.05.19	215,144	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Jeff Chiu	M	2016.12.01	0	0.00	0	0.00	0	0.00	Bachelor of Photonics, National Cheng Kung University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Alice Lee	F	2017.03.13	0	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of KGI Bank	VP of KGI Bank	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
VP	R.O.C	Tess J.P. Huang Liu	F	2013.11.01	259,923	0.00	0	0.00	0	0.00	MBA, National Chengchi University AVP of CDF	-	-	-	
VP	R.O.C	Chia-Hui Lee	F	2014.07.01	0	0.00	0	0.00	0	0.00	B.B.A., National Chengchi University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Sophie Hsieh	F	2014.07.01	163,019	0.00	0	0.00	0	0.00	Master of Finance, National Chengchi University AVP of CDF and CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C	Yen-Ling Lai	F	2014.11.01	59,000	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Melissa Pan	F	2015.04.01	0	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Chung Hsing University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Eveline Lu	F	2015.04.01	0	0.00	0	0.00	0	0.00	Bachelor of Shipping and Transportation Management, National Taiwan Ocean University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Dan Hsiao	M	2015.05.01	1,436	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Gina Fang	F	2015.05.01	7,970	0.00	0	0.00	0	0.00	B.B.A., Soochow University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Ya- Hui Tsai	F	2015.05.01	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	M	2015.05.01	82,785	0.00	0	0.00	0	0.00	MBA, National Chengchi University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Bee-Jane Hsu	F	2015.06.01	40,887	0.00	0	0.00	0	0.00	Master of Management Science, Tamkang University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Mike Tsai	M	2015.09.01	102,722	0.00	0	0.00	0	0.00	Bachelor of Transportation Management, Feng Chia University VP of KGI Bank	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Sandy Lu	F	2015.09.01	0	0.00	0	0.00	0	0.00	Bachelor of Foreign Languages and Literatures, National Chung Hsing University Manager of HSBC	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Chi-Yun Yu	M	2015.12.01	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	M	2016.01.01	76,956	0.00	0	0.00	0	0.00	Bachelor of Information Management, Fu Jen Catholic University VP of CDIB Capital Group	VP of KGI Bank	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
VP	R.O.C	Eddie Chang	M	2016.01.01	85,555	0.00	0	0.00	0	0.00	Bachelor of Information Engineering, Feng Chia University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Jerry Li	M	2016.05.01	0	0.00	0	0.00	0	0.00	Master of Economics, National Taiwan University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Elsa Wang	F	2016.05.01	20,404	0.00	0	0.00	0	0.00	Bachelor of Journalism, Shih Hsin University AVP of CDF and KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Ya-shin Liu	F	2016.05.01	419	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Cheng Kung University AVP of CDF	-	-	-	-
VP	R.O.C	Ellen Kao	F	2016.05.01	60,142	0.00	0	0.00	0	0.00	Bachelor of Public Finance, National Chengchi University AVP of CDF and KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Hsuan-Te Chang	M	2016.05.01	0	0.00	1,479	0.00	0	0.00	Bachelor of Information and Computer Engineering, Chung Yuan Christian University AVP of CDF and KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Angel Wei	F	2016.05.09	0	0.00	0	0.00	0	0.00	Bachelor of Bank and Insurance, Feng Chia University VP of DBS	VP of KGI Bank	-	-	-
VP	R.O.C	Joanne Chien	F	2016.08.01	0	0.00	0	0.00	0	0.00	Master of Finance, National Chiao Tung University AVP of CTBC Bank	-	-	-	-
VP	R.O.C	Ingo Huang	M	2016.10.03	17,962	0.00	0	0.00	0	0.00	Master of International Trade, National Chengchi University AVP of Taishin International Bank	-	-	-	-
VP	R.O.C	Ivy Wang	F	2016.12.01	0	0.00	0	0.00	0	0.00	Bachelor of Electrical Engineering, Tungnan University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Will Chang	M	2016.12.01	0	0.00	0	0.00	0	0.00	Master of Information Management, National Central University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Wen-Chi Yu	F	2016.12.01	17	0.00	0	0.00	0	0.00	Bachelor of Finance, Takming University of Science and Technology VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Tom Chuo	M	2016.12.19	0	0.00	0	0.00	0	0.00	Master of Statistic and Actuarial Science, Feng Chia University VP of EHS	VP of KGI Bank	-	-	-
VP	R.O.C	Steven Chen	M	2017.01.01	0	0.00	0	0.00	0	0.00	Master of Industrial Economics, National Central University VP of CDIB & Partners Investment Holding Corporation	VP of CDIB Capital Group	-	-	-

Title (Note1)	Nationality	Name	Gender	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	%	Shares	%			Title	Name	Relations
VP	R.O.C	Kanny Yang	F	2017.01.16	88,802	0.00	0	0.00	0	0.00	Master of Economics, Soochow University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C	Jenny Chang	F	2017.02.03	0	0.00	0	0.00	0	0.00	Master of Risk Management & Insurance, National Kaohsiung First University of Science and Technology AVP of CTIB Bank	VP of KGI Bank	-	-	-

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\$ thousands ; December 31, 2016

Title	Name (Note 1)		Remuneration of Directors								Ratio of Total Remuneration (A+B+C+D) to Net Income(%) (Note 10)								Relevant Remuneration Received by Directors Who are Also Employees				Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income(%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)													
			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)																							
			The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company		Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)																		
		Cash	Stock	Cash	Stock																																	
Chairman	Kai Don Investment Co., Ltd. Representative:	Chia-Juch Chang																																				
Independent Director / Managing Director	Ching-Yen Tsay																																					
Director	Chi Jie Investment Co., Ltd. Representative:	Paul Yang																																				
Director	GPPC Chemical Corp. Representative:	Mark Wei																																				
Director	Bank of Taiwan Representative:	Shing-Shiang Ou																																				
Independent Director	Gilbert T.C. Bao																																					
Independent Director	Hsiou-Wei, Lin		18,101	18,101	0	0	58,000	58,000	4,476	6,528	1,360	1,395	90,998	199,446	0	0	0	0	0	0	0	0	2,897	4,762														
Former Chairman	Kai Don Investment Co., Ltd. Representative:	Mu-Tsai Chen																																				
Former Vice Chairman	Chi Jie Investment Co., Ltd. Representative:	Chia-Juch Chang																																				
Former Director	GPPC Chemical Corp. Representative:	David Chen																																				
Former Director	Kai Don Investment Co., Ltd. Representative:	Paul Yang																																				
Former Director	Chi Jie Investment Co., Ltd. Representative:	Mark Wei																																				
Former Independent Director	Hue-Sun Teng																																					

Title	Name (Note 1)		Remuneration of Directors								Relevant Remuneration Received by Directors Who are Also Employees								Ratio of Total Compensation (A+B+C+D+E+F+G) to Net Income(%) (Note 10)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note 11)				
			Base Compensation (A) (Note 2)		Severance Pay (B)		Bonus to Directors (C) (Note 3)		Allowances (D) (Note 4)		Ratio of Total Remuneration (A+B+C+D) to Net Income(%) (Note 10)		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 6)								
			The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company	Companies in the consolidated financial statements (Note 7)	The company			Companies in the consolidated financial statements (Note 7)		The company	Companies in the consolidated financial statements (Note 7)
																			Cash	Stock		Cash	Stock		
Managing Director	Shin Wen Investment Co., Ltd. Representative:	Long-I Liao	0	0	0	0	0	0	567	2,907	0.010	0.049	0	0	0	0	0	0	0	0	0.010	0.049	-		
Director	Shin Wen Investment Co., Ltd. Representative:	Howe-Yong Lee	0	0	0	0	0	0	120	120	0.002	0.002	0	0	0	0	0	0	0	0	0.002	0.002	-		

Note1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$4,319,000; compensation for drivers was NT\$4,375,000.

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

Note3: Employee-related remuneration for executive director is collected individually. The recognized "share based payment" under IFRS2 "; including employee stock options and new restricted employee shares should also be included in the remuneration.

Note4: The values of directors' remuneration 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 8)	Companies in the consolidated financial statements (Note9) (H)	The company (Note 8)	Companies in the consolidated financial statements (Note9) (I)
Under NT\$ 2,000,000	Kai Don Investment Co., Ltd. : Chia-Juch Chang、Chi Jie Investment Co., Ltd. : Paul Yang、GPPC Chemical Corp. : Mark Wei、Hsiou-Wei, Lin	Kai Don Investment Co., Ltd. : Chia-Juch Chang、Chi Jie Investment Co., Ltd. : Paul Yang、GPPC Chemical Corp. : Mark Wei、Hsiou-Wei, Lin	Chi Jie Investment Co., Ltd. : Paul Yang、GPPC Chemical Corp. : Mark Wei、Hsiou-Wei, Lin	Hsiou-Wei, Lin
NT\$2,000,000 ~ NT\$5,000,000(exclude)	Hue-Sun Teng(Former)	Hue-Sun Teng(Former)	Hue-Sun Teng(Former)	Hue-Sun Teng(Former)
NT\$5,000,000 ~ NT\$10,000,000 (exclude)	Bank of Taiwan: Shing-Shiang Ou、Ching-Yen Tsay、Gilbert T.C. Bao、GPPC Chemical Corp. : David Chen(Former)、Chi Jie Investment Co., Ltd. :Mark Wei(Former)	Bank of Taiwan: Shing-Shiang Ou、Ching-Yen Tsay、Gilbert T.C. Bao、GPPC Chemical Corp. : David Chen(Former)、Chi Jie Investment Co., Ltd. :Mark Wei(Former)	Kai Don Investment Co., Ltd. : Chia-Juch Chang、Bank of Taiwan: Shing-Shiang Ou、Ching-Yen Tsay、Gilbert T.C. Bao、GPPC Chemical Corp. : David Chen(Former)、Chi Jie Investment Co., Ltd. :Mark Wei(Former)	Kai Don Investment Co., Ltd. : Chia-Juch Chang、GPPC Chemical Corp. : Mark Wei、Bank of Taiwan: Shing-Shiang Ou、Ching-Yen Tsay、Gilbert T.C. Bao
NT\$10,000,000 ~ NT\$15,000,000 (exclude)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang(Former)、Kai Don Investment Co., Ltd. : Paul Yang(Former)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang(Former)、Kai Don Investment Co., Ltd. : Paul Yang(Former)	-	-
NT\$15,000,000 ~ NT\$30,000,000(exclude)	Kai Don Investment Co., Ltd. : Mu-Tsai Chen(Former)	Kai Don Investment Co., Ltd. : Mu-Tsai Chen(Former)	Chi Jie Investment Co., Ltd. : Chia-Juch Chang(Former)	Chi Jie Investment Co., Ltd. : Paul Yang、Chi Jie Investment Co., Ltd. : Chia-Juch Chang(Former)、GPPC Chemical Corp. : David Chen(Former)、Chi Jie Investment Co., Ltd. :Mark Wei(Former)
NT\$30,000,000~ NT\$50,000,000(exclude)	-	-	Kai Don Investment Co., Ltd. : Mu-Tsai Chen(Former)	Kai Don Investment Co., Ltd. : Mu-Tsai Chen(Former)
NT\$50,000,000 ~ NT\$100,000,000(exclude)	-	-	Kai Don Investment Co., Ltd. : Paul Yang(Former)	-
Over NT\$100,000,000	-	-	-	Kai Don Investment Co., Ltd. : Paul Yang(Former)
Total	13	13	13	13

* 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. In addition, the recognized "share based payment" under IFRS2, including employee stock options, new restricted employee shares and participation in new issued common stocks, etc., should also be included in the remuneration.

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

Note 8: 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 9: 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 10: Net income disclosed from latest financial statement of each company.

Note 11: 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 I 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.

3.3.2 Remuneration of the President and Executive Vice President

Unit: NT\$ thousands ; December 31, 2016

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 (%) (Note8)		Compensation Paid to Directors from an Invested Company Other than the Company's Subsidiary (Note9)
		The company	Companies in the consolidated financial statements (Note5)	The company	Companies in the consolidated financial statements (Note5)	The company	Companies in the consolidated financial statements (Note5)	The company		Companies in the consolidated financial statements (Note5)		The company	Companies in the consolidated financial statements (Note5)	
								Cash	Stock	Cash	Stock			
President	Paul Yang													
Executive VP	Eddie Wang													
Executive VP	Brian Chou													
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	Josephine Yang													
Executive VP	Lawrence S. Liu													
Executive VP	Julian Yen													
Executive VP	Teresa Li													
Executive VP	Ming Lin													
Executive VP	Andy Lin													
Executive VP	James Meng	76,959	128,456	0	0	152,209	287,281	23,365	0	23,365	0	4,264	7,413	-
Executive VP	Chih Yu Chou													
Executive VP	Vincent Hung													
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(Former)	Bing Huang Shih													
Executive VP(Former)	Beatrice Chou													
Executive VP(Former)	I-Wei Hsieh													

Note1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$5,096,000; compensation for drivers was NT\$8,282,000.

Note2: Provision expense of retirement payments was NT\$3,083,000.

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

Note4: The recognized salary payment under IFRS2 "share based payment", including employee stock options and new restricted employee shares should also be included in the remuneration.

Range of Remuneration

Range of Remuneration	Name of President and Vice President	
	The company (Note 6)	Companies in the consolidated financial statements (Note7) (E)
Under NT\$ 2,000,000	Daw-Yi Hsu、Janet Sheng、Chih Yu Chou、Jenny Chiang、David Kuo、Brian Huang、Hans Tzou、Isabel Liu、I-Wei Hsieh	I-Wei Hsieh
NT\$2,000,000 ~ NT\$5,000,000(exclude)	Brian Chou、Kenneth Huang、Josephine Yang、Teresa Li、Bing Huang Shih	Brian Chou、Josephine Yang、Teresa Li、Chih Yu Chou、Hans Tzou、Isabel Liu、Bing Huang Shih
NT\$5,000,000 ~ NT\$10,000,000(exclude)	Michael M. H. Peng、Julian Yen、Ming Lin、James Meng、Vincent Hung、Kiki Shih、Frances Tsai、Guang-Yue Yeh、Jane Lai、Jane Lai、Beatrice Chou	Janet Sheng、Kenneth Huang、Michael M. H. Peng、Ming Lin、James Meng、Vincent Hung、Kiki Shih、Jenny Chiang、David Kuo、Brian Huang、Frances Tsai、Guang-Yue Yeh、Jane Lai、Jane Lai、Beatrice Chou
NT\$10,000,000~NT\$15,000,000(exclude)	Reddy Wong、Eddy Chang、Andy Lin	Julian Yen、Andy Lin
NT\$15,000,000~NT\$30,000,000(exclude)	Eddie Wang、Lawrence S. Liu	Daw-Yi Hsu、Eddy Chang、Lawrence S. Liu
NT\$30,000,000~NT\$50,000,000(exclude)	-	Eddie Wang、Reddy Wong
NT\$50,000,000~NT\$100,000,000(exclude)	Paul Yang	-
Over NT\$100,000,000	-	Paul Yang
Total	31	31

* 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. In addition, the recognized "share based payment" under IFRS2, including employee stock options, new restricted employee shares and participation in new issued common stocks, etc., should also be included in the remuneration.

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

Note 6: 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 7: 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 8: Net income disclosed from latest financial statement of each company.

Note 9: 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 E 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.

3.3.3 Employee Remuneration

Unit: NT\$ thousands ; December 31, 2016

	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)	Executive VP	Eddie Wang、Brian Chou、 Daw-Yi Hsu、Janet Sheng、 Reddy Wong、Kenneth Huang、 Eddy Chang、Michael M. H. Peng、 Josephine Yang、Lawrence S. Liu、 Julian Yen	0	29,861	29,861	0.504
	Executive VP	Teresa Li、Ming Lin、 Andy Lin、James Meng、 Chih Yu Chou、Vincent Hung、 Kiki Shih、Jenny Chiang、 David Kuo、Hans Tzou、 Frances Tsai、Isabel Liu、 Guang-Yue Yeh、Jane Lai、 Jane Lai				
	SVP	Marisol Wang、Floyd Wang、 Thomas Wu、James Chou、 Adrienne Chiu、Sharol Lin、 Christy Lin、Alex Hung、 Sandra Yao、Chris Sun、 Spencer Kao、Michael Chang、 Abby Chen、Ellen Chang、 Amy Shan、Patrick Huang、 Marian Fu、Steven Ching、 Pi Fa Yang、Shu Ling Yang、 Milly Liu、Lian Yin Li、 Lecko Lai、Joann Tsai、 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 2015, 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 1.008% and 1.059%, respectively. In 2016, 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 1.372% and 1.446%, respectively; and 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 net income were 3.976% and 6.411%, respectively. In 2016, 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 4.264% and 7.413%, 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 2016 (A); the attendance details as follows:

December 31, 2016

Title	Name (Note 1)	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A) (Note2)	Remark
Chairman, Managing Director	Kai Don Investment Co., Ltd. Representative: Chia-Juch Chang	18	0	100	
Managing Director, Independent Director	Ching-Yen Tsay	16	2	89	
Managing Director	Shin Wen Investment Co., Ltd. Representative: Long-I Liao	17	1	94	
Director	Chi Jie Investment Co., Ltd. Representative: Paul Yang	13	4	72	
Director	GPPC Chemical Corp. Representative: Mark Wei	18	02	100	
Director	Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	8	10	44	
Director	Bank of Taiwan Co. Ltd Representative: Shing-Shiang Ou	18	0	100	
Independent Director	Gilbert T.C. Bao	13	4	72	
Independent Director	Hsiou-Wei Lin	12	0	100	Elected on May 16, 2016
Former Chairman	Kai Don Investment Co., Ltd. Representative: Mu-Tsai, Chen	6	0	100	
Former Director	GPPC Chemical Corp. Representative: David Chen	6	0	100	
Former Independent Director	Hue-Sun Teng	5	1	83	

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.

(3) The board held eighteen meetings during 2016: 6 meetings were held before election on May 16, 2016 and 12 meetings held afterwards.

Other items to be stated:

1. The operation of the board of directors shall, if any of the following circumstances, 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:

(1) For resolution(s) passed pursuant to Article 14-3 of the Securities and Exchange Act or, the minutes concerned:

The Company has an audit committee that, in accordance with Article 14-5 of the Securities and Exchange Act, shall be subject to the approval of more than one-half of all members of the Audit Committee and shall make the resolution of the board of directors. Not applicable to Article 14-3 of the Securities and Exchange Act

(2) any other resolution(s) passed but with independent directors voicing opposing or qualified opinions on the record or in writing

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:

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
February 1 5 th term 50 th meeting	Paul Yang	The proposed distribution list of the 3 rd restricted employee shares (issued in 2016)	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 28 5 th term 53 rd meeting	Chia-Juch Chang Paul Yang Long-I Liao Howe Yong Lee Shing-Shiang Ou Mark Wei Ching-Yen Tsay Gilbert Bao	Review the list of candidates for the nominated directors of the Company and the qualifications of candidates for independent directors	The interested directors are the candidates of nominated directors / independent directors	Recused from voting when examining the eligibility of their own qualifications
May 30 6 th term 2 nd meeting	Chia-Juch Chang	Chairman’s remuneration package	The interested director is the Chairman	Recused from voting
August 29 6 th term 6 th meeting	Mark Wei Long-I Liao Hsiou-Wei Lin	Capital expenditure (NT\$320 million) of the new core system of subsidiary KGI Commercial Banks	The interested directors are the board directors of KGI Commercial Bank	Recused from voting

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
	Chia-Juch Chang Paul Yang Long-I Liao Howe Yong Lee Shing-Shiang Ou Mark Wei Ching-Yen Tsay Gilbert Bao	2015 remuneration of directors	The interested directors are the parties receiving the remuneration	Recused from discussing and voting on the matter
December 19 6 th term 11 th meeting	Paul Yang	CDIB Yida Private Equity (Kunshan) Co. Ltd., which is 65% owned subsidiary of CDIB, will established CDIB Healthcare Private Equity (Kunshan) Enterprise (Limited Partnership) (tentative name). CDIB will be the key manager and the General Partner of the new company; CDIB Venture Capital Corporation, 100% owned subsidiary of CDIB, invests in CDIB Healthcare Private Equity (Kunshan) via 100% owned subsidiary CDIB Venture Capital (Hong Kong) Corporation Limited.	The interested director is the board director of both CDIB Venture Capital Corporation and CDIB Venture Capital (Hong Kong)	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.

In order to strengthen the efficiency of the Board, the Company passed the Performance Evaluation of the Board and Directors on November 21, 105. It is stipulated that the performance evaluation of the board of directors shall be conducted before the end of each year. The evaluation method includes self-evaluation of board performance and

self-assessment of board members. The results of the 2005 annual assessment are as follows. The outcome report has been presented on the Board meeting dated January 19, 2006:

“Five specific criteria were evaluated in the process of the 2016 Internal Performance Evaluation of the Board, namely board participation in company operations, improvement of the decision-making quality of the board, board structure and composition, selection and continuing education of board members, and internal control. The outcome is evaluated as “Good”, indicating a strong soundness of board operations, which have strictly adhered to Corporate Governance Best-Practice Principles of CDF.

Six specific criteria were evaluated in the process of the 2016 Individual Board Director Self-evaluations, namely a comprehensive understanding of CDF’s goals and objectives, the degree of awareness of board of director duties, individual participation in company operations, internal communication and relations management, degree of expertise of each director and continuing education of board members and internal controls. The overall outcome indicates that each board director had a positive effect on the efficiency and effectiveness of the company’s operations.

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

A. Audit Committee

A total of fourteen **【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	14	0	100	
Independent Director	Gilbert T.C. Bao	11	3	79	
Independent Director	Hsiou-Wei Lin	8	8	100	New elected on May 16, 2016
Former Independent Director	Hue-Sun Teng	5	1	83	

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. (total 14 meetings were held in 2016: 6 meetings prior the election dated May 16, 2016 and 8 meetings afterwards)

Other items to be stated:

1. The operation of the Audit Committee shall, if any of the following circumstances, 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:

- (1) Matters listed in Article 14-5 of the Securities and Exchange Act

Date	Term	Agenda	Resolution
2016/3/9	2 nd term 36 th meeting	Report of the Financial Supervisory Commission on the improvement of the inspection opinion of the Company for the inspection of the risk management project of the Company (Table A)	Approved

Date	Term	Agenda	Resolution
2016/3/24	2 nd term 37 th meeting	2015 Internal Control Report	Approved
		2015 Financial Statement	Approved
		Appointment and remuneration of CPA	Approved
2016/3/28	2 nd term 38 th meeting	Review of the nominated list of director candidates and the qualification of nominated independent directors candidates	The interested directors rescued from voting; list Approved
		Issuance of the 4 th restricted employee shares	Approved
		Acquisition of China Development Asset Management Corporation	Approved
2016/3/28	2 nd term 39 th meeting	2015 Business report, financial statements and consolidated financial statements	Approved
		2015 Dividend distribution	Approved
2016/5/16	3 rd term 1 st meeting	The convener of the third term of the Audit Committee	Approved Ching-Yen Tsay to be the convener
2016/8/29	3 rd term 4 th meeting	2016 Q2 consolidated financial statement	Approved
2016/9/19	3 rd term 5 th meeting	Amendments to the Audit Operational Guidelines	Approved
2016/12/26	3 rd term 8 th meeting	Change of CPA	Approved
		2017 Annual Auditing Plan	Approved

(2) Resolution(s) not passed by the audit committee but receiving the consent of at least two thirds of the board of directors

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:

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
March 28 2 nd term 38 th meeting	Ching-Yen Tsay Gilbert Bao	Review the list of candidates for the nominated directors of the Company and the qualifications of candidates for independent directors	The interested directors are the candidates of nominated directors / independent directors	Recused from voting

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) In addition to communication through the audit committee, the audit supervisors and independent directors shall held reviewing forum at least once a year to examine on the company's internal control system
- (2) The CPS shall attend the audit committee on a regular basis and communicate and discuss with the independent directors on matters such as the scope and manner of the verification of the financial report, the results of the examination and the effect of the revision of the laws and regulations, so as to facilitate the independent directors and keep track of the company's financial status
- (3) Summary of communication between independent directors and internal audit supervisors and CPA:

Date	Method	Matters	Outcome
2016/3/24	Audit Committee	2015 2H Auditing Report	Acknowledged
2016/3/24	Audit Committee	2015 Internal Control Report	Approved
2016/3/24	Audit Committee	2015 Financial Statement	Approved
2016/8/29	Audit Committee	2016 1H Financial Statement	Approved
2016/9/26	Audit Committee	2016 1H Auditing Report	Acknowledged
2016/10/14	Forum	Review internal control system deficiencies	A strengthen action were recommended by independent directors
2016/11/21	Audit Committee	Meeting minutes of internal control system reviewing	Acknowledged
2016/12/26	Audit Committee	2016 Auditing performance scoring of the Company	Approved
2016/12/26	Forum	2016 Auditing performance scoring of subsidiaries	Informed

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/enhtml/index>)

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

Evaluation Item	Implementation Status ¹			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 subsidiaries, and between the Company and its subsidiaries.	None

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
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
3. Does the FHC, in the event of a public company, set up a dedicated or adjunct unit responsible for matters relating to corporate governance (including but not limited to preparing business materials for directors and supervisors, organizing board and shareholder meetings, company registration and providing meeting minutes)?	V		The Company has set up a corporate governance working group under the Corporate Social Responsibility Committee and assigned administrative duties, organizing board and shareholder meetings, company registration and providing meeting minutes, to the Secretariat, Board of Directors.	None

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
4. Does the FHC establish communication channels with stakeholders (included but not limited to shareholders, employees and clients)?	V		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. 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. Internal staff issues are handled by dedicated units of Human Resource Department. There are also designated contact windows for subcontractors and the competent authorities.	None
5. 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 ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
6. 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 & II Employee Rights and Employee Well-being: For detail information, please refer to Section 8 Labor Relations in Chapter Five – Business Overview of the current report.</p> <p>III. Investor Relations The company maintains proper and appropriate relations with investors through the following measures:</p> <ol style="list-style-type: none"> 1. Holding an Annual General Meeting (AGM), in accordance with related laws and regulations. 2. Disclosure of information on the Market Observation Post System. 3. Organizing investor conferences on a regular basis. 4. Established “Investor Relations” section under the company’s website, where investors can view/download information on the company. 5. Providing “Investor Relations” contact details (phone and email) to facilitate timely communication. <p>IV. Stakeholder Interests 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. While opting for local suppliers first, the Company checks whether they are certified by the International Organization for</p>	None

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>Standardization and excludes those with major records of violating environmental regulations. On-site investigation at the supplier’s premises is also required when necessary.</p> <p>The Company requires all suppliers’ to commit to honest behavior and the Company's Directions for Supplier Corporate Social Responsibility, as announced on the website. 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>	
			<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</p>	

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>opportunities with regard to corporate governance.</p> <p>2. From 1 January to 31 December 2016, 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>	
			<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>Market risk. 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>Credit risk. 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>	

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>Operational risk. 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); 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> <p>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</p>	

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>economically disadvantaged youth.</p> <p>2. The Company donated NT\$10,000,000 to the Bureau of Social Affairs, Tainan City Government, to support earthquake relief efforts on February 6, 2016.</p> <p>3. The Company donated NT\$700,000 to National Taiwan University Academic Development Foundation in 2016.</p> <p>4. The Company donated NT\$700,000 to National Chengchi University in 2016.</p> <p>5. The Company donated NT\$300,000 to Chinese National Association of Industry and Commerce in 2016.</p> <p>6. The Company donated NT\$60,000 to National Culture and Art Foundation in 2016.</p> <p>7. The Company’s subsidiary CDIB Capital Group donated NT\$30,000,000 to “CDIB Education and Cultural Affairs Foundation” in 2016.</p> <p>8. The Company’s subsidiary CDIB Capital Group donated NT\$3,050,000 to “CDIB Education and Cultural Affairs Foundation” to provide financial assistance to the student victims of the dust explosion at Formosa Fun Coast in New Taipei City.</p> <p>9. The Company’s subsidiary CDIB Capital Group donated US\$15,000 to Massachusetts Institute of Technology (MIT).</p> <p>10. The Company’s subsidiary KGI Bank donated NT\$20,000,000 to “CDIB Education and Cultural Affairs Foundation” in 2016.</p> <p>11. The Company’s subsidiary KGI Securities donated NT\$17,000,000 to “CDIB Education and Cultural Affairs Foundation” in 2016.</p>	

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			12. The Company’s subsidiary KGI Securities donated NT\$10,000,000 to KGI Charity Foundation in 2016. 13. The Company’s subsidiary KGI Securities donated NT\$648,000 to National Chengchi University in 2016. 14. The Company’s subsidiary KGI Securities donated NT\$200,000 to Rong-Shing Cultural Foundation in 2016. 15. The Company’s subsidiary KGI Securities donated NT\$32,000 to the Children Welfare League Foundation in 2016. 16. The Company’s subsidiary KGI Securities donated NT\$15,000 to ASE Cultural & Education Foundation in 2016. 17. No donation to political parties by the Company and its subsidiaries.	
<p>7. Updates on the actual improvement and improvement plan following up on TWSE Corporate Governance Center’s most recent Corporate Governance Evaluation. The Company ranked among the top 6-20% companies in the 2nd Corporate Governance Evaluation in 2016.</p> <p>(1) Improvement on missed areas</p> <p>a. Do all the directors spend time on continuing education as required by Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies? All the directors took enough courses to meet the official requirement by end-2016, as coordinated by the Secretariat Department.</p> <p>b. Does the Company conduct regular board performance reviews (annually at least) and disclose the results on the website or in the annual report? Pursuant to Article 37 of Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies, the Company has set forth Guidelines for Board Performance Reviews, as announced on the website.</p> <p>(2) Priority areas for improvement</p> <p>a. The Company will devise a system for reporting the illegal (bribery included) and unethical behavior of internal and external persons.</p> <p>b. The Company will devise means to review board performance and conduct a feasibility study for external reviews at least every three years.</p>				

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

3.4.5 Composition, Responsibilities and Operations of the Remuneration Committee

A. The Composition

Identity (Note 1)	Name	Criteria			Independence Criteria(Note2)								Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director	Others
		Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience												
		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		
Independent Director	Ching-Yen Tsay	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	reelected
Independent Director	Gilbert T.C. Bao			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	reelected
Independent Director	Hue-Sun Teng			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	Former
Independent Director	Hsiou-Wei Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓		new

Note 1: Please fill in the form as a director, independent director or other

Note 2: 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 been a person of any conditions defined in Article 30 of the Company Law

B. The Operation

- (1) The Remuneration Committee consist three sitting members.
- (2) In 2016, 6 meetings were convened during January 1 to May 15 and 5 meetings were convened from May 16 to December 31 by the 3rd term of Remuneration Committee which was elected by the Board on May 16. In 2016, a total of eleven meetings were convened, with attendance detailed below.

Title	Name	Actual attendance	Attendance by proxy	Actual attendance ratio (%)	Note
Chief	Ching-Yen Tsay	11	0	100	
Member	Gilbert T.C. Bao	10	1	91	
Member	Hsiou-Wei Lin	5	0	100	Newly elected on May 16, 2016. Five meeting were convened.
Member	Hue-Sun Teng	5	1	83	Former. 6 meeting were held before election on May 16, 2016.

C. 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 - 2016

December 31, 2016

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
2016 Corporate Governance Forum: Insider trading and CSR	2016/1/26	2016/1/26	Securities and Futures Institute	David Chen	3
How do directors and supervisors without background in finance/ accounting review financial statements?	2016/3/22	2016/3/22	Taiwan Corporate Governance Association	Chia-Juch Chang	3
The impact of amendments to Company Act on investment decisions by the board of directors	2016/3/29	2016/3/29	The Chinese National Association of Industry and Commerce(CNAIC)	Mark Wei	3
Legal liability arising from M&A for directors and supervisors	2016/4/15	2016/4/15	Taiwan Corporate Governance Association	Chia-Juch Chang	2
How to communicate with the market effectively: Using information disclosure for strategic competition	2016/6/23	2016/6/23	Taiwan Corporate Governance Association	Paul Yang	3
Legal liability of independent directors	2016/7/14	2016/7/14	Taiwan Corporate Governance Association	Hsing-Hsiang Ou	3
Practices of risk management, internal control and information management	2016/8/5	2016/8/5	Taiwan Corporate Governance Association	Hsiou-Wei Lin	3
Latest development and analysis of taxation in China: Cross-strait tax treaties and new tax issues in China	2016/8/10	2016/8/10	Taiwan Corporate Governance Association	Long-I Liao	6
Group governance	2016/8/12	2016/8/12	Taiwan Corporate Governance Association	Hsing-Hsiang Ou	3
Operation and resolution effectiveness of the board of directors	2016/9/2	2016/9/2	Taiwan Corporate Governance Association	Mark Wei	3
Analysis of commercial considerations and legal risks for business decisions	2016/9/27	2016/9/27	Securities and Futures Institute	Chia-Juch Chang Ching-Yen Tsay How Yong Lee Hsiou-Wei Lin	3
How does the board supervise risk and crisis management to enhance corporate governance?	2016/9/27	2016/9/27	Securities and Futures Institute	Ching-Yen Tsay How Yong Lee	3
Strategy and KPI	2016/11/24	2016/11/24	Securities and Futures Institute	Paul Yang	3
Liability from false disclosures and financial statements for board directors and supervisors	2016/12/9	2016/12/9	Taiwan Corporate Governance Association	Gilbert Bao	3
The role and responsibilities of independent directors and operational practice of the audit committee	2016/12/16	2016/12/16	Taiwan Corporate Governance Association	Gilbert Bao	3

Table 2 Managers' Corporate Governance Training - 2016

December 31, 2016

Title	Name	Training date	Organizer	Course name	Hours
Chairman	Chia-Juch Chang	2016/3/11	China Development Financial Holding Corp	Introduction of the Banking Act	2
		2016/3/22	Taiwan Corporate Governance Association	How do directors and supervisors without a background in finance/ accounting review financial statements?	3
		2016/4/15	Taiwan Corporate Governance Association	Legal liability arising from M&A for directors and supervisors	3
		2016/9/27	Securities and Futures Institute	Analysis of commercial considerations and legal risks for business decisions	3
President	Paul Yang	2016/6/23	Taiwan Corporate Governance Association	How to communicate with the market effectively: Using information disclosure for strategic competition	3
		2016/11/24	Securities and Futures Institute	Advanced seminar for (independent) directors and supervisors: Strategy and KPI	3
Executive Vice President	Eddie Wang	2016/3/31	Taiwan Corporate Governance Association	Development and sustainability of core corporate values & family-owned businesses	3
		2016/5/13	Taiwan Corporate Governance Association	Legal guidelines for M&A	3
Executive Vice President	Eddy Chang	2016/1/14	China Development Financial Holding Corp	Industry themes and economic trends for 2016	3.7
		2016/8/12	China Development Financial Holding Corp	Global economic and financial market outlook and industry report for 2H 2016	3.5
		2016/9/29	China Development Financial Holding Corp	Guidelines for material information disclosure and declaration	2
		2016/12/1	China Development Financial Holding Corp	Workshop on Personal Information Protection Act	2
Executive Vice President	Julian Yen	2016/1/22	Taiwan Securities Association	Corporate Governance Workshop - A perspective of the hidden risks of financial statements	3
		2016/9/27	Securities and Futures Institute	Analysis of commercial considerations and legal risks for business decisions	3
Executive Vice President	Janet Sheng	2016/3/23	China Development Financial Holding Corp	Workshop on digital banking and regulations	2
Executive Vice President	Brian Chou	2016/7/5	IBM, Global Views Magazine	Conference lunch for top management on FinTech as a disruptive innovation and new opportunity	4
		2016/7/6	IBM	2016 symposium on financial innovations	4
		2016/7/11	Business Weekly	FinTech: future trend of global finance	2.5

Title	Name	Training date	Organizer	Course name	Hours
			Magazine		
		2016/7/21	Institute for Information Industry	Seminar on payment service via smart devices and regulatory adaptations	2
		2016/8/2	Global Views Magazine	International forum: Envision the future	6.8
		2016/8/26	Institute for Information Industry	Big data analytics and case studies	3
		2016/12/15	Taiwan Academy of Banking and Finance	Symposium on new RegTech trends and the impact on the local financial industry	3
Executive Vice President	Kenneth Huang	2016/06/14-2016/06/15	Taiwan Academy of Banking and Finance	Seminar for audit managers	13.5
		2016/08/13	China Development Financial Holding Corp	Audit officer training for 2016	7
		2016/08/31	Financial Examination Bureau, Financial Supervisory Commission	Internal audit for financial holding companies	3
		2016/09/23	Financial Examination Bureau, Financial Supervisory Commission	Internal audit for local banks	2
Executive Vice President	Michael M.H. Peng	2016/06/24	China Development Financial Holding Corp	The effect of tax treaties on multinational operations and the role of an offshore holding company	3
		2016/07/14	Taiwan Corporate Governance Association	Legal liability of independent directors	3
		2016/08/12	Taiwan Corporate Governance Association	Group governance	3
Executive Vice President	Andy Lin	2016/03/23	China Development Financial Holding Corp	Workshop of digital banking and regulations	2
		2016/06/07	China Development Financial Holding Corp	Introduction to digital banking trends and regulations	3.5
		2016/07/21	China Development Financial Holding Corp	IFRS 9 Financial Instruments	3
		2016/09/27	Securities and Futures Institute	Analysis of commercial considerations and legal risks for business decisions	3
		2016/10/21	China Development Financial Holding Corp	Challenges and applications of innovative financial business models	2
Executive Vice President	Jane Lai	2016/04/13	Taiwan Academy of Banking and Finance	Service reforms in a multi-channel era	3.5
		2016/05/03	Taiwan Academy of Banking and Finance	2016 seminar for risk management managers	3.5
		2016/05/06	Taiwan Academy of Banking and Finance	2016 cross-strait financial symposium: Opportunities and threats for Taiwan's banking sector from China's 13th Five-Year Plan	7
		2016/05/12	Taiwan Academy of Banking and Finance	Introduction of structured products and practices	4

Title	Name	Training date	Organizer	Course name	Hours
		2016/06/15	Taiwan Academy of Banking and Finance	Risk management for derivatives	4
		2016/07/14	Taiwan Academy of Banking and Finance	Regulations and information security for digital banking	3
		2016/07/28	Taiwan Academy of Banking and Finance	Development and implications of innovative service in the digital era	3
		2016/08/05	Taiwan Academy of Banking and Finance	Trends and risk controls of mobile payment and digital banking	6.3
		2016/08/19	Taiwan Corporate Governance Association	Legal guidelines for M&A	3
		2016/08/19	Taiwan Corporate Governance Association	M&A scrutinized from the viewpoint of directors and supervisors	3
		2016/09/02	Taiwan Corporate Governance Association	Operation and resolution effectiveness of the board of directors	3
		2016/09/08	Taiwan Academy of Banking and Finance	Control of counterparty credit risk for derivative products	4
		2016/09/27	China Development Financial Holding Corp	How does the board supervise risk and crisis management to enhance corporate governance?	3
Executive Vice President	Jenny Chiang	2016/04/21	China Development Financial Holding Corp	M&A regulations and planning	3
Executive Vice President	David Kuo	2016/05/12	Taiwan Academy of Banking and Finance	Introduction of structured products and practices	4
		2016/05/27	China Development Financial Holding Corp	Insider trading and corporate governance	3
		2016/06/15	Taiwan Academy of Banking and Finance	Risk management for derivatives	4
		2016/09/01	KGI Bank	Liquidity risk management	3
		2016/10/13	Taiwan Academy of Banking and Finance	Trading practices of equity derivatives	4
Executive Vice President	Vincent Hung	2016/07/05	Taiwan Institute of Directors	Major decisions of the Board : Succession planning	3
Executive Vice President	Kiki Shih	2016/07/21	China Development Financial Holding Corp	IFRS 9 Financial Instruments	3
		2016/08/24	Accounting Research and Development Foundation	How do Taiwanese enterprises respond to the evolution of IFRS and financial instruments: An accountant's viewpoint	6
		2016/09/30	Accounting Research and Development Foundation	The key role of material information in economic crimes: Legal liability and case study	3
		2016/12/13	China Development Financial Holding Corp	Introduction to 2017 IFRS	3

Title	Name	Training date	Organizer	Course name	Hours
		2016/12/14	Accounting Research and Development Foundation	Legal liability in financial statement fraud for directors/supervisors and senior financial officers and IFRS Q&A	4
Executive Vice President	Jane Lai	2016/02/23	China Development Financial Holding Corp	Introduction to the Banking Act	2
		2016/04/13	China Development Financial Holding Corp	Codes for a financial holding company's investment and co-marketing	3
		2016/04/20	China Development Financial Holding Corp	CSR as a competitive advantage	3
		2016/09/27	Securities and Futures Institute	Analysis of commercial considerations and legal risks for business decisions	3
		2016/09/27	Securities and Futures Institute	How does the board supervise risk and crisis management to enhance corporate governance?	3
Executive Vice President	Brian Huang	2016/01/22	Taiwan Academy of Banking and Finance	Prevention of international money laundering: Regulatory evolution amid emerging technologies	6.5
		2016/03/24	China Development Financial Holding Corp	M&A regulations and planning	3
		2016/04/13	China Development Financial Holding Corp	Investment and co-marketing guidelines for financial holding company	3
		2016/05/27	China Development Financial Holding Corp	Insider trading and corporate governance	3
		2016/06/07	China Development Financial Holding Corp	Introduction to digital banking trends and regulations	3.5
		2016/06/24	China Development Financial Holding Corp	The effect of tax treaties on multinational operations and the role of an offshore holding company	3
		2016/07/18-2016/07/19	Taiwan Academy of Banking and Finance	Operation, risk management and auditing practices of e-Banking	13
		2016/08/05	Taiwan Academy of Banking and Finance	Trends and risk controls of mobile payment and digital banking	6.3
		2016/08/26-2016/08/27	Taiwan Academy of Banking and Finance	Financial crime prevention and international sanctions	14
		2016/08/30	Taiwan Academy of Banking and Finance	Money laundering prevention	3
		2016/09/23	Taiwan Academy of Banking and Finance	Seminar on the effectiveness of anti-money laundering and counter-terrorist financing measures	3.5
		2016/09/27	Securities and Futures Institute	How does the board supervise risk and crisis management to enhance corporate governance?	3
		2016/09/27	Securities and Futures Institute	Analysis of commercial considerations and legal risks for business decisions	3

Title	Name	Training date	Organizer	Course name	Hours
		2016/10/21	China Development Financial Holding Corp	Challenges and applications of innovative financial business models	2
		2016/11/08	Taiwan Academy of Banking and Finance	Anti-money laundering and FinTech	3
Executive Vice President	Frances Tsai	2016/02/23	China Development Financial Holding Corp	Introduction to the Banking Act	2
		2016/03/18	China Development Financial Holding Corp	Financial and tax considerations in M&A	3
		2016/04/13	China Development Financial Holding Corp	Investment and co-marketing guidelines for financial holding company	3
		2016/04/20	China Development Financial Holding Corp	Competitive advantage for future: CSR	3
		2016/04/21	China Development Financial Holding Corp	M&A regulations and planning	3
		2016/07/13	Taiwan Academy of Banking and Finance	FinTech applications	3
		2016/09/27	Securities and Futures Institute	How does the board supervise risk and crisis management to enhance corporate governance?	3
		2016/09/27	Securities and Futures Institute	Analysis of commercial considerations and legal risks for business decisions	3
		2016/09/29	China Development Financial Holding Corp	Guidelines of material information disclosure and declaration	2
		2016/12/13	China Development Financial Holding Corp	Introduction to 2017 IFRS	3
Executive Vice President	Chih-Yu Chou	2016/03/25	China Development Financial Holding Corp	Base erosion and profit shifting (BEPS): International tax anti-avoidance and transfer pricing audit across the Taiwan Strait	3
		2016/03/29	China Development Financial Holding Corp	Symposium on digital banking and regulations	2
		2016/04/13	China Development Financial Holding Corp	Investment and co-marketing guidelines for financial holding company	3
		2016/09/27	Securities and Futures Institute	Analysis of commercial considerations and legal risks for business decisions	3
		2016/09/27	Securities and Futures Institute	How does the board supervise risk and crisis management to enhance corporate governance?	3
Executive Vice President	Hans Tzou	2016/03/03	The Institute of Internal Auditors- Chinese Taiwan	Regulatory practices for subsidiaries	6
		2016/03/29	China Development Financial Holding Corp	Symposium on digital banking and regulations	2
		2016/04/13	China Development Financial Holding Corp	Investment and co-marketing guidelines for financial holding company	3
		2016/05/27	China Development	Insider trading and corporate governance	3

Title	Name	Training date	Organizer	Course name	Hours
			Financial Holding Corp		
		2016/08/13	China Development Financial Holding Corp	Audit officer training for 2016	7
		2016/08/31	Financial Examination Bureau, Financial Supervisory Commission	Internal audit for financial holding companies	3
		2016/09/27	China Development Financial Holding Corp	Analysis of commercial considerations and legal risks for business decisions	3
		2016/10/06-2016/10/07	China Development Financial Holding Corp	Financial inspection and auditing	13
		2016/12/13	The Bankers Association of the Republic of China	Feedback on international internal audit	6.5
Executive Vice President	Isabel Liu	2016/06/24	China Development Financial Holding Corp	The effect of tax treaties on multinational operations and the role of an offshore holding company	3
		2016/12/20	KPMG	Applications and legal planning of FinTech	4
Executive Vice President	Teresa Li	2016/11/30-2016/12/01	Taiwan Academy of Banking and Finance	Machine learning and big data analytics	14

3.4.6 Corporate Social Responsibility

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed 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 2016, 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
(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	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
			be true will be subject to disciplinary actions in accordance with the Company's Employee Reward and Discipline Policy.	
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. Moreover, The Company has also procured 200K kWh of green power that has lowered environmental impact annually since 2015.	None
(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		(2) The Company imported ISO 14001 environmental management system and 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

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(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) Pursuant to the Paris Agreement and international environmental management systems, the Company as a responsible corporate citizen implements measure aimed at energy efficiency and low carbon production as well as faithful disclosure of carbon emissions. It introduced ISO 14064-1 in 2016 to monitor greenhouse gas emissions and scheduled third-party certification for 2017.	None
	V		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 2%, using total energy consumption in 2015 as the base, over a period of two years (by the end of 2018) in relation to air-conditioning and lighting power consumption. The Company saw consolidated power consumption decrease by 1% from a year ago in 2016. Some of the energy conservation and carbon reduction measures the Company continues to promote include:	None
	V		1. Energy conservation: Adjustment of chilled water temperature for air conditioning units in main office buildings; 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 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.	None
			There is no relevant statistics of other greenhouse gas emissions, such as	

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
	V		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. 5. Walking more and driving less: The Love the Earth by Walking competition held in December registered a total of 592,960,903 steps by employees, which translate into 355,777 km (assuming 10k steps equal to 6km), or nearly nine circles around the earth, and reduction of carbon emissions by 84,200 carbon dioxide equivalents/km.	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
(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	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
			violate against government regulations will be subject to legal liabilities where appropriate.	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		<p>(3) The Company values employees' safety and their rights to a healthy work environment. Some of the actions taken to ensure this include:</p> <ol style="list-style-type: none"> 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. 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. 	None
(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

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(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 customers with a simple and diverse access to communicate with the Company.	None
(7) Does the company advertises and label its goods and services according to relevant regulations and international standards?	V		(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.	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			2. While opting for local suppliers first, the Company checks whether they are certified by the International Organization for Standardization and excludes those	

Evaluation Item	Implementation Status (Note 1)			Deviation from "the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies" and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
corporate social responsibilities and caused significant impact to the environment or society?			with major records of violating environmental regulations. On-site investigation at the supplier's premises is also required when necessary. 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 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 have 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 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	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	
			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
(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 Human Resource Department to promote corporate ethical management and assist CSR Committee's five working groups to report its implementation status to the Board of Directors.	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	
(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
(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

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	
(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 personnel to investigate the reported misconducts?	V		(1) The Company encourages employees to take initiative in notifying the Audit Committee, managers, internal audit officers or any supervisor deemed appropriate upon 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.	None
(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

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. 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				
6. Other important information that helps to understand the operation of the company's ethical corporate management. (Review or amend of the Company's Ethical Corporate Management Best Practice Principles): See item 1 to 4 of above table for details				

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

Note 2: 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."

3.4.8 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, 2016 to December 31, 2016, 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: Chia-Juch Chang

President: Daw-Yi Hsu

General Auditor: Kenneth Huang

Legal Compliance Officer: Brian Huang

Dated: March 21, 2017

Plan for improving internal controls as of end-2016

Area for improvement	Details	Estimated time of completion
China Development Financial		
<p>FSC's bank and financial holding issue No.10500185010 on January 10, 2017</p> <p>The FSC's ad-hoc risk management inspection of the Company found that subsidiary KGI Securities' overseas subsidiary, Grand Cathay Capital HK, failed to report related party transactions to the board of directors as stipulated in the FSC's bank issue No.0946000269 on July 8, 2005. The subsidiary and FHC were thus found failing to establish a legal compliance system and fulfill supervisory duties, respectively. Pursuant to Paragraph 1, Article 54 of the Financial Holding Company Act, the Company received the punishment of correction.</p>	<p>KGI Securities has revised its "Principles for Supervising Subsidiaries", having overseas subsidiaries comply with regulations regarding disclosure of directors' conflicts of interest and recusals and report any potential conflicts of interest against a proposal at the board meeting and in the meeting minutes.</p>	Completed.
KGI Bank (subsidiary)		
<p>1. Procedures of switching targets for investment-linked insurance policies</p>	<p>KGI Bank has revised its rules for switching targets for investment-linked insurance policies, adding quarterly examination.</p>	Completed.
<p>2. FSC's bank and financial holding issue No.10560001090 on June 23, 2016</p> <p>KGI Bank was found to have deficiencies in operations as it failed to implement proper account opening procedures and internal controls required by the parent company and found to have inadequate procedure of approval by the board of directors. Pursuant to Paragraph 1, Article 61-1 of the Banking Act, the Company received punishment of correction.</p>	<p>1. KGI Bank has reviewed its procedures of opening accounts, adding phone call recording and joint visits.</p> <p>2. KGI Bank has drafted internal control guidelines, approved by the board of directors.</p>	Completed.
<p>3. FSC's bank and financial holding issue No.10500185210 on December 14, 2016</p> <p>KGI Bank was found in violation of the Bankers Association's Self-Regulatory Rules on Banks Conducting Financial Derivatives Business with improper risk management, KYC procedure and selling process. Pursuant to Paragraph 1, Article 61-1 of the Banking Act, the Company received punishment of correction.</p>	<p>KGI Bank has revised its regulations in compliance to FSC's latest version of Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business.</p>	Completed.

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 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-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-Quan-1040021630 dated June 5, 2015</p> <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"> 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. 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. 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. 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. 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. <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"> 1. Companies for which the subsidiary plans 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. 2. To prevent similar mistakes, the subsidiary had introduced enhanced notification practices on top of its existing controls since January 8, 2015. 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. 4. Improvements at the frontline: <ol style="list-style-type: none"> (1) Managers and traders of all branches nationwide are being conveyed on "prohibited conduct." (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. 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.
<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)</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</p>

Nature of case	Status of the Improvement
<p>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." 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>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> <ol style="list-style-type: none"> 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 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. 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 	<p>KGI SITC had made the following improvements:</p> <ol style="list-style-type: none"> 1. Liquidity plan: <ul style="list-style-type: none"> 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 provider for SSE 50 ETF, which enables it to mediate investors' demands in the future. 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.

Nature of case	Status of the Improvement
<p>did not disclose this information on Fund Clear during this period, which constituted a violation against Subparagraph 13, Paragraph 1, and Article 12 of Regulations Governing Offshore Funds.</p> <p>A warning was issued in light of this violation.</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"> 1. "Notes on Acceptance of Customers' Trading Instructions by International Department" was implemented on January 30, 2016. 2. "Notes on Acceptance of Customers' Trading Instructions by Brokerage Department" was implemented on February 23, 2016. 3. "Notes on Acceptance of Trading Instructions from Institutional Investors" was implemented on February 24, 2016.
<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 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>KGI SIAC had made the following improvements:</p> <ol style="list-style-type: none"> 1. FSC had approved the request made by KGI SIAC on July 29, 2015, to cease all discretionary investment services. 2. KGI SIAC will ensure compliance with laws and protection of customers' interests should it decide to resume discretionary investment services in the future.
<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"> 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"> (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.

Nature of case	Status of the Improvement
	<p>(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.</p> <p>(3) Employees are required to understand whether there are any major differences in future R&D expenses, whether the new offering is used to finance new R&D projects, and evaluate the overall necessity of the new offering.</p> <p>2. All business units have been instructed to take note of the above in future services.</p>
<p>FSC Letter Jin-Guan-Zheng-Tou-1050014657 dated May 12, 2016</p> <p>FSC examined the day-to-day operations of subsidiary KGI SITE and formed the following opinions:</p> <ol style="list-style-type: none"> 1. The investment analysis reports referenced for buying attention securities failed to analyze and evaluate the risks involved with the degree of short-term increases and liquidity. 2. Mutual funds traded securities-related products for hedging purposes but failed to reveal the negotiable securities (or investment portfolios), that are highly related to these products, in the transaction analysis reports. <p>An order of correction was issued for these violations.</p>	<p>KGI SITE has made the following improvements:</p> <ol style="list-style-type: none"> 1. It has made it a point to advertise internally that when buying “attention securities”, the Company should reveal transaction information in the investment analysis report and also conduct analysis and evaluation of short-term rally and liquidity risks. 2. The Company has raised internal awareness of the need for mutual funds, when trading securities-related products for hedging purposes, to explicitly reveal their portfolios of negotiable securities that are highly related to hedging products, in investment analysis reports.
<p>FSC Letter Jin-Guan-Yin-Kong-10560001090 dated June 23, 2016</p> <p>KGI Bank failed to thoroughly implement the due procedures of opening savings accounts and used the corporate charter directly copied from the parent company for internal control without first having it approved by the board of directors. This risks hindering the healthy operations of CDF.</p> <p>An order of correction was issued for this violation.</p>	<ol style="list-style-type: none"> 1. KGI Bank has re-examined account-opening procedures and added such mechanisms as recorded telephone notices and joint external clients. 2. KGI Bank has set up its own internal control charter, approved by the board of directors.

Nature of case	Status of the Improvement
<p>FSC Letter Jin-Guan-Zheng-Zi-1050029805 dated August 4, 2016</p> <p>FSC examined the day-to-day operations of subsidiary Global Securities Finance Corporation (GSF) and formed the following opinions:</p> <ol style="list-style-type: none"> 1. Capital stock reduction was partially funded by issuance of commercial paper. 2. When granting margin loans or lending out stocks, GSF failed to evaluate clients and grant credit lines accordingly, as required by internal rules. The internal control was flawed. <p>An order of correction was issued for these violations.</p>	<p>GSF has made the following improvements:</p> <ol style="list-style-type: none"> 1. When conducting capital maneuvers in the future, GSF will see to it that the source of funds is in compliance with legal regulations. 2. For the purpose of granting margin loans or lending out stocks or opening or renewing accounts for clients who borrow on collateral, GSF now provides a client credit line search table, so as to facilitate calculating clients' credit lines on a consolidated basis and controlling clients' overall credit default risk.
<p>FSC Letter Jin-Guan-Yin-Kong-10500185210 dated December 14, 2016</p> <p>When conducting financial derivatives business, CDF subsidiary KGI Bank failed to fully implement the risk-management requirements indicated in "Self-disciplinary Regulation Governing Banks Conducting Financial Derivatives Business", as drafted by The Bankers Association of the Republic of China. Such deficiencies as imperfect implementation of the know-your-client and risk-management procedures were found during sales of products and might hinder the healthy operations of CDF.</p> <p>An order of correction was issued for this violation.</p>	<p>KGI Bank has completed amendments of its internal charter pursuant to FSC's revision of "Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business" and related regulations.</p>

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

Nature of case	Status of Improvement
<p>FSC Letter Jin-Guan-Yin-Kong-10500185010 dated January 10, 2017</p> <p>FSC stated in a report detailing its examination of CDF's risk-management measures that regarding subsidiary KGI Securities' overseas subsidiaries revealing information on related-party transactions during board meetings, due procedures had not been followed thoroughly. KGI Securities had not fulfilled its responsibility of overseeing subsidiaries, which may hinder the healthy operations of CDF.</p> <p>An order of correction was issued for this violation.</p>	<p>KGI Securities has amended its "Subsidiary Supervision Process Criteria" to see to it that its overseas subsidiaries will follow the requirements regarding the revealing and avoidance of conflicts of interests involving board directors. KGI Securities now requires that, when submitting proposals during board meetings, subsidiaries must check for potential conflicts of interest involving board directors. In the event such a conflict of interest is discovered, an explanation of the situation will be added to the meeting minutes.</p>

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 (May 16, 2016) and their implementation:

(1) Matters for Discussion:

Proposal 1: Amendment on the Company's "Articles of Incorporation"

Resolution:

The proposal was approved as proposed. The number of shares represented by the shareholders present at the time of voting was 12,192,963,806, including 4,829,033,641 shares represented by the shareholders exercising voting rights electronically, accounting for 83.03% of the total outstanding shares. The total number of votes casted for the proposal was 10,965,211,834, including 4,028,582,618 votes casted electronically, accounting for 92.33% of the votes. 5,448,949 votes (among which 5,447,175 votes were casted electronically) were casted against the proposal, 0 shares were invalid votes and 905,832,307 shares (among which 795,003,848 were electronic votes) were refrained from voting.

Implementation: The amended Articles of Incorporation implemented on May 16, 2016 and completed the registration to the Ministry of Economic Affairs within 15 days in comply with the law.

(2) Matters for Recognition:

Proposal 1: Acceptance of 2015 Business Report, financial statements, 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 12,193,632,257, including 4,829,033,641 shares represented by the shareholders exercising voting rights electronically, accounting for 83.03% of the total outstanding shares. The total number of votes casted for the proposal was 10,923,149,261, including 3,985,595,432 votes casted electronically, accounting for 91.97% of the votes. 89,696 votes (among which 69,844 votes were casted electronically) were casted against the proposal, 39 shares were invalid votes and 953,922,545 shares (among which 843,368,365 were electronic votes) were refrained from voting.

Implementation: Announced upon resolution of the shareholders meeting

Proposal 2: Acceptance of 2015 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 12,194,709,702, including 4,829,033,641 shares represented by the shareholders exercising voting rights electronically, accounting for 83.04% of the total outstanding shares. The total number of votes casted for the proposal was 10,970,626,935, including 4,033,878,938 votes casted electronically, accounting for 92.36% of the votes. 196,855 votes (among which 177,003 votes were casted electronically) were casted against the proposal, 0 shares were invalid votes and 907,415,196 shares (among which 794,977,700 were electronic votes) were refrained from voting.

Implementation: The cash dividends were allocated on June 24, 2016.

(3) Matters for Discussion:

Proposal 1: Approval of the proposal for the 4th issuance of restricted employee stocks to attract and retain professional talents

Resolution:

The proposal was approved as proposed. The number of shares represented by the shareholders present at the time of voting was 12,195,552,906, including 4,829,033,641 shares represented by the shareholders exercising voting rights electronically, accounting for 83.04% of the total outstanding shares. The total number of votes casted for the proposal was 10,134,332,444, including 3,196,731,190 votes casted electronically, accounting for 85.31% of the votes. 757,737,495 votes (among which 756,166,697 votes were casted electronically) were casted against the proposal, 563,160 shares were invalid votes and 986,449,091 shares (among which 876,135,754 were electronic votes) were refrained from voting.

Implementation: The total restricted employee new shares issued: 1,321,551 common shares and was distributed on January 25, 2017

(4) Matters for Election:

Proposal 1: Election of the 6th term Board of Directors (including Independent Directors)

Resolution:

Chairperson declared that the 6 directors and 3 independent directors were elected as received most votes among other candidates.

Implementation: The elected list has been announced on “Market Observation Post System (MOPS) as required and completed the registration to the Ministry of Economic Affairs on July 4, 2016.

2. Major Resolutions of Shareholders' Meeting and Board Meetings

- (1) 49th directors' meeting of the 5th board on January 25, 2016**
 - resolution for the date to convene the 2016 general shareholders' meeting and related matters
 - resolution to repurchase and cancel its shares
- (2) 51st directors' meeting of the 5th board on February 22, 2016**
 - resolution for amendment of Articles of Incorporation
- (3) 52nd directors' meeting of the 5th board on March 9, 2016**
 - resolution for election of the 6th term Board of directors
- (4) 53rd directors' meeting of the 5th board on March 28, 2016**
 - resolution to dispose of China Development Asset Management Corporation
 - resolution for implementation of stock repurchase plan
 - resolution for the 2015 employees' compensation and remuneration to directors
 - resolution for 2015 Business Report, financial statements, consolidated financial statements and relevant books and reports
 - resolution for 2015 dividends distribution
 - resolution for the fourth issuance of restricted employee shares
 - resolution for shareholders-nominated list of director candidates and qualification of independent directors candidates
 - resolution for 2016 annual shareholder meeting agenda
- (5) 54th directors' meeting of the 5th board on April 25, 2016**
 - resolution for retiring purchased shares
- (6) 1st directors' meeting of the 6th board on May 16, 2016**
 - announcement of the 3rd-term Remuneration Committee
 - resolution of the election of the 6th-term Board of Directors
- (7) 4th directors' meeting of the 6th board on July 14, 2016**
 - on behalf of CDIB, announced the list of the 20th-term Directors
 - on behalf of KGI Bank, announced the list of the 10th-term Directors
- (8) 5th directors' meeting of the 6th board on July 25, 2016**
 - resolution to apply to the Financial Supervisory Commission for extension of the industrial bank license through the subsidiary of China Development Bank
- (9) 6th directors' meeting of the 6th board on August 29, 2016**
 - resolution for the 2015 distribution of directors' compensation

(10) 9th directors' meeting of the 6th board on October 24, 2016

- resolution for directors' liability insurance

(11) 10th directors' meeting of the 6th board on November 21, 2016

- resolution for cooperating with the subsidiary China Development Bank to extend the industrial bank license and apply to the Financial Supervisory Commission for a further extension of the 100% holding of the Bank of China Asset Management Co., Ltd.

(12) 12th directors' meeting of the 6th board on December 26, 2016

- resolution for 2017 budget report

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:

March 31, 2017

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chairman	Mu-Tsai Chen	2008/12/15	2016/5/17	Retired
President	Paul Yang	2011/9/29	2017/1/21	Resigned

3.5 Information Regarding the Company's Audit Fee and Independence

3.5.1 Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Wu, Yi-Chun	Kuo, Cheng-Hung	2016.01.01~ 2016.12.31	(Note)
	Wu, Mei-Hui	Kuo, Cheng-Hung		

Note: Due to the internal work adjustment in DDT, the CPA has been changed from 2016 Q4.

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		-	1,571	1,571
2	NT\$2,000,001 ~ NT\$4,000,000		-	-	-
3	NT\$4,000,001 ~ NT\$6,000,000		4,900	-	4,900
4	NT\$6,000,001 ~ NT\$8,000,000		-	-	-
5	NT\$8,000,001 ~ NT\$10,000,000		-	-	-
6	Over NT\$100,000,000		-	-	-

Unit: NT\$ thousands

Accounting Firm	Name of CPA (Note1)		Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
				System of Design	Company Registration	Human Resource	Others (Note2)	Subtotal		
Deloitte & Touche	Wu, Yi-Chun	Kuo, Cheng-Hung		-	-	-	1,571	1,571	2016.01.01 ~ 2016.12.31	(Note2)
	Wu, Mei-Hui	Kuo, Cheng-Hung								

Note 1: Due to the internal work adjustment in DDT, the CPA has been changed from 2016 Q4.

Note 2: 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 accounting firm has taken place during the year, please divide the audit period and disclose audit and non-audit fee 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

Due to the internal work adjustment in DDT, the company's CPA has been changed from Wu, Yi-Chun and Kuo, Cheng-Hung to Wu, Mei-Hui and Kuo, Cheng-Hung.

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 2016:

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	2016		As of March 31, 2017	
		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 Chia-Juch Chang	380,000	0	0	0
Managing Director	Shin Wen Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	0	0	0	0
	Representative Long-I Liao	0	0	0	0
Independent Director / Managing Director	Ching-Yen Tsay	0	0	0	0
Director	GPPC Chemical Corp.	0	0	0	0
	Representative Mark Wei	(50,000)	0	0	0
Director	Chi Jie Investment Co., Ltd.	0	0	0	0
	Representative Paul Yang	3,220,303	(3,600,000)	3,358,025	0
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	Bank of Taiwan Co., Ltd. (Major shareholders with over 1% shareholding.)	32,729,754	0	48,211,577	0
	Representative Shing-Shiang Ou	0	0	0	0
Independent Director	Gilbert T.C. Bao	0	0	0	0
Independent Director	Hsiou-Wei, Lin	0	0	0	0

Title	Name	2016		As of March 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Acting President	Daw-Yi Hsu	82,733	0	28,744	0
General Auditor	Kenneth Huang	0	0	0	0
Executive VP	Eddy Chang	73,255	0	77,890	0
Executive VP	Julian Yan	0	0	0	0
Executive VP	Brian Chou	0	0	0	0
Executive VP	Te En Chan	0	0	8,000	0
Executive VP	Jane Lai	0	0	0	0
Executive VP	Jenny Chiang	0	0	0	0
Executive VP	Andy Lin	(1,500,000)	0	25,317	0
Executive VP	Jane Lai	0	0	0	0
Executive VP	Chih Yu Chou	20,000	0	0	0
Executive VP	Eddie Wang	517,818	0	542,613	0
Executive VP	Lawrence S. Liu	118,201	0	91,867	0
Executive VP	Reddy Wong	94,321	0	425,132	0
Executive VP	Janet Sheng	32,683	0	8,945	0
Executive VP	Michael M. H. Peng	20,000	0	0	0
Executive VP	Josephine Yang	0	0	0	0
Executive VP	Vincent Hung	0	0	0	0
Executive VP	Ming Lin	139,151	0	0	0
Executive VP	David Kuo	0	0	0	0
Executive VP	James Meng	0	0	0	0
Executive VP	Guang-Yue Yeh	0	0	0	0
Executive VP	Brian Huang	0	0	0	0
Executive VP	Frances Tsai	0	0	0	0
Executive VP	Kiki Shih	0	0	0	0
Executive VP	Isabel Liu	0	0	0	0
Executive VP	Hans Tzou	0	0	0	0
Executive VP	Teresa Li	0	0	0	0

Title	Name	2016		As of March 31, 2017	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
SVP	Amy Shan	0	0	0	0
SVP	Lecko Lai	0	0	0	0
SVP	Michael Chang	0	0	0	0
SVP	Ellen Chang	152,953	0	0	0
SVP	Adrienne Chiu	0	0	0	0
SVP	Vincent Hsiao	0	0	0	0
SVP	Chris Sun	0	0	0	0
SVP	Alex Hung	1,000	0	0	0
SVP	Lian Yin Li	0	0	0	0
SVP	Marisol Wang	0	0	0	0
SVP	Sharol Lin	0	0	0	0
SVP	Abby Chen	0	0	0	0
SVP	Shu Ling Yang	0	0	0	0
SVP	Christy Lin	0	0	0	0
SVP	Sandra Yao	0	0	0	0
SVP	Pi Fa Yang	0	0	0	0
SVP	Steven Ching	0	0	0	0
SVP	James Chou	0	0	0	0
SVP	Milly Liu	0	0	0	0
SVP	Joann Tsai	0	0	0	0
SVP	Thomas Wu	0	0	0	0
SVP	Floyd Wang	61,243	0	0	0
SVP	Spencer Kao	0	0	0	0
SVP	Patrick Huang	0	0	0	0
SVP	Marian Fu	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 31, 2017

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 31, 2017

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

April 18, 2017

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)	286,941,073	1.92	0	0.00	0	0.00	None	None	
Representative: Lyu,Jye-Cherng	0	0.00	0	0.00	0	0.00	None	None	
KGI Securities	302,585,796	2.02	0	0.00	0	0.00	None	None	
Representative: Daw-Yi Hsu	511,091	0.00	5,600,000	0.04	0	0.00	None	None	
Government of Singapore	295,005,426	1.97	0	0.00	0	0.00	None	None	
China Life Insurance Co., Ltd.	562,468,259	3.76	0	0.00	0	0.00	None	None	
Representative: Alan Wang	0	0.00	0	0.00	0	0.00	None	None	
Cathay Life Insurance Co., Ltd.	347,341,000	2.32	0	0.00	0	0.00	None	None	
Representative: Hong-Tu Tsai	0	0.00	0	0.00	0	0.00	None	None	
Shin Kong Life Insurance Co., Ltd.	226,737,310	1.51	0	0.00	0	0.00	None	None	
Representative: Tung-Chim-Wu	0	0.00	0	0.00	0	0.00	None	None	
Vanguard Emerging Markets Stock Index Fund	251,192,649	1.68	0	0.00	0	0.00	None	None	
Shin Wen Investment Co., Ltd	650,252,192	4.34	0	0.00	0	0.00	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	2,594,652	0.02	0	0.00	0	0.00			
Jing Kwan Investment Co., Ltd.	416,881,377	2.78	0	0.00	0	0.00	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	2,594,652	0.02	0	0.00	0	0.00			
Fubon Life Insurance Co., Ltd.	456,500,000	3.05	0	0.00	0	0.00	None	None	
Representative: Richard M. Tsai	0	0.00	0	0.00	0	0.00	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, 2016

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 (Note 3)	2,060,399,410	100.00	0	0.00	2,060,399,410	100.00
KGI Securities Co., Ltd.	3,498,812,320	100.00	0	0.00	3,498,812,320	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	5.46	12,137,528	0.53	135,949,038	5.99
CDIB Venture Capital Corporation	0	0.00	922,790,915	100.00	922,790,915	100.00
China Development Asset Management Corporation	0	0.00	200,000,000	100.00	200,000,000	100.00
CDIB Capital Management Corporation	0	0.00	33,093,889	100.00	33,093,889	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 Limited	0	0.00	339,392	100.00	339,392	100.00
CDIB Management Consulting Corporation	0	0.00	153,171,873	100.00	153,171,873	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	5,000,000	100.00	5,000,000	100.00
KGI Insurance Brokers Co., Ltd.	0	0.00	500,000	100.00	500,000	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
CDIB Biotech USA Investment Co., Ltd.	0	0.00	3,060,000	50.00	3,060,000	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	%
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	5,729,721	21.41	5,729,721	21.41
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	18.15	3,500,000	18.15
STL Technology Co., Ltd.	0	0.00	12,457,934	17.71	12,457,934	17.71
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
Healthstream Taiwan Inc.	0	0.00	4,774,523	13.96	4,774,523	13.96
Top Green Energy Technologies Inc.	0	0.00	17,351,851	13.88	17,351,851	13.88
Entery Industrial Co., Ltd.	0	0.00	8,364,000	13.60	8,364,000	13.60
Copartner Tech. Corp.	0	0.00	11,024,340	12.97	11,024,340	12.97
Dabomb Protein Corp.	0	0.00	3,128,160	12.86	3,128,160	12.86

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
RiselinK Venture Capital Corp.	0	0.00	8,015,792	12.50	8,015,792	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
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
Elit Fine Ceramics Co., Ltd.	0	0.00	5,000,000	10.64	5,000,000	10.64
Mostar 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
Jochu Technology Co., Ltd.	0	0.00	8,499,726	10.21	8,499,726	10.21
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.

Note 3: Renamed as CDIB Capital Group on March 15, 2017.

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

April 18, 2017

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	New restricted employee shares from equity raising	None	Decree No. 1040033216 issued by FSC dated August 31st, 2015
April 2016	10	20,000,000,000	200,000,000,000	15,117,022,208	151,170,222,080	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010
June 2016	10	20,000,000,000	200,000,000,000	14,974,012,208	149,740,122,080	Capital deduction via decrease in treasury stocks.	None	Decree No. 10500121330 issued by FSC dated May 31st, 2016
October 2016	10	20,000,000,000	200,000,000,000	14,974,420,275	149,744,202,750	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010
January 2017	10	20,000,000,000	200,000,000,000	14,974,421,275	149,744,212,750	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010
January 2017	10	20,000,000,000	200,000,000,000	14,975,742,826	149,757,428,260	New restricted employee shares from equity raising	None	Decree No. 1050024592 issued by FSC dated July 5th, 2016

B. Type of Stock

April 18, 2017

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	14,975,742,826	5,024,257,174	20,000,000,000	Listed Stocks
Preferred Shares	0	0	0	

C. Information for Shelf Registration

April 18, 2017

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

April 18, 2017

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	9	21	902	543,352	1,137	545,421
Shareholding (shares)	1,191	2,138,403,978	2,629,008,720	6,568,365,793	3,639,963,144	14,975,742,826
Percentage	0.00	14.28	17.56	43.85	24.31	100.00

4.1.3 Shareholding Distribution Status

A. Common Shares

April 18, 2017

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	188,620	36,681,844	0.24
1,000 ~ 5,000	175,161	422,633,844	2.82
5,001 ~ 10,000	64,780	472,323,081	3.15
10,001 ~ 15,000	35,317	422,964,510	2.82
15,001 ~ 20,000	17,614	311,398,698	2.08
20,001 ~ 30,000	22,396	544,046,915	3.63
30,001 ~ 50,000	18,173	699,331,706	4.67
50,001 ~ 100,000	13,245	915,846,297	6.12
100,001 ~ 200,000	5,966	810,719,381	5.41
200,001 ~ 400,000	2,397	653,642,277	4.36
400,001 ~ 600,000	654	318,204,972	2.12
600,001 ~ 800,000	248	172,052,286	1.15
800,001 ~ 1,000,000	173	156,276,351	1.04
1,000,001 or over	677	9,039,620,664	60.39
Total	545,421	14,975,742,826	100.00

B. Preferred Shares

April 18, 2017

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

4.1.4 List of Major Shareholders

April 18, 2017

Shareholder's Name	Shareholding	
	Shares	Percentage
Bank of Taiwan Co., Ltd.	286,941,073	1.92
KGI Securities Co., Ltd.	302,585,796	2.02
Government of Singapore	295,005,426	1.97
China Life Insurance Co., Ltd.	562,468,259	3.76
Cathay Life Insurance Co., Ltd.	347,341,000	2.32
Shin Kong Life Insurance Co., Ltd.	226,737,310	1.51
Vanguard Emerging Markets Stock Index Fund, A Series of Vanguard International Equity Index Funds	251,192,649	1.68
Shin Wen Investment Co., Ltd.	650,252,192	4.34
Jing Kwan Investment Co., Ltd.	416,881,377	2.78
Fubon Life Insurance Co., Ltd.	456,500,000	3.05

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

Unit: NT\$

Items		2015	2016	Year to date (as of March 31, 2017)	
Market Price per Share (Note 1)	Highest	13.30	8.65	8.42	
	Lowest	7.72	6.94	7.89	
	Average	10.18	7.95	8.09	
Net Worth per Share (Note 2)	Before Distribution	11.18	11.17	-	
	After Distribution	10.67	(Note 9)	-	
Earnings per Share	Weighted Average number of Shares		14,822,514,384	14,662,151,423	14,644,610,240
	EPS (Note 3)	Before Adjustment	0.58	0.40	-
		After Adjustment	0.58	0.40	-
Dividends per Share	Cash Dividends		0.50	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)		17.55	19.88	-
	Price / Dividend Ratio (Note 6)		20.36	15.90(Note 9)	-
	Cash Dividend Yield Rate (Note 7)		4.91%	6.29%(Note 9)	-

* The number of shares issued by the retrospective adjustment of the market price and cash dividend information should be disclosed, if there is a surplus or capital reserve to the capital increase.

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 2016 had not yet been resolved by the shareholder's meeting.

4.1.6 Dividend Policy and Implementation Status

A. Dividend Policy:

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.

B. Implementation:

Dividend to be paid pending an AGM resolution:

Total cash dividend for common stockholders: NT\$7,487,871,413 (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.

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

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.

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\$59,000,000 in cash compensation to employees and NT\$58,000,000 in remuneration to directors, both identical to the figures stated in the 2016 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 2015 as approved by the shareholders' meeting did not differ from the financial statement in 2015; NT\$87,000,000 was distributed as employee compensation and NT\$75,000,000 as remuneration to directors.

4.1.9 Buyback of Treasury Stock

March 31, 2017

Treasury stocks: Batch Order	15 th Batch
Purpose of buyback	To maintain the Company's credit and shareholders' equity and the shares so purchased are cancelled.
Buyback period	January 26, 2016 – March 25, 2016
Price range	7.27~10.00
Number of shares bought back	143,010,000 common shares
Total value of shares bought back (NT\$'000)	1,150,440
Capital adequacy ratio prior buyback	Record Date : December 31, 2015 CAR : 165.38%
Capital adequacy ratio after buyback	Record Date : December 31, 2015 CAR : 162.53%
Number of shares transferred/cancelled	143,010,000 common shares
Accumulated number of company shares held	-
Accumulated number of company shares held as a percentage of total outstanding shares (%)	-

4.2 Corporate Bonds

Corporate Bond Type		2009 Unsecured Corporate Bonds, Phase I (Note)	2011 Unsecured Corporate Bonds, Phase I (Note)	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	None
Transfer agent	None	None	None

Note : Up to March 31, 2017, the 2009 issued 7-year first unsecured corporate Bonds NT \$ 1 billion and 2011 issued 5-year first unsecured corporate bonds NT \$ 5 billion have expired and the Board has resulted to issue new debts and apply in comply with the regulation.

4.3 Issuance of Preferred Shares

None

4.4 Issuance of Global Depository 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

March 31, 2017

Type of Stock Option	1 st Tranche, 2014 (Note)	2 nd 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	3,768,991 shares	1,000 share
Exercised amount (NT\$)	28,819,892	28,292,156	8,470
Number of shares yet to be converted	22,147,588 shares	7,300,443 shares	37,939,000 shares
Adjusted exercise price for those who have yet to exercise their rights (NT\$)	8.87	6.81	8.47
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**

March 31, 2017

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 (Acting)	Daw-Yi Hsu										
Executive Vice President & General Auditor	Eddie Wang Lawrence S. Liu Bing-Huang Shih Reddy Wong Michael M. H. Peng Jih-Jian Yan Eddy Chang Janet Sheng Kenneth Huang James Meng Ming Lin Andy Lin Jenny Chiang Vincent Hung David Kuo Jane Lai Guang-Yue Yeh Brian Huang Frances Tsai Jane Lai 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 Patrick Huang Floyd Wang	17,782	0.12	1	8.47	8.47	0	17,781	8.87 8.47 6.81	150,212	0.12
Vice President	Justin Wu Fanny Lin Chien-Ping Lin Hans Chen Wen-Jung Chen Amy Wang										
Top Ten Employees	Daniel Wu Sherie Chiu Melanie Nan 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

March 31, 2017

Type of New Restricted Employee Shares	2 nd Tranche (2015)	3 rd Tranche (2016)	4 th Tranche (2017)
Date of Effective Registration	July 17, 2014	August 31, 2015	July 5, 2016
Issue date	February 13, 2015	February 4, 2016	January 25, 2017
Number of New Restricted Employee Shares Issued (000 shares)	5,700	4,478	1,322
Issued Price (NT\$)	0	0	0
New Restricted Employee Shares as a Percentage of Shares Issued	0.04	0.03	0.01
Vesting Conditions of New Restricted Employee Shares	<p>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:</p> <p>One year: 40% Two years: 30% Three years: 30%</p>	<p>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:</p> <p>One year: 40% Two years: 30% Three years: 30%</p>	<p>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:</p> <p>One year: 40% Two years: 30% Three years: 30%</p>
Restricted Rights of New Restricted Employee Shares	<p>After an employee is granted with new shares, before the vesting conditions are met, except for inheritance, the employee is not permitted to sell, pledge, transfer, donate, ask for company repurchase, or dispose shares via any other means. The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options. Before all the conditions are met, except an employee does not hold the right to purchase new shares</p>	<p>After an employee is granted with new shares, before the vesting conditions are met, except for inheritance, the employee is not permitted to sell, pledge, transfer, donate, ask for company repurchase, or dispose shares via any other means. The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options. Before all the conditions are met, except an employee does not hold the right to purchase new shares</p>	<p>After an employee is granted with new shares, before the vesting conditions are met, except for inheritance, the employee is not permitted to sell, pledge, transfer, donate, ask for company repurchase, or dispose shares via any other means. The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options. Before all the conditions are met, except an employee does not hold the right to purchase new shares</p>

Type of New Restricted Employee Shares	2 nd Tranche (2015)	3 rd Tranche (2016)	4 th Tranche (2017)
	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.	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.	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.
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.
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 met and its share distribution proportion. If the recall is in the stock form, it should be written off at the subject year.	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 met and its share distribution proportion. If the recall is in the stock form, it should be written off at the subject year.	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 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
Number of Released New Restricted Employee Shares (000 shares)	3,990	1,791	0
Number of Unreleased New Restricted Shares (000 shares)	1,710	2,687	1,322
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.01	0.02	0.01
Impact on possible dilution of shareholdings	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.	The new issuance of restricted employee shares only account for 0.01% 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

March 31, 2017

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(Former)	Paul Yang	11,500	0.08	5,781	0	0	0.04	5,719	0	0	0.04
Executive Vice President	Eddie Wang										
	Reddy Wong										
	Lawrence S. Liu										
	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 (now known as "CDIB Capital Group) 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, Chairmen 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;

- guarantying 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

◎ **CDIB Capital Group (former China Development Industrial Bank)**

The bank is permitted to engage in:

- Venture Capital Investment;
- Investment;
- Investment Consultancy
- Management Consultancy
- Other Consultancy; and
- other operations approved by the competent authority.

B. Revenue Distribution

◎ CDF

Unit : NT\$ '000

Item \ Year	2014(note)		2015		2016	
	Revenues	%	Revenues	%	Revenues	%
Investment income recognized using the equity method	11,499,962	100	9,590,588	99	6,787,470	99
Others	51,888	—	79,871	1	68,441	1
Total	11,551,850	100	9,670,459	100	6,855,911	100

Source: 2014-2016 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	2014 (note 2)		2015(note 2)		2016	
	Net revenues	%	Net revenues	%	Net revenues	%
Interest profit, net	5,857,800	75	7,003,095	68	5,523,379	54
Noninterest profit and gains, net	1,984,118	25	3,346,525	32	4,721,647	46
Total	7,841,918	100	10,349,620	100	10,245,026	100

Source: 2014-2016 audit financial report.

Note 1: COSMOS Bank became CDF'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.

◎ KGIS

Unit : NT\$ '000

Item \ Year	2014		2015		2016	
	Revenues	%	Revenues	%	Revenues	%
Brokerage handling fee revenue	4,159,722	43	3,530,685	40	2,951,700	30
Revenue from borrowed securities	282,495	3	274,315	3	404,262	4
Revenue from underwriting business	615,282	6	500,115	6	836,631	9

Item \ Year	2014		2015		2016	
	Revenues	%	Revenues	%	Revenues	%
Gains on disposal of trading securities-net	4,023,928	41	987,626	11	682,711	7
Interest income	2,360,079	24	2,078,995	24	1,795,158	18
Dividend income	767,691	8	629,553	7	704,891	7
Gains/(losses) on trading securities measured at fair value through profit or loss-net	(244,865)	(3)	(631,868)	(7)	1,272,474	13
Gains on warrants issued-net	330,873	3	732,335	8	486,426	5
Losses on derivative financial product	(2,896,168)	(29)	(605,801)	(7)	251,387	3
Others	352,478	4	1,326,850	15	439,999	4
Total	9,751,515	100	8,822,805	100	9,825,639	100

Source: 2014-2016 audit financial report.

© CDIB Capital Group (formerly CDIB)

Unit : NT\$ '000

Item \ Year	2014(note)		2015		2016	
	Net revenues	%	Net revenues	%	Net revenues	%
Interest profit, net	4,194,041	40	1,164,597	20	67,160	3
Noninterest profit and gains, net	6,256,011	60	4,730,747	80	2,044,269	97
Total	10,450,052	100	5,895,344	100	2,111,429	100

Source: 2014-2016 audit financial report.

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

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 fields such as operations, customer service, IT, compliance, risk management, and financial management, in order to supply a different perspective 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**

- The bank introduced data analytics and member services for the growing number of wealth management customers to provide thorough-going, efficient customer support.
- The bank developed revolving variable-rate loans for individuals as a flexible way to obtain funds.
- The bank added several features to its corporate banking interface to improve corporate user experience.
- The bank continues to develop innovative financial services to meet online banking demand and cater to changes brought about by the emerging platform economy.

◎ **KGI Securities**

- KGI Securities has devoted significant efforts to the launch 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. Development expense was NT\$10.43mn in 2015 and NT\$6.26mn in 2016. 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 is recognized as a milestone in Taiwan's OSU development. KGI Securities became the first brokerage in Taiwan to engage in spot exchange transactions (between foreign currencies) in 2015 and obtained permission to operate such derivatives in the forex category as FX Forwards and FX Swaps in 2016. It has thus extended financial services to foreign currency transactions and forex hedging.
- In the bonds segment, KGI Securities has been approaching the relevant 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 to meet the need for foreign currency-denominated financial instruments. KGI Securities has also collaborated with the authorities to optimize settlement procedures for foreign and international bond transactions. This series of changes has greatly reduced transaction costs for professional investors in related areas and helped diversify Taiwan's secondary bonds market. In addition to underwriting and trading bonds, KGI Securities will also be introducing new derivatives linked with a broad variety of indicators ranging from interest rates, bond prices, and credit ratings to equity prices in an effort to meet investors' needs.

5.1.2 Business Plan for 2017

◎ China Development Financial

- For commercial banking, we seek to expand our asset positions and income growth through continued client base development and financial product sales.
- For securities, we will impose more effective cost control measures, maintain our market position and expand overseas to shake off the limitations of stagnant Taiex turnover.
- For equity investment, we will continue to expand our asset management business, and support the operations of CDF through capital transaction.

Below are business plans of subsidiaries of 2017:

1. KGI Bank

Since joining CDF, KGI Bank has served as a major earnings driver. In the future, we intend to enhance the efficiency of capital utilization and create more regular income sources by continually expanding asset positions and client base, ultimately achieving operating goals set forth by CDF. Key points of our business plan are outlined below:

— Corporate Banking

- Reach out to more corporate customers through cross-channel cooperation while strengthening relationships with customers by utilizing CDF resources in a more reasonable fashion.
- Actively participate in cross-border transactions and viable syndicated loan & acquisition loan opportunities in both local and overseas markets in order to maximize the bank's credit assets and bolster profitability.
- Provide customers with convenient cash flow management and foreign trade solutions. Diversify client base to lower overall credit risk.

— Consumer Banking

- Optimize the customer management system of wealth management and enhance the efficiency of online and offline service, consequently expand client base and maintain amicable customer relationships.
- Diversify credit product offering and provide online loan application service to support the financial needs of our clients in a more timely and accessible manner.
- Capitalize on enormous client base by launching extended services like employee wealth management and funds planning in order to realize further development of our consumer banking business.

– Global Market

- Optimize asset structure and maximize trading returns, based on strategies of active risk management and lower valuation swings, in order to strengthen our return on equity.
- Increase our market share in bond and commercial bill underwriting to further expand the development of global market business and boost income.
- Provide funds at competitive rates to support our customers in an efficient manner and facilitate growth in all business segments for an expanding balance sheet.

– Digital Banking

- Improve our online banking and cash management systems to provide more convenience for corporate clients, while offering credit at competitive rates, eventually becoming the primary banking service provider for corporate clients.
- Build an internet-based financial platform with unique features through cross-sector collaborations in order to reach more clients.

2. KGI Securities

– Brokerage

- Build upon the existing profit model and more efficiently leverage financial assets, with a focus on wealth management business development. Strengthen our position in the regional futures brokerage market and capture opportunities for further global expansion. Develop our futures brokerage and trust services to attract more FINI customers to boost segment income. Formulate a process to promote our stock-lending business and build a standard system and incentive mechanism for related transactions

– Equity Proprietary Trading and Derivatives

- Increase the weighting of non-warrant businesses. Develop strategies for cross-border and high-frequency trading. Recruit experienced traders that can complement the team. Build reputation of being a quality warrant issuer.

– Bonds

- Expand our base of prospective overseas bond issuers and build a new product platform.

– Underwriting

- Explore new project sources through utilizing CDF resources to increase our IPO and SPO volume, without compromising profitability. Provide customized financial advisory services to strengthen relationships with clients, while looking

for new business opportunities. Maintain our leading position in Taiwan's investment banking industry.

3. CDIB Capital Group (formerly CDIB)

- 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.

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

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. The aggregate profit climbed to new high of NT\$288.67bn and NT\$301.24bn in 2014 and 2015, respectively, before plunging 11.4% YoY to NT\$266.96bn in 2016.

Looking ahead, as the US economy regains strength, with individuals and corporates feeling more confident about the future thanks to President Donald Trump's tax cuts, infrastructure investment, and regulatory relaxation policies, we think the global economy will also improve along the way. However, reformation of China's financial industry, real estate market, shadow banking system, industry and economic structure; the stability of emerging markets; 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 deregulations of 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 January, 2017, there were a total of 6,315 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 3,475, or 55%, were domestic banks. As of end-January, 2017, the total deposits and loans of domestic banks amounted to NT\$30.2tn and NT\$22.8tn, respectively, or 76.7% and 90.4% 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, 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-2016 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	2009	2010	2011	2012	2013	2014	2015	2016
Indirect %	76.87	77.69	78.30	78.90	79.35	79.37	79.47	79.37
Direct %	23.13	22.31	21.70	21.10	20.65	20.63	20.53	20.63

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\$320.1bn in 2014, up 24.3% 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 and 2016, aggregate pre-tax bank earnings sank to NT\$319.6bn and NT\$300.1bn, respectively, with 2016 ROE and ROA dipping to a respective 9.2% and 0.7%, as a result of increased volatility in global financial markets, coupled with deteriorating asset quality and a rise in credit costs across the industry. For 2017, we think the financial market performance and investment sentiment will both improve, and we expect gross bank earnings will stay flat or even pick up moderately, given an improving global economy and robust capital demand.

Domestic bank overall profitability (in terms of pretax earnings)

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
ROE(%)	2.22	2.47	4.49	9.10	9.33	10.41	10.26	11.65	10.58	9.24
ROA(%)	0.14	0.16	0.28	0.58	0.59	0.68	0.68	0.79	0.75	0.68

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 0.27% as of end 2016.

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 0.23% as of end 2015, from the high of 11.27% in 2001, but rose slightly to 0.27% as of end 2016. This is a clear indication of improving asset quality. As at the end 2016, CDIB registered a NPL ratio of 0.34%, the overall asset quality is fair.

Average NPL ratio of Taiwanese banks

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NPL* (%)	1.84	1.54	1.15	0.61	0.43	0.40	0.38	0.25	0.23	0.27

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) Global economy to see moderate cyclical recovery, driven mainly by the US

In its latest forecast, the IMF predicts global economic growth will accelerate from 3.1% in 2016 to 3.4% in 2017, and growth in the US should pick up from 1.6% to 2.2%. Amid a broad-based economic recovery, the growth of global trade volume may also jump from 2.7% to 4.0% in the same period. As an export-driven economy, Taiwan will most likely benefit from the trend, and its GDP growth rate could rise from 1.5% in 2016 to 2.0% in 2017, as the export sector is set to ride on replacement demand driven by Apple’s iPhone 8. It is estimated that the aggregate corporate earnings in Taiwan will see over a 10% growth in 2017, reversing the 1.5% contraction in the previous year.

In terms of market capital, the US has entered a rate-hike cycle, and market expectations on further rate hikes have also strengthened. Now that the US economy has improved substantially from a year ago, with market sentiment more optimistic about the future, the world shall not be too surprised if the Federal Reserve raises the benchmark rate earlier than expected. Meanwhile, the ECB and Bank of Japan have maintained aggressive monetary easing policies, which should help alleviate the impact from the Fed’s monetary tightening. Overall, market sentiment will improve on the back of a stronger global economy. Replacement demand driven by the iPhone 8 shall also excite the market. Against such a backdrop, more global investors will shift their capital into the Taiex market, supporting the year-to-date bull-run and driving turnover growth in 2017.

(2) Challenges remain for the securities industry

In 2016, the Taiex index closed up 11%, while average turnover sank for the second consecutive year. Margin loan balance also declined, capping the fee and interest incomes for brokerages. In addition, bond yields in the US and Taiwan have picked up sharply since Donald Trump’s election victory in late 2016, as the world expects the US to lean toward fiscal expansion and interest rate hikes. This has put more pressure on brokerages’ bond investments, leading to a sectoral earnings contraction. On a positive note, the issuance volume of international bonds reached a new high in 2016, and as demand for overseas bonds from local life insurers remained strong, brokerages have benefitted from higher bond underwriting income.

We expect the FSC will unfold more stock market stimulus packages in 2017, including a tax rate cut for securities day trading from the current 0.3% to 0.15% in order to bolster market turnover. The policy now awaits the third reading at the Legislative Yuan to

become effective. TWSE will also roll out new measures, such as product innovations and trade efficiency enhancements, to attract investors and stimulate transactions in the market. The FSC and Ministry of Finance are discussing reforms on the taxation of dividend income, with viable options including a tiered tax rate, fixed amount and fully deductible tax systems. If the government can effectively narrow the gap between dividend taxes for domestic and foreign investors, we believe local investors will be more willing to hold stocks in the future. Notably, Taiex average daily turnover gained 30% YoY and 60% MoM to NT\$140.0bn in February 2017, thanks to global hot money and more active participation from local investors. As investors hold a more positive view on the prospects of the Taiex, we believe trade volume in 1Q17 will rise on a YoY basis. Overall, as we think Taiex turnover will rise from the 2016 level driven by an improving local economy, favorable economic fundamentals and a return of capital from home and abroad; brokerages can expect a better operating environment in the coming year.

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\$16.8bn 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\$21bn in 2010, NT\$25bn in 2011, and NT\$11bn 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 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. Notably, the government has taken some initiatives in recent years, in order to drive business innovation. Among them is the launch of the “Asian Silicon Valley” project, which encourages development of the Internet of Things to stimulate transformation of existing industries and pave the way for upgrades in emerging industries. The establishment of a national biotech research park, pending government approval, is a major project designed to boost development of the biotech and pharmaceutical industries in Taiwan. New industries like green energy, culture and creativity, and environmental protection have also received much attention. Given the government’s support, we think more new industries will take shape in the years to come, providing significant growth opportunities for venture capital players.

E. Future trends

(1) Large players become main stream

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	79,380	Feb 2017 – Feb 2018

note : including CDF, KGI Bank and KGI Securities

◎ KGI Bank

- (1) KGI Bank is committed to providing quality services and creating value for our clients. In 2016, we launched a program to build a new system for our core services, which features a well-rounded information framework to support our global business expansion, accelerate the development of digital financial products and enhance the efficiency of our bookkeeping and daily operations.

In a changing environment where digital technology advances quickly, KGI Bank has strived to pursue innovation in order to keep up with our clients of the Net Generation. Having worked with our partners on the development of a TSM mobile credit/ bank card and mPOS terminal, in 2016, KGI Bank renewed its collaboration with Taiwan Mobile Payment Inc. by launching the HCE mobile credit card service ahead of most competitors, and has since secured a leading position in terms of the card issuance volume. Also, in light of increasing tokenization of credit cards, KGI Bank has sought and received approval from competent authorities to develop credit cards that work under various handset configurations. On top of that, KGI Bank is developing a payment platform for Love Pay, an in-house developed mobile payment app, with the aim of providing customers with safe and convenient mobile payment solutions.

KGI Bank has developed several derivative products featuring high customization and integration to strengthen our attraction to customers. We also formulated trading strategies for a variety of financial products to complement our enhanced capabilities to deliver innovation and develop products independently. We have sought to maximize our profitability through business expansion in different investment markets.

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

- Established a forex options platform, which substantially enhances our capabilities to manage (including price quotation) complicated exchange rate-linked products.
- Developed capacities to manage price mixed structured products, such as interest rate and forex-linked products, in addition to interest rate and equity-linked products.

- Established an electronic direct debit authorization (eDDA) system, which allows customers to apply for or modify payment authorizations electronically, markedly reducing the required time to process authorization.
- Established an enhanced automated clearing house (eACH) system, which can update payment status in real-time. Consumers need to complete the payment authorization via DDA or eDDA. Afterwards, vendors can collect payments for purchased goods or services through the eACH system, which covers bill payment, fund transfer, online shopping and automatic top-up.
- Built a real-time comprehensive batch payment platform, which allows companies to collect multiple payments, such as regular mutual fund subscription, securities fees, insurance premium and tuition fee, in batches. The platform not only helps improve the efficiency of payment collection, but also strengthens cash flow management for companies, reducing financial costs.
- Launched XML payment services, which give customers the ability to make NT-dollar payments on various platforms (such as an online banking system) without time constraints. The services require electronic signatures to ensure payment security.
- Completed digitization of payment collection services. KGI Bank offers cloud-based payment collection services via our eACH web service and KGIExpress systems. The former is for online payment collection, and the latter for real-time notification. The digitized service systems are compatible with e-commerce systems of most corporate customers. KGI Bank is committed to facilitating cash flow management for businesses, reducing interfacing costs with banks. Also, digitized systems can provide better shopping experiences for end-consumers.
- Offered online deposit account opening services to comply with the Category One Certificate stipulated by the FSC. This saves customers the trouble of going to a bank counter and achieves our target of dematerializing financial services.
- Developed a mobile payment platform for customers to install credit cards or bank cards into a smartphone using OTA technology, and then pay for purchases, transfer funds, or pay taxes via NFC. In 2016, KGI Bank won its second consecutive Award for Best Innovation of the Year from the Financial Information Service Company, as well as the Best Mobile Innovation of the Year 2016 from MasterCard.

(3) Future R&D plans

- Continue to offer a variety of payment options that meet customer needs, covering both online and offline transactions. Make strategic alliances with businesses to provide customers with more convenient mobile financial services.
- Develop a financial technology (FinTech) platform that offers fund management and services to online/ O2O platforms.

- Apply the latest ID technology to develop our online financial businesses and enhance the bank's competitiveness.
- Understand the investment needs of our customers by establishing a new wealth management system with a streamlined customer management platform, so that KGI Bank can provide more customer-centered services.
- Continue to develop our core service system and peripheral systems for global business expansion & innovation, integration of digital channels, and better scalability of commercial applications.

Estimated R&D costs and progress:

Unit: NT\$'000

Project	Investment	Schedule
New Core Service System	688,000	Dec 2016 ~ Sep 2018
Payment Platform	4,600	Oct 2016 ~ Aug 2017
Multi-tiered Mortgage Interest Accrual System	3,050	Aug 2016 ~ Apr 2017
Insurance Brokerage System	3,600	Feb 2017 ~ Dec 2017

◎ KGI Securities

KGI Securities has developed its derivatives business by making significant investments of NT\$104.3mn in 2015 and NT\$62.6mn in 2016 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. Having gained a leading position in 2015, in 2016, KGI Securities advanced further by offering exchange rate derivatives services, such as FX forward and FX swap. In addition to catering to customers' needs for trading foreign currency-denominated securities, KGI Securities now also offers a variety of exchange rate hedging tools as we are committed to broadening our business horizon.

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 2016, the company issued 2,523 warrants with the total amount of NT\$27.8bn, 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 2016 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 2016. Meanwhile, in the equity options segment, KGI Securities ranked second in market share. 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
Futures DMA Gateway Development	9,339	Jan 2016 – Dec 2018
Futures Trading Co-location Platform	5,550	Jan 2017 – Dec 2017
Investment Cloud, Online Customer Service Via Line and Social Network Maintenance	3,579	Jan 2017 – Dec 2017
New Derivatives Trading System	3,177	Jan 2017 – Dec 2017

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

The subsidiary CDIB was renamed as CDIB Capital Group on March 15, 2016, and CDF has since acquired exposure to three core business activities: commercial banking, securities, and venture capital, which enable 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 and asset management segment, the Company will focus on raising and managing equity investment funds and strive to expand its asset management business. It’s our hope that the joint efforts of our team of professionals can help build CDIB Capital Group into one of the best equity investment and asset management companies in the Asia-Pacific region. In the future, China Development Financial will aim to provide customers with all-round financial services and take steps 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

- Use localized operations, a connected virtual network, and social network products to expand client bases for branches. Via a comprehensive product lineup and professional banking services, KGI Bank will seek to deepen their relations with customers.
- Continually improve software, hardware, service procedures and flow at local branches to ensure a satisfactory experience.
- 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. Develop the bank's brand new image and market position in wealth management.
- KGI Bank will utilize big-data analysis and its top-notch risk management experience to create consistent service efficiency and quality online and offline. We hope to go over the price-setting and lone-granting procedures with higher precision and efficiency to satisfy clients' demand for a diversity of channel services.

(3) Financial market business

- Search for best-scenario investment portfolios, diversification of targets, and strategies in the financial market to pursue the best possible RAROC. Continually study and develop new structured products linked to interest rates, currency rates or both. Aim to become a swap bank for international bonds. Develop an electronic trading platform that covers foreign-exchange options and offers comprehensive forex-based financial products.
- Work on steadily increasing professional investor and institutional investor accounts. Use diverse businesses and reasonable human resource deployment to market financial products in the Greater China region and Southeast Asia.
- Soundly devise an asset/ debt allocation, strengthen the financial structure, and improve return on capital to effectively lower deposit-holding costs and liquidity risks.

(4) Digital banking

- 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 providing 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.
- Continually delve into the innovative payment market. Track the latest FinTech development of block chain technology to maintain KGI Bank's lead in the digital financial market.

(5) Overseas market development

- Take advantage of our experience in consumer banking. Connect to outside e-commerce channels. Set up Jiangsu Suying KGI Consumer Banking Cooperation to co-develop novel consumer banking services based on the internet.
- Integrate group resources to extend banking-related services to China, Hong Kong, Singapore and other places as soon as possible, in order to expand business and meet existing clients' demand for financial services at the same time.

◎ **KGI Securities**

Organization and operations will be fully transformed. Use of resources will be made more efficient across national borders. Thus, KGI Securities will strive to be the most competitive investment bank in Taiwan.

- (1) Retail brokerage business will undergo full-blown transformation in terms of organizational structure and operations.
- (2) Optimize service quality and maximize the pool of stocks to lend out from, so as to expand institutional investor brokerage business and enhance earnings.
- (3) Maintain leadership in onshore TW dollar-denominated products and use strong customer relationships in Taiwan as a competitive edge to expand Global Market business.
- (4) Balance stress on equity capital market (ECM) and debt capital market (DCM) to maintain lead among Taiwanese investment banks and boost earnings.
- (5) Combine computer engineering and financial engineering skill sets to emerge as the best automated market-making and arbitrage team in Taiwan.

© **CDIB Capital Group (principal investment and asset management)**

- (1) Lower investment position and continue to activate existing assets.
- (2) Focus on investing in funds that CDIB Capital Group raised from outside and also invest in third-party private equity funds when it makes strategic sense to jointly vie for premium investment opportunities.
- (3) Continue to expand the scale of assets managed. Expand toward Asia-Pacific market to implement regional developments.
- (4) Target becoming a top-notch equity investment and asset management company in Asia-Pacific region.

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 CDIB Capital Group (formerly CDIB). After many years of operation, both CDIB Capital Group and KGI Securities have become the respective leaders in Taiwan's investment banking and capital markets. The acquisition of 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, commercial banking and securities brokerage, 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. 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

2016 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. In late 2015, while the U.S. kicked off the first rate-hike cycle since 1995, most of other major economies have held on to easing monetary policies. As oil prices plunged at one point and in the wake of such black-swan events as Brexit and Trump's election as US president, we predict that the global economy has a chance to regain stability amid US fiscal and tax reforms in 2017, but the global financial market might continue to exhibit volatility. The domestic economy may stabilize alongside the global economic recovery, but trade with the US and cross-strait relations remain major swing factors to render clients more conservative as investors. 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. Rich experience in unsecured loan business exploration and credit analysis will be instrumental in helping KGI Bank expand online loan platform market alliances and develop business cooperation deals.
- B. A solid foundation in private equity funds and investment banking will provide the bank with the potential to offer high-margin leveraged buyout and structured financing solutions that are different from other commercial banks.
- C. As one of the few banks possessing pricing and hedging capabilities for high-end derivatives, KGI Bank will be able offer niche financial products and earn profit by managing risks surrounding derivatives.
- D. KGI Bank is relatively free and highly flexible in planning and developing new products. The company is eager to make necessary adjustments to forge alliances, and it will employ a platform-based strategy to quickly attract new clients.

(2) Threats

- A. The company has relatively fewer overseas branches than peers, which caps its development in offshore businesses and markets.
- B. Amid overall low interest rates, the banking market will stay competitive, with pricing pressure spreading from interest spreads to fees.
- C. Financial transactions and banking/ insurance business development will be limited by certain legal regulations and by supervision from competent authorities.
- D. In the new digital era, where competent authorities stand in terms of how fast to deregulate FinTech businesses is uncertain. This will not only make investment more costly, but also turn the financial sector's technological transformation into a greater challenge.

(3) Responsive strategies

- A. Continually paying attention to the number of cross-selling, salary-transferring, direct-investment and investee-company products held by clients in and outside of the group. Keep track of this number as an important indicator.
- B. Penetrate the corporate banking client base. Offer customized products and services to enhance clients' stickiness, which will be favorable to follow-up exploration of other businesses.
- C. Have subsidiaries conduct multilateral cooperation. Offer clients in China, Hong Kong, and Taiwan a sound investment and financing fund flow structure.
- D. Improve the comprehensiveness of product lines. Integrate group resources. Work closely with subsidiaries and push for multilateral two-way business cooperation.

Deepen penetration of group operations. Set up overseas branches to create a better regional platform.

- E. Behavior patterns of consumer banking have gradually changed. To adapt to FinTech developments, KGI Bank will apply itself to developing digital banking business and devising innovative services that integrate physical and virtual channels.
- F. Create a sound FinTech platform. Upgrade web-based and phone-based banking services. Enhance customized features. Find ways to grow and not be restricted by how many branches there are, and in the process accumulate new clients, improve user experience, and boost client stickiness and penetration for the digital channel.

◎ 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 116 as of January 31, 2017 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 14.5%, or NT\$16.8bn, from NT\$115.5bn (TWSE NT\$92.9bn + OTC NT\$3.3bn) in 2015 to NT\$98.7bn (TWSE NT\$77.5bn + OTC NT\$21.2bn) in 2016, according to Taiwan Securities Association (TSA) statistics. In terms of operating performance, of the 73 securities companies covered by the TSA and that report to the Taiwan Stock Exchange (TWSE), 48 were profitable in 2016 and 25 were loss-making, with average EPS at NT\$0.625, down from NT\$0.821 in 2015. In a more detailed breakdown, integrated securities firms posted average EPS of NT\$0.615, versus the NT\$0.932 of pure brokerages. Foreign securities firms delivered EPS of NT\$2.043 on average, outperforming Taiwanese peers with NT\$0.544. Local integrated firms reported average EPS of NT\$0.554, also higher than the NT\$0.185 of local brokerages. However, foreign securities firms outperformed integrated peers with EPS of NT\$3.412, versus the latter's NT\$1.815.

As for the profitability of individual securities firms, Goldman Sachs posted the highest EPS in 2016, followed by Credit Suisse 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

Due to the continuous shrinking of Taiex turnover in 2015-16, the securities market has become increasingly competitive. In 2016, three securities companies, one foreign and two domestic, quit Taiwan's securities market. Early this year, rumor had it that one foreign securities company would cease to operate. But as of now, there are still as many as 116 securities firms here in Taiwan. Digital transactions have accounted for 50% of turnover. For these reasons, relying solely on turnover for business means

ferocious competition for securities firms. Thus, competent authorities have continued to allow securities companies to conduct new businesses. In 2016, it allowed securities companies to lend money to investors for unspecified usages. Investors can use stocks as collateral and directly borrow from securities companies, which can collect interest income in return. In 2016, the Financial Supervisory Commission increased the number of stocks allowed for abatement to 1,428 or 99.25% of Taiex market capitalization, in order to liven up day trading. In January 2017, the central bank announced for the first time that the securities industry will one day be allowed to conduct spot-market TW dollar-forex transactions and trade a much wider variety of forex derivatives. In the next stage, securities companies will be allowed to participate in the interbank forex market. As a result, securities companies will be able to increase forex income and decrease capital costs. The competent authorities have aggressively launched new measures to boost market trading and increase earnings for securities companies.

(2) Demand side

In 2016, the Taiex saw turnover shrink by 15%, reflecting Taiwan's weak economic growth and the reluctance of both domestic and foreign capital to trade. However, there was a tendency that the capital was shifting directions toward ETF and abatement markets. In 2016, ETF market turnover was up 4%, better than the Taiex's 15% turnover decrease. Taiex spot-market abatement turnover as a percentage of overall turnover was up from 2.5% in 2015 to 9.6% in 2016. In the future, we expect ETFs to grow in diversity and quantity. Also, if the law halving stock transaction tax for spot-market abatement is passed and implemented, then trading costs will fall, and spot-market abatement turnover as a percentage of overall Taiex turnover will rise, resulting in better liquidity and trading efficiency for Taiwan's stock market. In addition, Taiwan's economic growth is expected to rise from 1.5% in 2016 to 1.8% in 2017. And TWSE-listed companies' earnings will grow by 10%, versus a contraction of 1.5% last year. Domestic and foreign capital will both flow back to the Taiex, resulting in both point gains and turnover growth.

(3) Growth potential

As described above, Taiwan's stock market has risen on the continued recovery of Taiwan's economic growth. If tax reform can attract more domestic investors to return, then turnover is likely to grow YoY. Also, the competent authorities have allowed securities companies to conduct a variety of new businesses to expand sources of earnings. Unlike in 2016, when securities companies saw earnings shrink, they are likely to post positive earnings growth in 2017.

4. KGI Securities' competitive advantages

(1) Competitive capital scale

To enhance competitiveness and develop into a regional investment bank, KGI Securities has been dedicated to expanding its business scope and capital scale and became the second largest securities house in Taiwan.

(2) Broad business scope providing a full range of product lines and services

KGI Securities has continued to develop a multitude of products and services and has expanded its business scope via domestic and foreign subsidiaries. This enables KGI Securities to offer services and cross-border trading platforms that banks can't. In addition to domestic stocks, futures, and options, clients can also go through the sub-brokerage trading platform to buy or sell stocks listed in the US, Hong Kong, Japan, and China (including the Shanghai-Hong Kong and Shenzhen-Hong Kong Stock Connects). Moreover, via subsidiaries, KGI Securities is able to offer clients various products, such as insurance, domestic and foreign mutual funds, discretionary investment and other diversified and refined financial professional services.

(3) Financial product design and innovation to meet clients' niche demands

KGI Securities has long believed in product innovation over price competition. We have combined peer-leading financial engineering, industrial research, and innovative product designs to offer customized products and niche services to impress clients with our professionalism and become their brokerage house of choice.

(4) Numerous branches form a closely knit service network

KGI Securities has eighty-three branches all over Taiwan, the second most among domestic peers. In the future, KGI Securities will combine that with premium digital trading services to boost customer's loyalty, and aim to become a leading brand in Taiwan's digital securities trading market.

(5) Sufficient globalized talent staffs with professional ability

In order to become the top of the regional investment banks, KGI Securities have recruited the high quality management team with international experience and offer training programs to cultivate highly qualified talents. A high proportion of staff with international experience has become KGI Securities' niche over peers.

(6) Earlier regional deployment widens investment landscape

In terms of globalized operations and diversification of earnings and geographical risks, KGI Securities is significantly ahead of domestic peers. In the future, we will continue the integration of cross-regional research resources and financial products of various markets, such as Taiwan, Hong Kong, Singapore, Thailand, Indonesia, and China, and provide clients with broader investment prospects and all-around financial services.

5. Positives and negatives for future development

(1) Positives

- A. Amid market competition and environmental changes, securities companies unable to form an operating scale and locate a new mode of business will be forced out of the market.
- B. FinTech advancements, big-data applications, and legal deregulation can all help securities companies locate clients' demand for financial products and devise a service pattern that's more diverse and more efficient.
- C. Room for growth still exists for lending stocks to foreign capital, which is good news to leading securities firms in Taiwan.
- D. Amid low interest rates around the globe, the demand for issuing and investing in high-yield bonds is growing in Asia.
- E. ASEAN nations' economic growth and Taiwan's Southbound Policy will both prompt high-quality ASEAN enterprises to seek IPOs in either the Taiex or TPEX.

(2) Negatives

- A. Market over-crowded with identikit operators, which has led to fierce price competition and declining profits.
- B. Large-scale international investment banks and Chinese-capital financial institutions have gradually entered the regional bond underwriting market. The underwriting business in Taiwan is already a perfect-competition market.
- C. 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.
- D. Conservative policies in Taiwan and the maturing capital market in China play against our bid to conduct cross-strait M&As and get pan-Chinese companies interested in first listings on the Taiex or TPEX.

(3) Strategies for tackling the challenges ahead

- A. Use FinTech to create a brokerage-type wealth management system that is balanced between trading and asset allocation.
- B. Continue to use the Asia-Pacific cross-region platform as an advantage to locate high-net-worth clients. Start from Singapore to develop high-end wealth management business in Southeast Asia.
- C. Construct a professional brand image within the TPEX's international board and in Europe's US-dollar bond underwriting business, so as to bridge the global issuers' need to raise funds and Asia-Pacific investors' need to build positions.

- D. Watch closely how the government's financial policies and market developments are trending. As soon as new businesses and new financial products are made legal, expand scope of operations and strengthen the breadth of product portfolio. Go for any chance to profit.
- E. 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.
- F. Anticipate changes in the government's financial policies and market trends; capitalize on deregulation opportunities by introducing suitable services and products.

© CDIB Capital Group (formerly CDIB)

1. Major products and markets

While CDIB Capital Group is mainly engaged in private equity and asset management 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		2015	2016	As of March 31, 2017 (note 1)
Numbers of Employee	China Development Financial	101	151	169
	CDIB Capital (note 2)	224	241	226
	KGIS (note 2)	3,364	4,134	4,040
	KGIB (note 2)	2,193	2,443	2,448
	Total	5,882	6,969	6,883
Average Age (note 2)		41.41	41.60	41.84
Average Years of Service (note 2)		8.49	8.69	8.87
Education (note 2)	Ph.D.	0.3%	0.2%	0.2%
	Master	19.5%	21.2%	21.4%
	Bachelor's Degree	69.6%	67%	66.9%
	Senior High School (& below)	10.6%	11.6%	11.5%
Certification and Qualification	CFA	12	9	8
	CPA(domestic)	34	35	35
	CPA(overseas)	5	5	6
	CISA	2	2	1
	FRM	30	26	26
	IPMA Level D	1	1	1
	Attorney at law, R.O.C.	12	13	13
	Attorney at law, USA	5	4	4
	Attorney at law, Australia	1	1	1
	Internal auditor	11	12	14
Certified Financial Services Auditor	3	2	2	

Year		2015	2016	As of March 31, 2017 (note 1)
Certification and Qualification	Certified Public Bookkeeper (for Specialized Professionals and Technicians)	2	2	2
	Proficiency test for foreign exchange transaction	78	75	75
	Proficiency test for corporate basic internal control	66	61	60
	Investment trust and consulting laws exam	1,077	1,148	1,133
	Investment trust and consulting specialist exam	1,100	1,056	1,040
	Proficiency test for Stock Affairs Specialist	91	89	87
	Proficiency test for junior foreign exchange personnel	465	481	485
	Proficiency test for junior credit personnel	688	726	732
	Proficiency test for advanced credit personnel	48	49	48
	Proficiency test for financial risk management	10	9	9
	Proficiency test for credit collateral valuation	12	13	13
	Financial knowledge and professional ethics exam	2,167	2,122	2,037
	Trust laws exam	160	154	148
	Trust personnel exam	3,233	3,201	3,152
	Certified Project Management Professional	3	3	3
	Proficiency test for Certified Financial Planner	787	764	757
	Bill Finance Specialist exam	53	54	62
	Futures Commission Merchant Specialist exam	2,917	2,789	2,714
	Futures Brokerage Merchant Specialist exam	5	5	6
	Futures Trading Analyst exam	29	26	24
	Futures Fund Specialist exam	1,529	1,429	1,392
	Structured Instrument Specialist exam	592	707	696
Proficiency test for Bond Specialist	60	66	65	
Proficiency test for basic asset securitization	27	29	28	

Year		2015	2016	As of March 31, 2017 (note 1)
Certification and Qualification	Bank internal control and internal audit exam	1,788	1,947	1,953
	Securities Margin Trading Specialist exam	777	744	735
	Securities Investment Analyst exam	76	73	68
	Senior Securities Specialist exam	2,543	2,416	2,352
	Securities Specialist exam	2,407	2,285	2,212
	Certified Financial Planner (CFP)	12	14	14
	Life insurance representative	3,231	3,152	3,098
	Life insurance representative exam for sale of foreign currency non-investment linked insurance policies	1,832	1,820	1,780
	Property insurance representative	2,569	2,544	2,494
	Investment-linked policy representative	2,100	2,049	2,004
	General exam for investment-linked insurance and financial system	274	278	270
	Securities exchange regulations and practices exam	235	265	266
	Proficiency test for debt collector	403	405	406
	Securities practitioner exam (SAC)	8	8	7
	Securities lending specialist exam	237	224	221
	Professional in Business Analysis	0	1	1
	CFSSME	17	17	18
	Elementary ERP planner	1	1	1
	Advanced calculation method on Capital adequacy ratio of securities firms exam	6	5	5
	Property insurance broker	1	3	3
	Life insurance broker	3	5	5
	CAIA	1	1	1
	MFP	1	2	2
Grade b special exam for finance specialist	1	1	1	

Year		2015	2016	As of March 31, 2017 (note 1)
Certification and Qualification	Life insurance agent	1	1	1
	Chartered Life Underwriters	0	1	1
	Claim adjuster for life insurance	0	1	1
	Junior professional and technical examinations for realtors	0	0	2
	Real estate appraiser	1	1	1
	Assistant real estate broker	5	8	8
	Proficiency test for deposit business	190	186	184
	Basic Test of the FinTech Knowledge	0	7	6
	Financial derivatives specialist exam	0	9	17
	Proficiency test for risk management	2	3	3
	International Trade Specialist	1	1	1
	Accounting grade c subject test	14	15	16
	Licensing examination for securities Futures Intermediaries(Asset Management)	1	1	1
	Licensing examination for securities Futures Intermediaries(Corporate Finance)	1	1	1
	Licensing examination for securities Futures Intermediaries(Securities)	2	2	2
Total		34,056 (note 3)	33,665	33,041

Note 1: Should fill the annual report as of the date of publication

Note 2: the shown figure of year 2016 include employees of all subsidiaries, but the 2015 figure is not adjusted

Note 3: the shown figure 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 2016, the total number of participation of CDF and its subsidiaries in domestic and overseas training sessions (both physical and online) was 86,771 and the total training hours reached 216,610. On average, each employee participated in 13 training sessions and received 33 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, "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.

5.5 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. Sponsoring Social Enterprise Hub to provide substantive assistance to social enterprises

In order to fulfill its corporate social responsibility, CDF participated in a long-term partnership program of the Social Enterprise Hub in January 2016, pledging to help organize regular events and facilitate digitization of events over the next two-and-half years. CDF has built a social enterprise incubation office, where it provides business startup consultation and other professional advice on a case-by-case basis, using its core strength in venture capital and private placement. CDF also intends to arrange a variety of business startup seminars to meet the needs of new social entrepreneurs.

With contribution from CDF, the incubation office of the Social Enterprise Hub is an open space designed to receive potential social entrepreneurs. CDF has been a proactive participant and contributor of the many events organized by the Social Enterprise Hub. Specifically, CDF attended seminars alongside social entrepreneurs at the Hub to understand the everyday challenges they face. At those seminars, CDF shared its experiences in the venture capital, commercial bank and securities businesses to help entrepreneurs figure out their own financial solutions. Going forward, CDF will arrange more forums and campaigns to inspire people to participate in social enterprises.

The linkage between CDF and social enterprises can be explained in three levels. First, with over 50 years of experience in capital investment, CDF can provide these new, passionate and innovative social entrepreneurs with the most detailed and professional information based on its solid experience in capital investment and credit access, consequently helping social entrepreneurs find the most viable business models.

Second, CDF knows the importance of innovation. The predecessor of CDF was an investment institution dedicated to economic development under the collective support of the World Bank, government and private sector in the 1950s. While CDF is not really an emerging business, it understands that financial services must evolve with society. In fact, the global financial industry has undergone major changes at an unprecedented pace over the last decade.

Privatization and business transformation processes have taught CDF a lot about innovation. Social entrepreneurs seek to resolve social problems with sustainable business models. Given the unconventional ways of identifying social problems and finding solutions, the idea of social enterprise is an innovation, compared to the public sector and NGOs. As such, CDF speaks the same language of innovation as social enterprises and should be able to offer substantive assistance to entrepreneurs at the Social Enterprise Hub.

Finally, CDF and social enterprises share the same commitment to build a better society. Social enterprises and ordinary enterprises are basically the same in the sense that both need to maintain commercial viability to ensure sustainable operation. The only difference

is that a social enterprise is more focused on resolving a specific social problem while an ordinary enterprise is more profit driven. The existence of social and ordinary enterprises is based on the need to address issues in people's daily lives. Failure to create value for society will lead to elimination of the enterprise.

CDF is specialized in supporting enterprises that can create value for society, allowing for prosperity and fulfillment of potential. A social enterprise is committed to directly addressing a specific social problem. By investing in or granting credit to a social enterprise, CDF is also contributing to society.

2. CDF Lectures under the MBA program of National Taiwan University

CDF has organized the CDF Lectures in collaboration with the faculty of NTU MBA program since 2013. The program is designed to strengthen the Company's ties with academia, fulfill its corporate social responsibility and provide proper training to students. CDF believes the program is meaningful for both the Company and NTU as it gives students the opportunity to become familiarized with the financial market, help equip students with the knowledge they need to succeed in their future careers and bridging the gap between schools and the industry. Over the last four years, over 500 academically outstanding NTU students have enrolled in or audited CDF lectures. After a full semester of participation, many students have felt more confident about pursuing a career in the financial industry.

At the lectures, CDF shares its half-century of experience in venture capital and private equity. Coupled with the expertise in the securities and banking businesses, the CDF Lecture has been recognized as a highly specialized course and has been well received by students.

The content of the CDF Lecture also evolves with the operations of CDF. In 2016, the theme of the lectures was venture capital and financial practices. However, CDF added a little twist to the course by talking about investment in the startup, biotech and culture industries, as well as investment and acquisition of medium-sized enterprise. CDIB Capital Group Vice Chairman, David Chen, has served as a lecturer for four straight years. With years of experience in global investment and lecturing, he knows how to engage students, and spares no effort answering the students' questions. CDF also has arranged many other prominent figures to be lecturers. Among them are Mr. Daw-yi Hsu, Chairman of CDF, who talked about how the global capital market works, Mr. Shao-liang Liu, Chairman of CDIB Venture Capital, who shed light on the opportunities and challenges facing the venture capital business in Taiwan, and Mr. Kuo-jie Chou, Senior Executive Vice President of CDIB Venture Capital, who spoke about financial technology (FinTech) innovation and new business patterns.

In 2015, CDF introduced the mentor system to the lecture. Under the system, experienced and competent CDF employees are assigned to lead group discussions and help students

identify promising industries based on ongoing global economic development. A mock conference simulating the daily operation of CDF is also arranged for students to develop a better understanding of the financial industry. NTU professor Wen-hua Chen, who helps run the lecture, appreciated the efforts of CDF and said this kind of practicum class is essential for students to accumulate hands-on experience.

CDF believes that human talent is one of the most precious resources in society, and only investment in education can create the highest yield. Contributing to the training and education of young people has been an integral part of CDF's efforts to maintain a connection with society, in addition to the provision of financial services. The CDF Lecture embodies CDF's commitment to education. As a leading investment institution, CDF understands that local investment in education is the best way to give back to society.

3. DBA Financial Seminar at Soochow University

The DBA Financial Seminar has been organized by the Department of Business Administration of Soochow University since 2015. The seminar covers a variety of current issues in the finance and business administration disciplines, with the aim of facilitating exchanges between the industry, government, and academia, ultimately applying research and study results to better serve society. CDF recognizes the importance of exchanges and has been contributing to the seminars, hoping to stimulate discussion about current financial issues.

In 2016, the seminar focused on current events and topics chosen for discussion included:

1. Regulatory Sandbox, a Cure or a Placebo? Adapting to the FinTech Revolution;
2. Demise of Regional Economic Integration? New Order of the post-Brexit Global Trade System;
3. Digital Streaming Creates Media Uber? Replacement of Cable TV by OTT Online TV;
4. Mobile Payment and Digital Currency: Part of FinTech Revolution? Leading the Trend or Following Behind?
5. When Big Data Clashes with Private Information: Digital Innovation Comes with a Cost

The seminar is presided over by Mr. Sean Chen, former executive premier and current professor at Soochow University. As many as four guest speakers from industry, government or academia are invited to address a specific topic. The event is open to university students and faculty, as well as the general public. The media is also invited to co-host the event, in order to gain more exposure.

4. KGI Financial Forum at the Department of Money and Banking of National Chengchi University (NCCU)

To cultivate professional financial talents, KGI Securities and KGI Bank cooperated with the Department of Money and Banking of NCCU to offer practical courses of transactions and trading of financial products during the 2016 academic year. Out of over a hundred candidates who expressed interest, we selected seventy applicants, including undergraduate seniors and post-graduate students from either the Department of Money and Banking or the Department of Finance. The courses concluded successfully in early January 2017 after one semester of informative lectures, hands-on training and in-depth exchanges of ideas. Overall, attendees found the course highly rewarding and gave positive feedback!

More than ten high-ranking executives of CDF group gave lectures during the course, including Mr. Ding Shaw-Tzeng, KGI Securities' Senior Advisor; Mr. Patrick Lin, Managing Director at the bond department of KGI Securities (Hong Kong); Mr. Lin Chih-Hong, Chief Operating Officer of KGI Securities (Thailand); and Mr. Huang Shin-Chang, Senior Executive Vice-President of KGI Bank's Department of Global Markets. The 39-hour course consisted of 13 classes, a mid-term and a final exam. The content of the course covered the design/issuance/marketing/trading of financial products, arbitrage, hedging and operations of international investment banks, as well as market observation. These are all areas of expertise that financial-department graduates are likely to encounter when looking for a job. The course was conducted in a highly flexible way, seeking to seamlessly connect academic knowledge and real-life practice. The goal was to give the students a highly educative experience.

KGI Financial Forum also offered winter-break and in-semester internship opportunities in the 2016 academic year to those interested in spending time at KGI Securities' bond and derivatives departments or the Department of Global Markets of KGI Bank, to test out the theories learned in class. First-hand experience on the front line of the financial market helps interns adapt quicker and better to the work environment, and those who do well may even stay on as MAs of KGI Bank or KGI Securities. There were also in-semester visits to KGI Bank and KGI Securities, aimed at helping participants to develop a better understanding of how banks and brokerages operate. This will help students expand their professional horizons and rapidly prepare for a career. The partnership of KGI Bank and KGI Securities with NCCU's Department of Money and Banking, the first of what is hopefully many to come, was meant to enhance communication between the campus and the industry, and foster exchanges between executives with rich experience and students with great potential. This is a great step forward for the education of financial and managerial professionals.

5. Participation in the Financial Lectures organized by Taiwan Financial Services Roundtable (TFSR)

To support the Financial Literacy Program launched by the Financial Supervisory Commission, 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 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 2016, the lectures from CDF has visited 7 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.

6. Participation in the Financial Literacy for Youth program organized by the Financial Supervisory Commission

The Financial Supervisory Commission 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 KGI Bank Chairman Mark Wei lecturing at several colleges around Taiwan. 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.

7. 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, Senior Advisor 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. Participants in the program include not only students from NCCU University but also interns of KGI Bank from Fu Jen Catholic University, the College of Management of National Chiao Tung University, the Department of Finance of National Dong Hwa University, Shih Hsin University, Chang Gung University, National Taipei University and Chung Hua University. In the past four years, the lectures of the Financial Elite Program have invited more than 240 students to participate, making it a remarkable success.

8. 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.

9. 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 mooted 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.

10. 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 2016, 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 commercial law from Nanjing University and Xiamen University, China.

11. Tainan Earthquake Donation goes to Fund for Home Reconstruction and Child Education

A devastating earthquake hit Tainan in February 2016, resulting in huge casualties plus many wounded. CDF immediately announced a donation of NT\$10mn.

Donation arrangements according to the actual needs of the victims, NT\$6mn was deposited into a charity account specifically set up by the Bureau of Social Affairs of Tainan City Government and would be solely used to rebound homes. The remaining NT\$4mn was put in a trust account set up by KGI Bank as an education fund for five children orphaned by the tremor.

5.5.2 CDIB Capital Group (formerly CDIB) & CDIB Education and Cultural Affairs Foundation

Believing education is the most valuable investment, CDF's social welfare activities have centered on the theme of "care for the next generation, invest in children's future." In 2016, CDF subsidiaries continued to donate money to the China Development Industrial Bank Education and Cultural Affairs Foundation ("the Foundation"), to support and cultivate programs related to culture, art education, and social welfare.

The Foundation's social welfare programs in 2016 included "Heritage 100 & Tutelage 100," "Perfect Nutrition," "Lunch Date," "Our Class Has Got Talent", and financial assistance for student victims of the explosion of colored powder at Formosa Fun Coast in New Taipei City, in addition to charity sales activities for social welfare institutions and support for art and cultural talents. In those programs, CDF not only contributed substantial resources, but also encouraged employees to participate voluntarily, making social welfare part of their work life as corporate citizens.

Major Charity Events in 2016

1. Donations to schools damaged by Typhoon Nepartak

The Foundation donated NT\$3mn to the Bureau of Education of Taitung to help more than eighty local schools replace equipment damaged by Typhoon Nepartak in July 2016, so that students may return to schools and receive a proper education.

2. 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 2016, scholarships were granted to 1 individual or group in the art category, 2 in dancing and 3 in sports, with each winner receiving NT\$100,000 to NT\$200,000.

3. 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.

4. 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 2016, the program supported 209 elementary and junior high schools in nine cities or counties, including Taitung, Yunlin, Chiayi, Pingtung, Taoyuan, Changhua, Nantou, Yilan and Kaohsiung, with subsidies amounting to NT\$5.93mn.

5. “Lunch Dates”

Caring about the lunch problem of remote school children and expanding employees’ participation on social welfare activity, CDF employees go to visit remote schools for one day to share meals that they prepared with the children there. Most of these employees are not professional cooks, but they manage to deliver delicious dishes based on their own recipes, making it a lunch to remember for school faculty and students.

6. Supporting Cultural Talent

In 2016, the Foundation sponsored the National Theater & Concert Hall’s charity program, the Kuandu Arts Festival of Taipei National University of Arts, Lanyang International Double Bass Summer Camp Concert and Sizhukong Jazz Band as its mission to cultivate arts talent and support to the domestic arts and cultural groups.

7. “Good Food, Kind Heart” project

Catholic Hua-Kuang Center for the Development of the Disabled, based in Guanxi, Hsinchu and Qizhi Vocational Training Center in Taoyuan, cares for physically and mentally challenged students. Both centers teach 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. In 2016, the Foundation continued the “Good Food, Kind Heart” program with 299 CDF employees order pastry sets, raising a total of NT\$500,000 to support the two institutions.

8. Financial assistance for student victims of the colored powder explosion at Formosa Fun Coast, New Taipei City

The colored powder 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 Capital Group donated NT\$24mn to the Foundation, earmarked for paying in full the tuition fees of those most economically disadvantaged. In 2016, the foundation provided financial aid to six postgraduate students, 171 university/college students, and six high school students, with total subsidies of NT\$6,311,408.

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. Establish public trust to provide friendly financial services

As an avid supporter of charity organizations through offering its expertise in financial services, KGI Bank has served as a trustee bank overseeing multiple social and charitable causes, beginning with the Spinal Cord Injury Foundation at end-2015, and followed by the Ama-Museum Women's Charitable Trust, the Firefly Social Trust, the Dentway Dental Group Higher Education Fund, and the Dai Ying-Xiang Non-Life Insurance Education Fund in 2016. The backing of the trust enables charity groups to focus on advancing help where needed, while the trustee bank executes public donations to charity campaigns in accordance with the trust agreement. In affirming its supportive stance for charities, KGI Bank will continue to bring convenience with its provision of financial services, and it aims to help ease the burden of charity organizations in managing financial affairs.

2. 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.

3. Charity Merchandise as Birthday Gifts for Employees

For years, KGI Bank has prepared gifts for employee birthdays sourced from charitable organizations, to support good causes. These include the Fushan Farm and its organic food products, which help the region's aboriginal youth to access higher education; and dessert gift boxes from Kanner Foundation to raise awareness about autism issues such as the schooling, hiring and career planning of autistic children and adults. In 2016, KGI Bank made a call to action to support disabilities, ordering hand-made soaps and towel dolls produced by members of the Faith Hope & Love Center for Children and Adults with Disabilities. Meanwhile, KGI Bank has included the local social enterprise 'ökogreen' and its fair-trade-certified farming products in its catalogue of recommended merchandise for Chinese New Year gifts, to show support for sustainability.

4. Helping to Propel Social Enterprises; KGI Bank's Role as Partner at the 2016 World Fair Trade Day

To advocate the development of social enterprises, KGI Bank participated in organizing the 8th Annual World Fair Trade Day as a partner with the Taipei City Government and Fairtrade Taiwan, where it advocated the cause and helped registered social enterprise exhibitors at the event stay abreast of the latest tools and trends in fintech. KGI Bank also introduced an mPOS (Mobile Point of Sales) merchant acquiring service, known for its convenience and effectiveness in facilitating financial transactions. To further boost their

exposure, KGI Bank privately recommends quality products from these social enterprise suppliers through internal corporate promotion channels with special group offers, and promotes them to the general public through special credit card offers, which are examples of real action to help increase revenue and secure the longevity of social enterprises.

5. “KGI Volunteer Day” – Calling All Employees to Get Involved in Elderly Outreach

In October 2013, in association with the United Way of Taiwan, KGI Bank has launched the “KGI Volunteer Day” initiative, an employee volunteer service dedicated to serving elderly residents across care facilities in Taipei, Taichung, or Kaohsiung. Employees are encouraged to plan one visit every month to the facilities to keep the lonely seniors company. In return, KGI Bank rewards the commitment by granting compensatory leave to the volunteers. Today, more than six hundred employees have signed up to take part in this program.

6. Following in CDIB Education and Cultural Affairs Foundation’s Footsteps in Visiting Remote Schools; Advocating Finance Education at Collegiate Level

By leveraging the group’s resources, KGI Bank is committed to the long-term assistance of the less fortunate in society. To show concern for school children with limited access, colleagues of KGI Bank took part in a “Lunch Dates” project organized by the CDIB Education and Cultural Affairs Foundation last year. The two teams visited the campuses of Meifeng Elementary School in Dacheng Township, Zhanghua, and Huanan Elementary School in Gukeng Township, Yunlin, respectively, where they personally prepared and served lunch to a total of 240 kids. To further the students’ finance education, namely through the the Foundation’s “Heritage 100 & Tutelage 100” scholarship and grant program, KGI Bank has hosted lectures with KGI Bank’s own experts as guest speakers for an audience of 100 college students, on topics such as the latest trends in fintech or the basics of money management. These lectures aim to prepare these young adults for the future with financial literacy and help them stay up-to-date in the era of fintech.

7. Line app Stickers Created by Youth from “Our Class Has Got Talent” Program Tallied over 130 Million Forwarding

KGI Bank provides a digital platform with resources for talented students to present their outstanding artwork to the public. It has collaborated for a long time with the CDIB Education and Cultural Affairs Foundation in funding the program “Our Class Has Got Talent,” which works with students to help them discover their own unique qualities in a non-academic setting. For the second year in a row, the Bank’s Chinese New Year’s edition of Line app stickers was jointly curated by a group of 7th-graders from the Fine Arts Program at Sanmin Junior High School, Kaohsiung, who were part of the Our Class program. Their popular stickers have tallied 4.5 million downloads and 130 million forwarding.

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 2016. Over the past five 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 as adults.

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 1,000 children from 26 schools over two years.

3. “Let Love Flower” – Remote care for disadvantaged students

In 2016, for economically disadvantaged families, as well as those living in areas with a serious shortage of learning resources (according to the financial rating of the central government), KGI Charity Foundation provided after school programs, life care, nutritional supplementations, multiple learning and other related donations. We strive to help these disadvantaged children to continue going to school and not to be adversely affected by economic difficulties.

4. Employee participation – Bread of Love & Gift Box of Love

“Bread of Love”

KGI Security employees order baking products from two shelter workshops to help the students have more learning opportunities. In 2016, the total number of subscriptions was over 900. It is hoped that this initiative can help students with disabilities to live independently and have more job opportunities.

“Gift Box of Love”

At the end of 2016, KGI employees made gift boxes to express their care for remote-area students. Nearly 300 gift boxes were sent to schools in Chiayi County for Christmas, so that rural children could participate in the festive atmosphere.

5. “Love without Borders”

KGI Securities (Hong Kong)

As a subsidiary of KGI Securities, KGI Hong Kong has long been committed to corporate social responsibility and is actively involved in helping underprivileged families and encouraging environmentally friendly behavior. Since 2007, it has received the award of Caring Company Logo from The Hong Kong Council of Social Services in recognition for its efforts to give back to the community and care for its employees and the environment. In 2016, KGI Hong Kong continued to support charitable initiatives by promoting energy-saving campaigns like “Earth Hour” and “No Air Conditioner Night”, organizing a birthday party for the elderly, taking disadvantaged children on educational field trips, and donating school supplies to children in need. It also made employee wellness a priority, arranging several health seminars for health-conscious staff and sponsoring charity runs for their participation.

KGI Securities (Thailand)

For corporate social responsibility (CSR), KGI Securities (Thailand) continued to provide education opportunities to young people in 2016. KGI aims to support the education of students, and has launched many projects every year. For example, KGI has contributed money to construct a library in a remote area. In addition, KGI has granted scholarships to undergraduate students throughout their studies. Last year, KGI focused on students’ transportation difficulties in remote areas and launched the project “Make Dreams Come True and Give Bicycles to Students II” in September and November 2016. One thousand bicycles were donated to students between 8-15 years old of 71 schools in 8 provinces that had difficulties finding transportation to school.

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

In 2016, the total numbers of non-executive employees is: 5,986; average annual employee welfare cost for 2016 is: NT\$13.70 million, down 0.24% YoY

5.7 Information Technology Facilities

Under CDF's IT deployment strategy, the group's subsidiaries (KGI Securities, KGI Bank and CDIB Capital Group) 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 (1) operation supporting systems including bookkeeping, deposit, loan, transfer, foreign exchange, trust, credit card, Flexible Card, and wealth management and operation flow management businesses; and (2) management systems including risk management, customer service, and data warehousing.

2. KGI Securities

- The IT infrastructure mainly comprises of (1) trading systems for securities/futures/options brokerage, proprietary securities/futures trading, domestic treasury, fixed asset, brokerage registry and transfer systems; (2) operation systems for derivative products, electronic transactions, and foreign bonds; and (3) 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

3. CDIB Capital Group

- The IT infrastructure mainly comprises of (1) operating systems of investment and investment process management and (2) business supporting systems of accounting and office automation

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 2017 in consideration of corporate outlook and regulatory compliance.

1. CDF

- CDF Data Warehousing System Project
- CDF CRM Project

2. KGIB

- Data Center Consolidation Project
- New Core Banking System
- Data Warehouse System
- Front Office Treasury System Migration Project
- Treasury Pricing Engine Project
- IFRS9 Credit Assets Valuation System
- eDDA (Electronic Direct Debit Authorization) & eACH (Enhanced Automated Clearing House) System
- Mortgage Reviewing Project
- Collateral Project
- Decision-Making Platform for Consumer Banking
- Digital Lending Project
- Credit Reviewing Program
- Customer Service System
- New Wealth Management System
- Insurance Brokerage System
- Fund, Bond & ETF System
- Host Card Emulation Credit Card
- Wealth Management Domestic Payment Flow
- Online Application Process Platform
- Bill Payment Service
- Campaign Management System Project

3. KGIS

- Data Warehouse (DW) Project
- CRM system Enhancement project for Clients Service Platform and Mobile APP
- Asia Futures Co-location Project
- Investment Management Cloud, Instants Message Push and Social Media Management for Clients

- New Derivatives Trading System
- ETF Issuer System Project
- TSE Regular Savings Plan (RSP) for Taiwan Stock (including overseas stock / ETF) System Project
- Application System and Network Enhancement Project for Continuous Trading
- Relocation Project for Futures Trading System
- System Enhancement Project for Extending Trading Time after Taifex Trading Hours
- New E-flow System Replacement Project
- Wide-Area-Network(WAN) Integration Project

4. CDIB Capital Group

- CDIB Infrastructure Restructuring and 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.

- Data center operations at CDIB Capital Group, 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; 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; 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.
- 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. KGI Securities was certified in 2013 with BS10012PIMS (Personal Information Management System) and in 2016 with ISO/IEC 27001 2013 information security management standard authentications.
- Subsidiary, KGI Securities received “ISO 27001 Information Security Management System” certification from BSI.

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 can not 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	2016.09.02 to 2017.9.02	<ol style="list-style-type: none"> 1. Liability insurance for directors, supervisors and key staff 2. Compensation for securities liabilities 3. Compensation for employment liabilities 4. Remedial liabilities 	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
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.	

VI. Financial Overview

6.1 Five-Year Financial Summary

6.1.1 Consolidated Condensed Balance Sheet

A. Based on IFRS

Unit: NT\$'000

Year Item	Financial Summary for The Last Five Years (Note1)					As of March 31, 2017 (Note 2)
	2012	2013	2014(Note 4)	2015	2016	
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	100,196,911	N/A
Financial assets at fair value through profit or loss	73,431,509	98,297,280	151,177,813	157,780,085	159,280,102	
Available-for-sale financial assets	92,330,811	116,258,949	139,610,600	70,643,015	106,359,065	
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	29,883,158	
Receivables, net	75,629,847	125,689,985	131,789,029	100,754,149	92,190,214	
Current tax assets	822,985	755,965	720,044	990,101	855,145	
Discount and loans, net	87,303,495	106,857,949	225,777,475	217,780,328	252,376,992	
Held-to-maturity financial assets, net	5,029	158,194	18,790,000	402,564	300,000	
Investment accounted for using the equity method, net	7,107,113	7,286,276	8,562,987	10,775,665	12,675,804	
Restricted assets	20,888,220	21,726,120	24,425,207	29,776,730	27,933,924	
Financial assets measured at cost	32,936,138	32,529,080	31,962,391	21,095,274	19,491,762	
Other financial assets	23,705,630	28,692,188	41,792,876	38,773,821	44,793,314	
Property and equipment, net	9,654,308	9,087,419	14,393,809	14,717,160	14,512,916	
Investment property, net	2,121,021	1,830,198	2,070,706	2,048,311	2,179,356	
Intangible assets, net	6,825,776	6,277,179	8,896,357	8,584,490	7,948,378	
Deferred tax assets	829,927	869,150	5,834,810	5,561,925	4,912,053	
Other assets, net	13,581,339	10,904,908	14,180,410	22,197,691	16,308,415	
Total assets	521,698,790	647,943,022	919,701,218	866,719,175	892,197,509	
Deposits from the central bank and banks	2,671,557	6,711,620	12,680,778	10,024,399	31,078,769	
Financial liabilities at fair value through profit or loss	18,282,064	22,577,982	35,082,307	39,898,179	51,565,266	
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	119,560,443	
Commercial paper payable, net	7,231,662	10,116,225	13,925,045	13,139,202	17,549,797	
Payables	51,720,585	57,673,578	58,243,555	57,152,044	60,337,328	

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2017 (Note 2)
		2012	2013	2014(Note 4)	2015	2016	
Current tax liabilities		2,086,891	2,388,951	1,994,883	911,029	826,620	N/A
Deposits and remittances		101,550,890	114,808,892	304,557,970	325,312,132	315,451,964	
Bonds payable		36,896,569	37,068,437	34,660,984	28,618,692	27,684,236	
Other borrowings		13,716,416	18,687,012	35,204,646	21,809,459	19,878,458	
Other financial liabilities		348,986	358,736	392,027	400,851	387,509	
Provisions		1,147,526	1,140,616	1,215,264	1,419,454	1,373,667	
Principal received on structured notes		34,640,236	68,324,174	74,150,578	34,375,733	26,299,389	
Customers' equity accounts-futures		16,140,970	13,876,816	23,754,390	30,698,500	36,066,932	
Deferred tax liabilities		974,530	1,353,240	1,423,785	1,460,166	1,487,885	
Other liabilities		9,979,606	11,714,770	13,544,034	13,116,729	15,552,208	
Total liabilities	Before distribution	356,818,936	478,840,368	743,677,511	697,948,437	725,100,471	
	After distribution	359,523,764	484,855,155	752,776,184	705,435,443	(Note 3)	
Equity attributable to owners of parent							
Common stock	Before distribution	144,561,641	150,308,833	153,444,462	151,125,441	149,744,213	
	After distribution	144,561,641	150,308,833	153,444,462	151,125,441	(Note 3)	
Capital surplus		112,183	535,087	590,923	654,803	1,104,521	
Retained earnings	Before distribution	10,752,929	14,656,447	19,477,595	18,507,160	16,798,782	
	After distribution	8,048,101	8,641,660	10,378,922	11,020,154	(Note 3)	
Other equity		(3,586,761)	(670,876)	(24,165)	(2,746,831)	1,782,652	
Treasury shares		(1,954,204)	(2,170,286)	(3,298,709)	(2,376,747)	2,376,747	
Non-controlling interests		14,994,066	6,443,449	5,833,601	3,606,912	3,608,921	
Total equity	Before distribution	164,879,854	169,102,654	176,023,707	168,770,738	167,097,038	
	After distribution	162,175,026	163,087,867	166,925,034	161,283,732	(Note 3)	

Note 1: Financial statements of the Company in 2012 to 2016 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2017 are not applicable.

Note 3: Distribution for earnings in 2016 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)	
		2012	
Cash and cash equivalents, Due from the central bank and call loans to banks		59,274,266	
Financial assets measured at fair value through profit or loss		75,334,198	
Securities purchased under resell agreements		16,548,948	
Available-for-sale financial assets		91,687,956	
Receivables, net		50,193,379	
Discount and loans, net		87,303,495	
Investment accounted for using the equity method, net		7,110,121	
Fixed Assets, net (Note 2)		9,380,855	
Intangible assets, net		7,152,621	
Other financial assets		52,624,017	
Other assets, net		32,535,109	
Total assets		489,144,965	
Deposits from the central bank and banks		2,671,557	
Deposits and remittances		101,550,890	
Financial liabilities measured at fair value through profit or loss		18,282,064	
Notes and bonds issued under repurchase agreements		59,313,884	
Bonds payable		36,896,569	
Other financial liabilities		93,751,354	
Other liabilities		10,838,726	
Total liabilities		323,305,044	
Stockholders' equity of parent company	Common Stock	Before distribution	144,561,641
		After distribution	144,561,641
	Capital surplus		3,072,483
	Retained earnings	Before distribution	8,953,700
		After distribution	6,248,872
Other		(4,798,976)	
Minority interest		14,051,073	
Total stockholders' equity	Before distribution		165,839,921
	After distribution		163,135,093

Note 1: Financial statements of the Company in 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 deducing from land revaluating 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

Item	Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2017 (Note 2)
		2012	2013	2014(Note 4)	2015	2016	
Cash and cash equivalents		3,480,239	7,703,726	1,458,812	2,665,707	1,357,441	N/A
Available-for-sale financial assets		1,453,152	1,440,119	1,293,830	1,226,972	1,199,734	
Receivables, net		201	169	155	139	115	
Current tax assets		1,770,159	1,754,770	1,114,182	1,438,314	1,436,182	
Investment accounted for using the equity method, net		168,443,329	178,987,869	192,203,350	186,684,329	186,391,735	
Other financial assets		300	300	300	300	300	
Property and equipment, net		20,477	12,258	12,251	10,094	9,906	
Deferred tax assets		25	0	0	0	0	
Other assets, net		533,654	538,391	544,217	540,719	541,742	
Total assets		175,701,536	190,437,602	196,627,097	192,566,574	190,937,155	
Derivative financial liabilities for hedging		116,564	64,316	20,659	0	0	
Commercial paper payable		4,499,480	6,499,939	2,999,869	5,099,745	3,999,774	
Payables		736,097	751,810	1,000,906	649,830	554,345	
Current tax liabilities		1,789,665	1,836,048	791,615	1,021,390	857,328	
Bonds payable		18,000,000	18,000,000	18,000,000	18,000,000	18,000,000	
Other borrowings		649,930	599,836	3,599,573	2,599,847	3,999,892	
Provisions		23,972	26,339	24,161	31,627	37,290	
Other liabilities		40	109	208	309	409	
Total liabilities	Before distribution	25,815,748	27,778,397	26,436,991	27,402,748	27,449,038	
	After distribution	28,520,576	33,793,184	35,535,664	34,889,754	(Note 3)	
Common stock	Before distribution	144,561,641	150,308,833	153,444,462	151,125,441	149,744,213	
	After distribution	144,561,641	150,308,833	153,444,462	151,125,441	149,744,213	
Capital surplus		112,183	535,087	590,923	654,803	1,104,521	
Retained earnings	Before distribution	10,752,929	14,656,447	19,477,595	18,507,160	16,798,782	
	After distribution	8,048,101	8,461,660	10,378,922	11,020,154	(Note 3)	
Other equity		(3,586,761)	(670,876)	(24,165)	(2,746,831)	(1,782,652)	
Treasury shares		(1,954,204)	(2,170,286)	(3,298,709)	(2,376,747)	(2,376,747)	
Total equity	Before distribution	149,885,788	162,659,205	170,190,106	165,163,826	163,488,117	
	After distribution	147,180,960	156,644,418	161,091,433	157,676,820	(Note 3)	

Note 1: Financial statements of the Company in 2012 to 2016 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2017 are not applicable.

Note 3: Distribution for earnings in 2016 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)
		2012
Cash and cash equivalents		3,480,238
Available-for-sale financial assets		1,453,152
Receivables, net		1,770,360
Investment accounted for using the equity method, net		170,345,554
Fixed Assets, net		20,477
Other assets		533,979
Total assets		177,603,760
Payables		2,522,181
Bonds payable		18,000,000
Other financial liabilities		5,265,974
Other liabilities		26,757
Total liabilities	Before distribution	25,814,912
	After distribution	28,519,740
Common Stock	Before distribution	144,561,641
	After distribution	144,561,641
Capital surplus		3,072,483
Retained earnings	Before distribution	8,953,700
	After distribution	6,248,872
Other equity		(4,798,976)
Total stockholders' equity	Before distribution	151,788,848
	After distribution	149,084,020

Note: Financial statements of the Company in 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 March 31, 2017 (Note 2)
	2012	2013	2014(Note 3)	2015	2016	
Interest revenues	5,306,360	8,507,539	12,811,017	14,245,989	11,391,971	N/A
Interest expenses	(2,590,166)	(3,111,079)	(4,398,754)	(5,138,176)	(4,332,469)	
Interest profit, net	2,716,194	5,396,460	8,412,263	9,107,813	7,059,502	
Noninterest profits and gains, net	14,651,211	19,313,286	20,209,724	20,600,798	20,068,226	
Net revenues	17,367,405	24,709,746	28,621,987	29,708,611	27,127,728	
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	81,656	(824,715)	(13,707)	329,789	(751,478)	
Operating expenses	(10,063,479)	(14,663,849)	(16,829,647)	(20,595,413)	(19,265,421)	
Net profit before income tax from continuing operations	7,385,582	9,221,182	11,778,633	9,442,987	7,110,829	
Income tax expense	(127,732)	(772,708)	(941,302)	(827,812)	(1,123,925)	
Net profit from continuing operations	7,257,850	8,448,474	10,837,331	8,615,175	5,986,904	
Net income	7,257,850	8,448,474	10,837,331	8,615,175	5,986,904	
Other comprehensive income for the period, net of income tax	3,080,550	2,919,788	752,399	(3,116,463)	802,045	
Total comprehensive income for the period	10,338,400	11,368,262	11,589,730	5,498,712	6,788,949	
Net profit attributable to owners of parent	6,983,256	8,304,001	10,752,042	8,528,231	5,923,081	
Net profit attributable to non-controlling interests	274,594	144,473	85,289	86,944	63,823	
Total comprehensive income attributable to owners of parent	10,111,950	11,182,674	11,506,549	5,415,879	6,736,201	
Total comprehensive income attributable to non-controlling interests	226,450	185,588	83,181	82,833	52,748	
Earnings per share(In dollar)	0.54	0.56	0.73	0.58	0.40	

Note 1: Financial statements of the Company in 2012 to 2016 were audited.

Note 2: As of the publication date, the financial statements of the first quarter of 2017 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)
		2012
Interest profit, net		3,269,716
Noninterest profits and gains, net		12,083,091
Reversal of allowance for bad debts, net		81,656
Operating expenses		10,009,909
Income before income tax from continuing operations		5,424,554
Total consolidated net income		5,295,623
Total consolidated net income	Attributed to stockholders of parent company	5,024,977
	Attributed to Minority interest	270,646
earnings per share-common stock(In dollar)		0.39

Note : Financial statements of the Company in 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 March 31, 2017 (Note 2)
		2012	2013	2014(Note 3)	2015	2016	
Investment income recognized using the equity method		5,848,465	9,596,663	11,499,962	9,590,588	6,787,470	N/A
Other revenues and gains		2,076,193	25,640	51,888	79,871	68,441	
Operating expenses		(663,286)	(851,263)	(859,858)	(790,869)	(807,444)	
Other expenses and losses		(439,958)	(408,025)	(374,951)	(345,682)	(304,713)	
Net profit before income tax from continuing operations		6,821,414	8,363,015	10,317,041	8,533,908	5,743,754	
Income tax benefit (expense)		161,842	(59,014)	435,001	(5,677)	179,327	
Net profit		6,983,256	8,304,001	10,752,042	8,528,231	5,923,081	
Other comprehensive income for the period, net of income tax		3,128,694	2,878,673	754,507	(3,112,352)	813,120	
Total comprehensive income for the period		10,111,950	11,182,674	11,506,549	5,415,879	6,736,201	
earnings per share(In dollar)		0.54	0.56	0.73	0.58	0.40	

Note 1 : Financial statements of the Company in 2012 to 2016 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2017 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)
		2012
Investment income recognized using the equity method, net		5,840,195
Other revenues and gains		99,866
Operating expenses		636,968
Other expenses and losses		439,958
Income before income tax from continuing operations		4,863,135
Net income		5,024,977
Basic earnings per share (before income tax)		0.37
Basic earnings per share (after income tax)		0.39

Note : Financial statements of the Company in 2012 were audited.

6.1.5 Auditors' Opinions from 2012 to 2016

Year	Accounting Firm	CPA	Audit Opinion
2016	Deloitte & Touche	Wu, Mei-Hui 、 Kuo, Cheng-Hung	Unqualified 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

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 (Note1)					As of March 31, 2017 (Note 3)
			2012	2013	2014 (Note 9)	2015	2016	
Operating ratio	Total assets turnover (Times)		0.04	0.04	0.04	0.03	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)	73.29	62.14	74.55		
	NPL ratio (CDIB)		—	0.17	0.25	—	—	
	NPL ratio (KGI Bank)	(Note 6)	(Note 6)	0.42	0.34	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	3,585	
Profitability ratio	Ratio of return on total assets (%)		1.70	1.44	1.38	0.96	791	
	Ratio of return on stockholders' equity (%)		5.11	5.06	6.28	5.00	0.68	
	Profit margin ratio (%)		41.79	34.19	37.86	28.23	3.57	
	Basic Earnings per share(in dollar)		0.54	0.56	0.73	0.58	22.07	
Financial structure (%)	Ratio of debt to assets		68.40	73.90	80.86	80.53	0.40	
	Ratio of debt to net worth		216.41	283.17	422.49	413.55	81.27	
	Double Leverage Ratio of Financial Holding Company		113.35	110.92	113.69	113.77	433.94	
	According to Article 41 of Financial Holding Company Law	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)	114.74	
Leverage ratio	Operating leverage ratio		109.46	121.66	110.56	111.68	(note 2)	
	Financial leverage ratio of Financial Holding Company		106.32	104.74	103.53	103.74	131.28	
Ratio of growing	Ratio of assets growing		56.22	24.20	41.94	(5.76)	105.00	
	Ratio of income growing	(Note 7)	(Note 7)	24.85	27.73	(19.83)	2.94	
Cash flow	Cash flow ratio		36.59	9.16	(1.13)	(16.54)	(24.70)	
	Cash flow adequacy ratio	(Note 7)	(Note 7)	(Note 7)	(Note 7)	(Note 7)	(12.73)	
	Cash flow content ratio		334.98	103.79	(332.74)	(32.71)	(1.84)	
Operating Scale	Market share of assets		1.68	1.91	2.49	2.14	(3,706.61)	
	Market share of equity		7.56	7.14	6.51	5.86	2.08	
	Market share of deposit(CDIB)		0.35	0.39	0.50	—	5.41	
	Market share of deposit(KGI Bank)	(Note 6)	(Note 6)	0.50	0.94	—	—	
	Market share of assets loans(CDIB)		0.39	0.46	0.51	—	0.92	
	Market share of assets loans(KGI Bank)	(Note 6)	(Note 6)	0.40	0.86	0.92	0.92	

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2017 (Note 3)	
		2012	2013	2014 (Note 9)	2015	2016		
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	(Note 8)	18.60	17.73	108.63	148.43	N/A
		KGI Bank	(Note 8)	(Note 6)	12.86	14.96	13.23	
		KGI Securities	(Note 8)	371	343	340	329	
		Grand Cathay Securities Corporation	(Note 8)	—	—	—	N/A	
	Qualified capital of subsidiaries	CDIB	(Note 8)	41,611,085	45,327,171	14,497,173	20,910,410	
		KGI Bank	(Note 8)	(Note 6)	16,294,778	53,303,814	53,986,254	
		KGI Securities	(Note 8)	30,825,228	23,195,681	20,503,870	17,895,797	
		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	1,215,027	
		KGI Bank	(Note 8)	(Note 6)	10,139,165	28,497,462	35,206,376	
		KGI Securities	(Note 8)	12,454,305	10,147,407	9,042,459	8,151,174	
		Grand Cathay Securities	(Note 8)	—	—	—	—	
	Legal requirement of group capital		(Note 8)	211,321,896	234,893,887	227,063,385	232,710,468	
	Group Capital Adequacy Ratio		(Note 8)	175.36	147.47	165.38	150.87	
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	114.16	
	The same Group		42.23	35.34	41.33	26.44	22.29	
	Reasons for changes in financial ratios: 1. The increase of loans to deposit ratio of subsidiary, KGI Bank was due mainly to increase of total loans amount in 2016. 2. 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 2016. 3. The increase of ratio of assets growing was due mainly to the increase of the total assets as of December 31, 2016. 4. The decrease of ratio of income growing was due mainly to the decrease of the income before tax of 2016. 5. The increase of cash flow ratio was due mainly to the increase of cash flows generated from operating activities of 2016. 6. The decrease of cash flow content ratio was due mainly to the decrease of cash flows generated from investing activities of 2016.							

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.

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 March 31, 2017 (Note 3)
			2012	2013	2014 (Note 9)	2015	2016	
Operating ratio	Total assets turnover (Times)	0.05	0.05	0.06	0.05	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)	73.57	62.38	74.54		
	NPL ratio (CDIB)	—	0.17	0.25	—	—		
	NPL ratio (KGI Bank)	(Note 6)	(Note 6)	0.42	0.34	0.34		
	Average revenue per employee	113,405	137,527	125,583	92,325	43,385		
	Average net income per employee	105,807	123,940	120,809	84,438	39,226		
Profitability ratio	Ratio of return on total assets (%)	4.60	4.72	5.71	4.52	3.21		
	Ratio of return on stockholders' equity (%)	5.19	5.31	6.46	5.09	3.60		
	Profit margin ratio (%)	93.30	90.12	96.20	91.46	90.41		
	Basic Earnings per share(in dollar)	0.54	0.56	0.73	0.58	0.40		
Financial structure (%)	Ratio of debt to assets	14.69	14.59	13.45	14.23	14.38		
	Ratio of debt to net worth	17.22	17.08	15.53	16.59	16.79		
	Double Leverage Ratio of Financial Holding Company	113.35	110.92	113.69	113.77	114.74		
	According to Article 41 of Financial Holding Company Law	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)		
Leverage ratio	Operating leverage ratio	106.53	104.94	103.68	104.11	105.39		
	Financial leverage ratio of Financial Holding Company	106.32	104.74	103.53	103.74	105.00		
Ratio of growing	Ratio of assets growing	22.29	8.39	3.25	(2.07)	(0.85)		
	Ratio of income growing	(Note 7)	22.60	23.37	(17.28)	(32.69)		
Cash flow	Cash flow ratio	2.03	123.23	142.70	150.00	88.49		
	Cash flow adequacy ratio	(Note 7)	(Note 7)	(Note 7)	(Note 7)	27.52		
	Cash flow content ratio	—	293.48	126.11	431.65	134.49		
Operating Scale	Market share of assets	7.50	7.46	6.56	6.01	5.54		
	Market share of equity	7.29	7.25	6.43	5.89	5.39		
	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	0.94		
	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	0.92		

Item		Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2017 (Note 3)
			2012	2013	2014 (Note 9)	2015	2016	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	(Note 8)	18.60	17.73	108.63	148.43	N/A
		KGI Bank	(Note 8)	(Note 6)	12.86	14.96	13.23	
		KGI Securities	(Note 8)	371	343	340	329	
		Grand Cathay Securities	(Note 8)	—	—	—	—	
	Qualified capital of subsidiaries	CDIB	(Note 8)	41,611,085	45,327,171	14,497,173	20,910,410	
		KGI Bank	(Note 8)	(Note 6)	16,294,778	53,303,814	53,986,254	
		KGI Securities	(Note 8)	30,825,228	23,195,681	20,503,870	17,895,797	
		Grand Cathay Securities	(Note 8)	—	—	—	—	
	Net Group qualified capital		(Note 8)	56,699,694	62,798,158	66,777,653	69,883,202	
	Legal requirement of subsidiaries' capital	CDIB	(Note 8)	17,896,440	20,453,387	1,067,612	1,215,027	
		KGI Bank	(Note 8)	(Note 6)	10,139,165	28,497,462	35,206,376	
		KGI Securities	(Note 8)	12,454,305	10,147,407	9,042,459	8,151,174	
		Grand Cathay Securities	(Note 8)	—	—	—	—	
	Legal requirement of group capital		(Note 8)	211,321,896	234,893,887	227,063,385	232,710,468	
Group Capital Adequacy Ratio		(Note 8)	175.36	147.47	165.38	150.87		
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	114.16	
	The same Group		42.23	35.34	41.33	26.44	22.29	
Reasons for changes in financial ratios:								
1. The decrease of total assets turnover ratio and average revenue per employee ratio were due mainly to the decrease of net revenues of 2016.								
2. The decrease of average net income per employee, ratio of return on total assets, ratio of return on stockholder's equity, and EPS was due mainly to the decrease of the net income after tax of 2016.								
3. The increase of ratio of assets growing was due mainly to the decrease of the total assets as of December 31, 2016 in comparison with the year earlier.								
4. The decrease of ratio of income growing was due mainly to the decrease of the income before tax of 2016.								
5. The decrease of cash flow content ratio was due mainly to the decrease of cash flows generated from investing activities of 2016								

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 = $\text{Income after income tax} / \text{Average assets}$
- (2) Ratio of return on stockholders' equity = $\text{Income after income tax} / \text{Average stockholders' equity}$
- (3) Profit margin ratio = $\text{Income after income tax} / \text{Net revenues}$
- (4) Basic earnings per share = $(\text{Income and loss attributable to owners of the company} - \text{Dividends for preferred stocks}) / \text{Average issued shares (Note 5)}$

3. Financial structure

- (1) Ratio of debt to assets = $\text{Total liabilities} / \text{Total assets}$
- (2) Ratio of debt to net worth = $\text{Total liabilities} / \text{Total stockholders' equity}$
- (3) Double Leverage Ratio of Financial Holding Company = $\text{Equity investments specified under Articles 36, Paragraph 2, and 37 of the Financial Holding Company Act} / \text{Total stockholders' equity}$.

4. Leverage ratio

- (1) Operating leverage ratio = $(\text{Net revenues} - \text{Variable expenses}) / \text{Income before income tax}$
- (2) Financial leverage ratio of Financial Holding Company = $(\text{Income before income tax} + \text{interest expenses}) / \text{Income before income tax}$

5. Ratio of growing

- (1) Ratio of assets growing = $(\text{Total assets} - \text{Last year total assets}) / \text{Last year total assets}$
- (2) Ratio of income growing = $(\text{income before income tax} - \text{Last year income before income tax}) / \text{Last year income before income tax}$

6. Cash flow

- (1) Cash flow ratio = $\text{Net cash provided by operating activities} / (\text{Due to the bank} + \text{Commercial paper issued} + \text{Financial liabilities at fair value through profit of loss} + \text{Securities sold under repurchased issued} + \text{Current portion of Payables})$
- (2) Cash flow adequacy ratio = $\text{Net cash provided by operating activities (for the last five year)} / \text{for the last five year (capital expenditure} + \text{Cash dividends)}$.
- (3) Cash flow content ratio = $\text{Net cash provided by operating activities} / \text{Net cash provided by investing activities}$

7. Operating Scale

- (1) Market share of assets = $\text{Total assets} / \text{Total assets of all Financial Holding Co., Ltd.}$
- (2) Market share of equity = $\text{Total stockholders' equity} / \text{Total stockholders' equity of all Financial Holding Co., Ltd.}$
- (3) Market share of deposit (bank) = $\text{Total deposits} / \text{Total deposits held by all financial institutions which are qualified in deposit and loan business}$
- (4) Market share of assets loans (bank) = $\text{Total loans} / \text{Total loans granted by all financial institutions which are qualified in deposit and loan business}$

8. Capital adequacy Ratio

- (1) Net Group qualified capital = $\text{Qualified requirement of Financial Holding Company Law} + (\text{Shares hold in ratio of Financial Holding Company Law} \times \text{Qualified capital of subsidiaries}) - \text{Deduction}$
- (2) Legal requirement of subsidiaries' capital = $\text{Legal requirement of Financial Holding Company Law} + \text{Shares hold in ratio of Financial Holding Company Law} \times \text{Legal requirement of subsidiaries}$
- (3) Group Capital Adequacy Ratio = $\text{Net Group qualified capital} \div \text{Legal requirement of group capital}$.

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.

6.2.3 Consolidated Financial Analysis – Based on ROC GAAP

Unit: NT\$'000, %

Item	Year	Financial Summary for The Last Five Years (Note2)	
		2012	
Operating ratio	Total assets turnover (Times)	0.03	
	Ratio of loans to deposits	79.65	
	NPL ratio(CDIB)	0	
	Average revenue per employee	2,593	
	Average net income per employee	895	
Profitability ratio	Ratio of return on total assets (%)	1.29	
	Ratio of return on stockholders' equity (%)	3.72	
	Profit margin ratio (%)	34.49	
	Basic Earnings per share(in dollar)	0.39	
Financial structure (%)	Ratio of debt to assets	66.10	
	Ratio of debt to net worth	194.95	
	Double Leverage Ratio of Financial Holding Company	113.18	
	According to Article 41 of Financial Holding Company Law	(Note 1)	
Leverage ratio	Operating leverage ratio	112.72	
	Financial leverage ratio of Financial Holding Company	108.87	
Ratio of growing	Ratio of assets growing	47.48	
	Ratio of income growing	207.53	
Cash flow	Cash flow ratio	7.19	
	Cash flow adequacy ratio	5.53	
	Cash flow content ratio	18.16	
Operating Scale	Market share of assets	1.58	
	Market share of equity	7.58	
	Market share of deposit	0.35	
	Market share of assets loans	0.39	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	27.87
		Grand Cathay Securities	458
		KGI Securities	400
	Qualified capital of subsidiaries	CDIB	39,827,310
		Grand Cathay Securities	11,003,691
		KGI Securities	15,995,192
	Group Capital Adequacy Ratio		49,469,462
	Legal requirement of subsidiaries' capital	CDIB	11,432,749
		Grand Cathay Securities	3,601,187
		KGI Securities	5,992,284
Legal requirement of group capital		193,379,558	
Group Capital Adequacy Ratio		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	72.65	
	The same Group	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 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 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

6.2.4 Unconsolidated Financial Analysis – Based on ROC GAAP

Unit: NT\$'000; %

Item	Year		Financial Summary for The Last Five Years (Note2)
			2012
Operating ratio	Total assets turnover (Times)		0.03
	Ratio of loans to deposits		79.65
	NPL ratio(CDIB)		0
	Average revenue per employee		83,335
	Average net income per employee		76,136
Profitability ratio	Ratio of return on total assets (%)		3.35
	Ratio of return on stockholders' equity (%)		3.71
	Profit margin ratio (%)		91.36
	Basic Earnings per share(in dollar)		0.39
Financial structure (%)	Ratio of debt to assets		14.54
	Ratio of debt to net worth		17.01
	Double Leverage Ratio of Financial Holding Company		113.18
	According to Article 41 of Financial Holding Company Law		(Note 1))
Leverage ratio	Operating leverage ratio		109.17
	Financial leverage ratio of Financial Holding Company		108.87
Ratio of growing	Ratio of assets growing		23.85
	Ratio of income growing		181.34
Cash flow	Cash flow ratio		1.53
	Cash flow adequacy ratio		42.58
	Cash flow content ratio		8.51
Operating Scale	Market share of assets		7.55
	Market share of equity		7.35
	Market share of deposit		0.35
	Market share of assets loans		0.39
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB	27.87
		Grand Cathay Securities	458
		KGI Securities	400
	Qualified capital of subsidiaries	CDIB	39,827,310
		Grand Cathay Securities	11,003,691
		KGI Securities	15,995,192
	Group Capital Adequacy Ratio		49,469,462
	Legal requirement of subsidiaries' capital	CDIB	11,432,749
		Grand Cathay Securities	3,601,187
		KGI Securities	5,992,284
Legal requirement of group capital		193,379,558	
Group Capital Adequacy Ratio		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		72.65
	The same Group		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

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 2016 business report, financial statements and the earnings distribution plan, among which the financial statements have been audited by CPAs Mei-Hui 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.

2017 Annual General Meeting of the Shareholders

Audit Committee

Convener Ching-Yen Tsay

6.4 Financial Statements for the Years Ended December 31, 2016 and 2015, and Independent Auditors' Report

China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2016 and 2015 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, 2016 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 Chia-Juch Chang

March 27, 2017

INDEPENDENT AUDITORS' REPORT

The Board of Directors and shareholders
China Development Financial Holding Corporation

Opinion

We have audited the accompanying consolidated financial statements of China Development Financial Holding Corporation (the Corporation) and its subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance 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.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of Discounts, Loans and Receivables

As stated in Note 5, to determine the impairment loss of discounts, loans and receivables, the management should 1) judge whether there is any objective evidence of impairment, 2) estimate the expected future cash flow based on historical loss on assets with similar credit risk, and 3) review periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment. The methodology and assumptions adopted for the assessment of objective evidence of impairment and the amount and timing of future cash flows (e.g. impairment occurrence rate and recovery rate) require the exercise of critical judgments and estimates; therefore, the impairment of discounts, loans and receivables is deemed to be a key audit matter for the year ended December 31, 2016.

Refer to Notes 4, 5 and 53 for the critical accounting policy, judgment, estimation uncertainty and related disclosure of the impairment for discounts, loans and receivables.

We understood and assessed KGI Bank Co., Ltd.'s (KGI Bank) internal controls related to the discounts, loans and receivables. We verified whether methodology used in impairment model and parameters of the assumptions reflected actual outcome appropriately. We assessed the consistency of the impairment occurrence rate and recovery rate, etc. used in estimating expected future cash flows and evaluating values of collateral. Finally, we performed sampling on discounts, loans and receivables to verify whether the allowance thereof complies with the law and related regulations issued by the authorities.

Impairment of Financial Assets Measured at Cost

When objective evidence indicates that financial assets measured at cost are impaired, the amount of the loss has to be recognized. CDIB Capital Group (formerly China Development Industrial Bank) and subsidiaries determines occurrence of the impairment by the calculation of the valuation models. The valuation models and conditions of the assumptions are critical estimates of the management; therefore, the impairment of financial assets measured at cost is identified as a key audit matter for the year ended December 31, 2016.

Refer to Notes 4, 5 and 53 for the critical accounting policy, estimation uncertainty and related disclosure of the impairment of financial assets measured at cost.

We understood and assessed CDIB Capital Group's internal control related to the impairment of financial assets measured at cost and its operation effectiveness. We entrusted our firm's internal valuation specialist with the task of sampling from the financial assets measured at cost then valuating the appropriateness of the parameters used in the valuation models of the sample by re-performing the selection of comparable companies and testing the reasonability of the multiplier. Finally, we assessed the reasonability of the impairment loss recognized resulting from the existence of objective evidence.

Other Matter

We also audited the parent company only financial statements of the Corporation as of and for the years ended December 31, 2016 and 2015 on which we have issued an unmodified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by 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 and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the audit of the Group. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2016 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Wu, Mei-Hui and Kuo, Cheng-Hung.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 27, 2017

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated financial position, 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 accepted and 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, 2016 AND 2015
(In Thousands of New Taiwan Dollars)

	2016		2015	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 47)	\$ 28,312,347	3	\$ 25,090,329	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 4, 47 and 48)	71,884,564	8	87,125,284	10
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 47 and 48)	159,280,102	18	157,780,085	18
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10 and 48)	106,359,065	12	70,643,015	8
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	29,883,158	3	52,622,253	6
RECEIVABLES, NET (Notes 4, 12, 47, 48 and 53)	92,190,214	10	100,754,149	12
CURRENT TAX ASSETS (Note 4)	855,145	-	990,101	-
DISCOUNT AND LOANS, NET (Notes 4, 13, 47 and 53)	252,376,992	28	217,780,328	25
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Note 4)	300,000	-	402,564	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 14 and 15)	12,675,804	2	10,775,665	1
RESTRICTED ASSETS (Notes 16, 48 and 49)	27,933,924	3	29,776,730	3
FINANCIAL ASSETS MEASURED AT COST (Notes 4, 15 and 17)	19,491,762	2	21,095,274	2
OTHER FINANCIAL ASSETS (Notes 18, 47 and 48)	44,793,314	5	38,773,821	5
INVESTMENT PROPERTY, NET (Notes 4, 19 and 48)	2,179,356	-	2,048,311	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 20 and 48)	14,512,916	2	14,717,160	2
INTANGIBLE ASSETS, NET (Notes 4 and 21)	7,948,378	1	8,584,490	1
DEFERRED TAX ASSETS (Notes 4 and 44)	4,912,053	1	5,561,925	1
OTHER ASSETS, NET (Notes 4, 22 and 48)	<u>16,308,415</u>	<u>2</u>	<u>22,197,691</u>	<u>3</u>
TOTAL	\$ 892,197,509	100	\$ 866,719,175	100
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Notes 23 and 47)	\$ 31,078,769	4	\$ 10,024,399	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 47)	51,565,266	6	39,898,179	5
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 24 and 47)	119,560,443	13	119,611,868	14
Commercial paper payable, net (Notes 25 and 48)	17,549,797	2	13,139,202	1
Payables (Notes 4, 26 and 47)	60,337,328	7	57,152,044	7
Current tax liabilities (Note 4)	826,620	-	911,029	-
Deposits and remittances (Notes 27 and 47)	315,451,964	35	325,312,132	38
Bonds payable (Notes 28 and 47)	27,684,236	3	28,618,692	3
Other borrowings (Notes 29, 47 and 48)	19,878,458	2	21,809,459	3
Provisions (Notes 4, 30 and 31)	1,373,667	-	1,419,454	-
Principal received on structured notes	26,299,389	3	34,375,733	4
Customers' equity accounts - futures (Notes 4 and 47)	36,066,932	4	30,698,500	4
Other financial liabilities (Note 49)	387,509	-	400,851	-
Deferred tax liabilities (Notes 4 and 44)	1,487,885	-	1,460,166	-
Other liabilities (Notes 4 and 32)	<u>15,552,208</u>	<u>2</u>	<u>13,116,729</u>	<u>1</u>
Total liabilities	<u>725,100,471</u>	<u>81</u>	<u>697,948,437</u>	<u>81</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 33 and 34)				
Capital				
Common stock	149,744,203	17	151,124,071	17
Advance receipts for capital stock	10	-	1,370	-
Capital surplus	1,104,521	-	654,803	-
Retained earnings				
Legal reserve	5,014,298	1	4,161,475	-
Special reserve	3,228,296	-	765,041	-
Unappropriated earnings	8,556,188	1	13,580,644	2
Other				
Exchange differences on translation of foreign financial statements	494,377	-	1,741,670	-
Unrealized losses on available-for-sale financial assets	(2,255,818)	-	(4,456,314)	-
Others	(21,211)	-	(32,187)	-
Treasury shares	<u>(2,376,747)</u>	<u>(1)</u>	<u>(2,376,747)</u>	<u>-</u>
Total equity attributable to owners of the parent	163,488,117	18	165,163,826	19
NON-CONTROLLING INTERESTS (Note 33)	<u>3,608,921</u>	<u>1</u>	<u>3,606,912</u>	<u>-</u>
Total equity	<u>167,097,038</u>	<u>19</u>	<u>168,770,738</u>	<u>19</u>
TOTAL	\$ 892,197,509	100	\$ 866,719,175	100

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 35 and 47)	\$ 11,391,971	42	\$ 14,245,989	48	(20)
INTEREST EXPENSE (Notes 4, 35 and 47)	<u>(4,332,469)</u>	<u>(16)</u>	<u>(5,138,176)</u>	<u>(17)</u>	(16)
INTEREST PROFIT, NET	<u>7,059,502</u>	<u>26</u>	<u>9,107,813</u>	<u>31</u>	(22)
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 4, 36 and 47)	7,507,892	28	8,966,809	30	(16)
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4 and 37)	4,915,778	18	4,508,034	15	9
Realized gain on available-for-sale financial assets, net (Notes 4 and 38)	2,114,743	8	3,769,306	13	(44)
Foreign exchange gain (loss), net	624,713	2	(1,109,121)	(4)	156
Impairment loss on assets, net (Notes 4 and 39)	(1,221,155)	(4)	(983,978)	(3)	24
Share of the profit of associates and joint ventures (Notes 4 and 40)	378,606	1	439,558	1	(14)
Gain on financial assets measured at cost, net (Note 40)	2,407,290	9	2,462,248	8	(2)
Consulting service revenue (Note 47)	1,189,120	4	1,092,892	4	9
Others (Notes 41 and 47)	<u>2,151,239</u>	<u>8</u>	<u>1,455,050</u>	<u>5</u>	48
Total noninterest profits and gains, net	<u>20,068,226</u>	<u>74</u>	<u>20,600,798</u>	<u>69</u>	(3)
TOTAL NET REVENUES	<u>27,127,728</u>	<u>100</u>	<u>29,708,611</u>	<u>100</u>	(9)
REVERSAL OF ALLOWANCE (ALLOWANCE) FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	<u>(751,478)</u>	<u>(3)</u>	<u>329,789</u>	<u>1</u>	(328)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
OPERATING EXPENSES (Notes 4, 31, 42, 43 and 47)					
Employee benefits	\$ (11,414,576)	(42)	\$ (12,522,077)	(42)	(9)
Depreciation and amortization	(1,472,993)	(5)	(1,432,844)	(5)	3
Other general and administrative expenses	<u>(6,377,852)</u>	<u>(24)</u>	<u>(6,640,492)</u>	<u>(22)</u>	(4)
Total operating expenses	<u>(19,265,421)</u>	<u>(71)</u>	<u>(20,595,413)</u>	<u>(69)</u>	(6)
NET PROFIT BEFORE INCOME TAX	7,110,829	26	9,442,987	32	(25)
INCOME TAX EXPENSE (Notes 4 and 44)	<u>(1,123,925)</u>	<u>(4)</u>	<u>(827,812)</u>	<u>(3)</u>	36
NET PROFIT FOR THE YEAR	<u>5,986,904</u>	<u>22</u>	<u>8,615,175</u>	<u>29</u>	(31)
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 (Notes 4 and 31)	(149,661)	-	(457,275)	(1)	(67)
Share of the other comprehensive gain (loss) of associates and joint ventures (Notes 4 and 14)	222	-	(3,300)	-	107
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Notes 4 and 44)	9,497	-	64,980	-	(85)
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of foreign financial statements	(1,169,101)	(5)	1,463,992	5	(180)
Unrealized gain (loss) on available-for-sale financial assets	1,865,097	7	(4,072,080)	(14)	146

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2016		2015		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Unrealized gain on cash flow hedges	\$ -	-	\$ 20,659	-	(100)
Share of the other comprehensive income (loss) of associates and joint ventures (Notes 4 and 14)	249,796	1	(132,581)	-	288
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 44)	<u>(3,805)</u>	-	<u>(858)</u>	-	343
Other comprehensive income for the year, net of income tax	<u>802,045</u>	<u>3</u>	<u>(3,116,463)</u>	<u>(10)</u>	126
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,788,949</u>	<u>25</u>	<u>\$ 5,498,712</u>	<u>19</u>	23
NET PROFIT ATTRIBUTABLE TO:					
Owners of parent	\$ 5,923,081	22	\$ 8,528,231	29	(31)
Non-controlling interests	<u>63,823</u>	-	<u>86,944</u>	-	(27)
	<u>\$ 5,986,904</u>	<u>22</u>	<u>\$ 8,615,175</u>	<u>29</u>	(31)
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of parent	\$ 6,736,201	25	\$ 5,415,879	18	24
Non-controlling interests	<u>52,748</u>	-	<u>82,833</u>	<u>1</u>	(36)
	<u>\$ 6,788,949</u>	<u>25</u>	<u>\$ 5,498,712</u>	<u>19</u>	23
EARNINGS PER SHARE (Note 45)					
Basic	<u>\$0.40</u>		<u>\$0.58</u>		
Diluted	<u>\$0.40</u>		<u>\$0.57</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, 2016 AND 2015
(In Thousands of New Taiwan Dollars, Except Per Share Amounts)

	Equity Attributable to Owners of the Parent													Non-controlling Interests	Total Equity
	Capital						Other Equity						Total Equity Attributable to Owners of the Parent		
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	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				
BALANCE AT JANUARY 1, 2015	\$ 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)	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	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 by 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 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)	-	(32,187)	(2,376,747)	165,163,826	3,606,912	168,770,738	
Appropriation of the 2015 earnings	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-	-	-	-	
Cash dividends - NT\$0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	-	(7,487,006)	-	(7,487,006)	
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	-	(7,487,006)	-	(7,487,006)	
Other changes in capital surplus	-	-	161,616	-	-	-	-	-	-	-	-	161,616	-	161,616	
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,923,081	-	-	-	-	-	5,923,081	63,823	5,986,904	
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(140,083)	(1,247,293)	2,200,496	-	-	-	813,120	(11,075)	802,045	
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	5,782,998	(1,247,293)	2,200,496	-	-	-	6,736,201	52,748	6,788,949	
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)	-	(1,150,440)	
Cancellation of treasury shares	(1,430,100)	-	279,660	-	-	-	-	-	-	-	1,150,440	-	-	-	
Share-based payments	50,232	(1,360)	8,442	-	-	(4,370)	-	-	-	10,976	-	63,920	-	63,920	
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	(50,739)	(50,739)	
BALANCE AT DECEMBER 31, 2016	\$ 149,744,203	\$ 10	\$ 1,104,521	\$ 5,014,298	\$ 3,228,296	\$ 8,556,188	\$ 494,377	\$ (2,255,818)	\$ -	\$ (21,211)	\$ (2,376,747)	\$ 163,488,117	\$ 3,608,921	\$ 167,097,038	

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, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 7,110,829	\$ 9,442,987
Adjustments to reconcile net profit		
Depreciation expenses	611,406	565,972
Amortization expenses	861,587	866,872
Allowance (reversal of allowance) for bad debts and losses on guarantees, net	751,478	(329,789)
Interest expense	4,332,469	5,138,176
Interest income	(11,391,971)	(14,245,989)
Dividend income	(2,065,858)	(2,337,235)
Share of profit of associates and joint ventures	(331,612)	(435,855)
Gain on disposal of investments	(2,236,142)	(2,390,902)
Loss on financial asset impairment	1,209,986	959,324
Loss on nonfinancial asset impairment	11,169	24,654
Others	59,765	329,821
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	(16,049,616)	(6,777,108)
Financial assets at fair value through profit or loss	(1,500,017)	(6,602,272)
Available-for-sale financial assets	(34,665,406)	(46,514,008)
Held to maturity financial assets	-	18,600,000
Securities purchased under resell agreements	8,383,369	(7,557,179)
Receivables	8,440,596	29,588,752
Discount and loans	(34,717,956)	8,630,578
Other financial assets	(6,718,352)	3,028,465
Other assets	7,739,957	(16,405,473)
Deposits from the Central Bank and banks	21,054,370	(2,656,379)
Financial liabilities at fair value through profit or loss	11,667,087	4,815,872
Notes and bonds issued under repurchase agreements	(51,425)	(13,214,738)
Payables	(265,630)	(3,113,832)
Deposits and remittances	(9,860,168)	20,736,158
Other financial liabilities	(612,823)	(41,228,391)
Other liabilities	<u>2,573,815</u>	<u>9,110,030</u>
Cash used in operations	(45,659,093)	(51,971,489)
Interest received	11,913,532	16,349,497
Dividend received	2,467,243	2,544,116
Interest paid	(3,962,446)	(5,401,226)
Income tax paid	<u>(401,824)</u>	<u>(1,955,475)</u>
Net cash used in operating activities	<u>(35,642,588)</u>	<u>(40,434,577)</u>

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	\$ (759,781)	\$ (22,201,876)
Proceeds on sale of available-for-sale financial assets	1,747,754	135,568,226
Acquisition of debt investment with no active market	(358,350)	-
Proceeds on sale of debt investments with no active market	941,171	999,992
Acquisition of held-to-maturity financial assets	-	(402,564)
Proceeds from repayment of held-to-maturity financial assets	102,564	190,000
Acquisition of financial assets measured at cost	(2,144,792)	(1,803,767)
Proceeds on sale of financial assets measured at cost	3,599,320	9,481,566
Proceeds from capital return on financial assets measured at cost	617,303	184,438
Acquisition of equity-method investments	(1,934,003)	(1,849,914)
Acquisition of subsidiaries less cash received	(149,740)	49,184
Proceeds from capital return on equity method investments	10,012	1,821,464
Acquisition of property and equipment	(515,995)	(828,564)
Proceeds on sale of investment property	6,198	261,578
Others	<u>(200,065)</u>	<u>657,773</u>
Net cash generated from investing activities	<u>961,596</u>	<u>122,127,536</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term borrowings	(2,963,850)	(11,752,792)
Increase (decrease) in commercial paper payable	4,410,595	(785,843)
Proceeds from issue of corporate bonds	-	15,000,000
Repayments of corporate bonds	(1,006,520)	(11,100,000)
Repayments of bank debentures	-	(10,000,000)
Proceeds of long-term borrowings	4,359,250	-
Repayments of long-term borrowings	(3,326,401)	(1,642,395)
Cash dividends paid	(7,487,006)	(9,098,673)
Purchase of treasury shares	(1,150,440)	(1,461,046)
Changes in non-controlling interests	(18,472)	(198,142)
Others	<u>17,903</u>	<u>(166,175)</u>
Net cash used in financing activities	<u>(7,164,941)</u>	<u>(31,205,066)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(578,112)</u>	<u>298,982</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(42,424,045)	50,786,875
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>135,637,871</u>	<u>84,850,996</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 93,213,826</u>	<u>\$ 135,637,871</u>

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

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, 2016 and 2015:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Cash and cash equivalents in consolidated balance sheets	\$ 28,312,347	\$ 25,090,329
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	35,018,321	66,308,658
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	<u>29,883,158</u>	<u>44,238,884</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 93,213,826</u>	<u>\$ 135,637,871</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, 2016 AND 2015 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

The Corporation was established by CDIB Capital Group through a share swap on December 28, 2001 made under the Financial Holding Company Act and related regulations. CDIB Capital Group 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 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 shareholders 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 through a share swap. Each KGI Bank share was exchanged for 0.2 shares 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 Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 1, 1999, CDIB Capital Group was converted from a trust corporation into an industrial bank under government approval.

On March 2 and April 13, 2015, CDIB Capital Group's board of the directors of CDIB Capital Group approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of CDIB Capital Group and (b) CDIB Capital Group's holdings of shares in CDIB Capital Group'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 with Official Letter 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 Capital Group's industrial banking operations included certain deposit-taking, lending, investment, bank debenture issuing, securities underwriting, domestic and foreign 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 Capital Group's industrial banking operations included securities investment, investment, financial related business, venture capital and other activities approved by the authorities.

On January 19, 2017, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, China Development Industrial Bank was converted and the name became CDIB Capital Group. The date of conversion was March 15, 2017, and the CDIB Capital Group will continue to expand its assets management business. The FSC approved the conversion on March 10, 2017 with Official Letter No. 1600025880.

KGI Securities was established on September 14, 1988. It merged with Jen-Hsin 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, 2016, 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, 2016, 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 27, 2017.

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

- a. Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRS (IFRIC), and Interpretations of IAS (SIC) endorsed by the FSC for application starting from 2017

Order No. 10610000830 and Order No. 1050026834 issued by the FSC stipulated that starting January 1, 2017, the Group should apply the amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the IFRS, IAS, IFRIC and SIC (collectively, the IFRSs) issued by the IASB and endorsed by the FSC for application starting from 2017.

New, Amended or Revised Standards and Interpretations (the New IFRSs)	Effective Date Announced by IASB (Note 1)
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)
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
Amendment to IAS 1 “Disclosure Initiative”	January 1, 2016
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 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

Note 1: Unless stated otherwise, the above New or amended 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.

The initial application in 2017 of the above IFRSs and related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies would not have any material impact on the Group’s accounting policies, except for the following:

1) Amendment to IAS 36 “Recoverable Amount Disclosures for Non-financial Assets”

The amendment clarifies that the recoverable amount of an asset or a cash-generating unit is disclosed only when an impairment loss on the asset has been recognized or reversed during the period. Furthermore, if the recoverable amount of an item of property, plant and equipment for which impairment loss has been recognized or reversed is fair value less costs of disposal, the Corporation and its subsidiaries are required to disclose the fair value hierarchy. If the fair value measurements are categorized within Level 2 or Level 3, the valuation technique and key assumptions used to measure the fair value are disclosed. The discount rate used is disclosed if such fair value less costs of disposal is measured by using present value technique. The amendment will be applied retrospectively in 2017.

2) 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 Group 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.

3) 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. When the amended IFRS 8 becomes effective in 2017, the Group will elect to measure the fair value of those contracts on a net basis retrospectively.

When the amended IFRS 13 becomes effective in 2017, the short-term receivables and payables with no stated interest rate will be measured at their invoice amounts without discounting, if the effect of not discounting is immaterial.

4) 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. The amendment will be applied prospectively to acquisitions of investment property on or after January 1, 2017.

5) Amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies

The amendments include additions of several accounting items and requirements for disclosures of impairment of non-financial assets as a consequence of the IFRSs endorsed by the FSC for application starting from 2017. In addition, as a result of the post implementation review of IFRSs in Taiwan, the amendments also include emphasis on certain recognition and measurement considerations and add requirements for disclosures of related party transactions and goodwill.

The amendments stipulate that other companies or institutions of which the chairman of the board of directors or president serves as the chairman of the board of directors or the president, or is the spouse or second immediate family of the chairman of the board of directors or president of the Group are deemed to have a substantive related party relationship, unless it can be demonstrated that no control, joint control, or significant influence exists. Furthermore, the amendments require the disclosure of the names of the related parties and the relationship with whom the Group has significant transaction.

The amendments also require additional disclosure if there is a significant difference between the actual operation after business combination and the expected benefit on acquisition date.

The disclosures of related party transactions and impairment of goodwill will be enhanced when the above amendments are retrospectively applied in 2017.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group continues assessing other possible impacts that application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies will have on the Group's financial position and financial performance, and will disclose these other impacts when the assessment is completed. The above new, amended and revised standards or interpretations have no significant impact on the Group.

b. New IFRSs in issue but not yet endorsed by the FSC

The Group has not applied the following IFRSs issued by the IASB but not yet endorsed by the FSC.

The FSC announced that the Group should apply IFRS 9 and 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 IFRSs.

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2014-2016 Cycle	Note 2
Amendment to IFRS 2 "Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 9 and IFRS 7 "Mandatory Effective Date of IFRS 9 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 3)
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendments to IFRS 15 "Clarifications to IFRS 15 Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendments to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of investment property"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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 12 is retrospectively applied for annual periods beginning on or after January 1, 2017; the amendment to IAS 28 is retrospectively applied for annual periods beginning on or after January 1, 2018.

Note 3: In June 2015, IASB has decided to postpone the application of IFRS 10 and IAS 28 which issued in September 2014. Early application is permitted.

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 Group’s 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 Group 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 Group 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.

Transition

Financial instruments that have been derecognized prior to the effective date of IFRS 9 cannot be reversed to apply IFRS 9 when it becomes effective. Under IFRS 9, the requirements for classification, measurement and impairment of financial assets are applied retrospectively with the difference between the previous carrying amount and the carrying amount at the date of initial application recognized in the current period and restatement of prior periods is not required. The requirements for general hedge accounting shall be applied prospectively and the accounting for hedging options shall be applied retrospectively.

2) 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 Group 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 Group 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 Group 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 Group’s share of the gain or loss is eliminated. Also, when the Group 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 Group’s share of the gain or loss is eliminated.

3) 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”.

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.

4) 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 Group 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 Group 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 Group 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 Group as lessor.

When IFRS 16 becomes effective, the Group 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.

5) 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 Group 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 Group 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 Group’s assets for more than their carrying amount if there is sufficient evidence that it is probable that the Group will achieve this, and that the estimate for future taxable profit should exclude tax deductions resulting from the reversal of deductible temporary differences.

6) Annual Improvements to IFRSs 2014-2016 Cycle

Several standards, including IFRS 12 “Disclosure of Interests in Other Entities” and IAS 28 “Investments in Associates and Joint Ventures,” were amended in this annual improvement.

The amendment to IFRS 12 clarified that when an entity’s interest in a subsidiary, a joint venture or an associate is classified as held for sale or is included in a disposal group that is classified as held for sale, the entity is not required to disclose summarized financial information of that subsidiary, joint venture or associate in accordance with IFRS 12.

The amendment to IAS 28 clarified that when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, or a unit trust or similar entities (including investment-linked insurance funds), the Group may elect to measure that investment at fair value through profit or loss. The Group shall make this election separately for each associate or joint venture at the initial recognition of the associate or joint venture.

Furthermore, the amendment to IAS 28 clarified that when the Group (non-investment entity) applies the equity method to account for investment in an associate or a joint venture that is an investment entity, the Group may elect to retain the fair value of the investment in subsidiaries of the investment entity associate or joint venture. The election should be made separately for each investment entity associate or joint venture, at the later of the date (a) the investment entity associate or joint venture is initially recognized, (b) the associate or joint venture becomes an investment entity, or (c) the investment entity associate or joint venture first becomes a parent.

The Group shall apply the aforementioned amendments retrospectively.

7) Amendments to IAS 40 “Transfers of Investment Property”

The amendments clarify that the Group should transfer to, or from, investment property when, and only when, the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management’s intentions for the use of a property does not provide evidence of a change in use. The amendments also clarify that the evidence of the change in use is not limited to those illustrated in IAS 40.

The Group may elect to apply the amendments prospectively and reclassify the property as required to reflect the conditions that exist at the date of initial application. Any adjustment to the carrying amount upon reclassification is recognized in the opening balance of investment property’s book value at that date. The Group is also required to disclose the reclassified amounts and such amounts should be included in the reconciliation of the carrying amount of investment property. Alternatively, the Group may elect to apply the amendments retrospectively if, and only if, that is possible without the use of hindsight.

8) IFRIC 22 “Foreign Currency Transactions and Advance Consideration”

IAS 21 stipulated that a foreign currency transaction shall be recorded on initial recognition in the functional currency by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. IFRIC 22 further explains that the date of the transaction is the date on which an entity recognizes a non-monetary asset or non-monetary liability from payment or receipt of advance consideration. If there are multiple payments or receipts in advance, the entity shall determine the date of the transaction for each payment or receipt of advance consideration.

The Group shall apply IFRIC 22 either retrospectively or prospectively to all assets, expenses and income in the scope of the Interpretation initially recognized on or after (a) the beginning of the reporting period in which the entity first applies IFRIC 22, or (b) the beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies IFRIC 22.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and issued 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 Capital Group 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. Except as stated above, 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 Group, 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, 2016 and 2015, the consolidated entities included in the consolidated financial statements included 70 and 73 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 Group recognizes 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 Group's 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 shareholders of the parent company and non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's 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 Group 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 Group has significant influence and that is not a subsidiary.

The Group uses 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 Group's share of profit or loss and other comprehensive income of the associate. The Group also recognizes the changes in the Group's share of equity of associates.

Any excess of the cost of acquisition over the Group's 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 Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

When the Group subscribes for additional new shares of 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 Group's proportionate interest in the associate and joint venture. The Group records such a difference as an adjustment to investments with the corresponding amount charged or credited to capital surplus - changes in the Group's share of equity of associates and joint ventures. If the Group's 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 Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any carrying amount of the investment accounted for by the equity method and long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses and liabilities are recognized only to the extent that the Group has incurred legal obligations, or constructive obligations, or made payments on behalf of that associate.

The entire carrying amount of 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 Group discontinues 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 Group accounts 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 Group transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes 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 Group's 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 52.

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 Group has 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 nonderivatives 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 Group's 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. Any impairment losses are recognized in profit and loss.

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 Group’s 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 uncollectable or loss incurring are evaluated on the basis of the borrowers’/clients’ financial condition and delinquency record on interest payments.

The assets mentioned above 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 the Order No. 10300329440 issued by the FSC, for the Group to have an enhanced risk coverage toward collateral exposures in Mainland China, 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 the Order No. 10410001840 issued by the FSC, for the Group to have an enhanced control of the exposure to the risk in Mainland China, the minimum provision for the loan loss reserve is 1.5% of the credit include short-term trade finance that were granted to companies based in Mainland China before 2015 and classified as normal assets.

Credits from CDIB Capital Group and KGI Bank deemed uncollectable 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 Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party; 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 nonderivative 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 Group will assess the hedging instrument effectiveness.

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 a counter-party is treated as a financing transaction. For securities sold under repurchase agreements, the payment by a 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 Group 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.

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 Group expects 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 Group evaluates the possibility of impairment loss on nonfinancial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Group 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 pro rata 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 Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group 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 Group does 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 Group does 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 rereasurement) 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 Group's 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 shareholders 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 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 Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences 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 Group expected, 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 year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity respectively.

Revenue Recognition

Interest revenue arisen 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 Group.

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 are 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 Group's 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 Group's 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 Group's 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 Group's 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 Group's 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 management reviews loan portfolios to assess impairment periodically. To determine whether an impairment loss should be recognized, the management exercises its judgments on whether there is any indication of impairment. For the purpose of impairment assessment, the management determines the expected future cash flows based on historical loss on assets with similar credit risks. The management also reviews periodically the methodology and assumptions adopted for both expected future cash flow and its timing to decrease the difference between estimated and actual amount of impairment.

b. Impairment of financial assets measured at cost

When financial assets with no active market and financial assets measured at cost are assessed based on indication of impairment, their impairment losses are calculated by the difference between the book value and estimated recoverable amount. Under such circumstances, the recoverable amount depends on the estimation of observable data and appropriate assumption; in the meantime, the management considers related market and industry situation to determine the reasonability of the assumption.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2016	2015
Cash in banks	\$ 18,662,103	\$ 8,695,163
Due from banks	4,386,202	6,124,600
Short-term transactions instruments with maturities of up to three months	2,352,369	7,295,388
Cash on hand	1,247,909	1,281,441
Future excess margin	1,044,184	1,352,806
Others	<u>619,580</u>	<u>340,931</u>
	<u>\$ 28,312,347</u>	<u>\$ 25,090,329</u>

Cash and cash equivalents as of December 31, 2016 and 2015 as shown in the consolidated statement of cash flows can be reconciled to the related items in the balance sheets as follows; please refer to the consolidated statement of cash flows for the reconciliation information.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS

	December 31	
	2016	2015
Due from the Central Bank	\$ 37,130,000	\$ 44,020,000
Call loans to banks	13,568,474	32,785,506
Deposit reserve - checking accounts	12,358,953	2,791,414
Deposit reserve - demand accounts	8,078,055	6,675,432
Due from the Central Bank - interbank settlement funds	600,599	700,828
Deposit reserve - foreign currencies	<u>148,483</u>	<u>152,104</u>
	<u>\$ 71,884,564</u>	<u>\$ 87,125,284</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserve are determined monthly at prescribed rates based on average balance of the Bank's deposits. Deposit reserve - demand account should not be used, except for adjusting the deposit reserve account monthly.

In addition, separate foreign-currency deposit reserves are determined at prescribed rates based on balances of foreign-currency deposits. These reserves may be withdrawn anytime at no interest.

For the certificates of deposit issued by the Central Bank of the ROC and pledged as collateral for day-term overdraft, please refer to Note 48.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2016	2015
<u>Financial assets held for trading</u>		
Derivative instrument		
Currency swap contracts	\$ 11,634,089	\$ 11,267,269
Interest rate swap contracts	10,239,924	5,450,351
Option and futures contracts	4,184,386	4,739,031
Others	2,161,953	818,022
Non-derivative financial assets		
Operating securities (Note 9)	55,752,957	69,315,807
Bank debentures	20,819,329	33,176,658
Convertible (exchangeable) corporate bonds	3,121,853	2,184,662
Commercial papers	2,797,870	-
Mutual funds	2,522,042	6,673,779
Government bonds	2,370,197	1,033,332
Corporate bonds	1,979,093	2,370,073
Others	<u>159,338</u>	<u>406,224</u>
	<u>117,743,031</u>	<u>137,435,208</u>

(Continued)

	December 31	
	2016	2015
<u>Financial assets designated as at FVTPL</u>		
Government bonds	\$ 39,174,578	\$ 19,299,321
Others	<u>2,362,493</u>	<u>1,045,556</u>
	<u>41,537,071</u>	<u>20,344,877</u>
Financial assets at FVTPL	<u>\$ 159,280,102</u>	<u>\$ 157,780,085</u>
<u>Financial liabilities held for trading</u>		
Derivative instrument		
Currency swap contracts	\$ 11,275,914	\$ 11,379,184
Interest rate swap contracts	10,947,600	5,856,509
Option and futures contracts	5,769,857	5,812,809
Structure products	451,452	2,192,369
Others	2,278,179	1,318,336
Non-derivative financial liabilities		
Borrowed securities payable	5,484,802	6,167,626
Others	<u>2,361,581</u>	<u>652,471</u>
	<u>38,569,385</u>	<u>33,379,304</u>
<u>Financial liabilities designated as at FVTPL</u>		
Bank debentures payable	11,892,012	4,352,498
Structured products	<u>1,103,869</u>	<u>2,166,377</u>
	<u>12,995,881</u>	<u>6,518,875</u>
Financial liabilities at FVTPL	<u>\$ 51,565,266</u>	<u>\$ 39,898,179</u> (Concluded)

The Group's trust contract of stock of Capital Securities Corporation. Please refer to Note 10.

As of December 31, 2016 and 2015, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	<u>December 31</u>		Issuance Period	Method of Paying Principles and Interests	Interest Rate
	2016	2015			
04 KGIB 1	\$ -	\$ 1,050,000	May 18, 2006 - May 18, 2016	Principal due on maturity; interest payable annually	2.15%
15 KGIB 1	3,421,574	3,504,996	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0.00%
P16KGIB 1	3,550,690	-	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0.00%
P16KGIB 2	3,550,690	-	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0.00%
P16KGIB 3	2,582,320	-	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0.00%
	<u>13,105,274</u>	<u>4,554,996</u>			
Valuation adjustments	<u>(1,213,262)</u>	<u>(202,498)</u>			
	<u>\$ 11,892,012</u>	<u>\$ 4,352,498</u>			

Note 1: 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).

Note 2: Base on 100% of the carry value of each bond principal plus the interest shall be payable early redemption since the expiration of one year from the issue date (inclusive).

The contract (nominal) amounts of the Group's outstanding derivative financial instruments as of December 31, 2016 and 2015 are summarized as follows:

	December 31	
	2016	2015
Currency swap contracts	\$ 1,240,148,072	\$ 1,167,714,201
Interest rate swap contracts	1,020,801,145	711,778,113
Option and Futures contracts	286,325,519	359,829,956
Forward exchange contracts	119,730,494	121,868,073
Cross-currency swap contracts	23,941,077	8,830,876
Assets swap contracts	12,387,775	13,520,064
Structured note contracts	11,537,615	16,194,507
Credit default swap contracts	5,679,224	4,014,286
Non-deliverable forward contracts	852,483	1,609,868
Commodity swap	104,891	1,143,416
Equity derivative financial contracts	21,471	292,546

As of December 31, 2016 and 2015, financial assets held for trading with aggregate carrying values of \$90,931,440 thousand and \$94,464,703 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 48.

9. OPERATING SECURITIES

	December 31	
	2016	2015
Dealing		
Oversea securities	\$ 22,465,807	\$ 16,811,666
Corporate bonds	12,777,415	15,273,953
Listed, OTC and emerging market stocks	7,441,187	7,601,755
Government bonds	6,718,872	23,270,235
Others	<u>209,542</u>	<u>988,365</u>
	<u>49,612,823</u>	<u>63,945,974</u>
Underwriting		
Listed and OTC stocks	1,226,436	863,517
Corporate bonds	292,668	677,226
Others	<u>149,705</u>	<u>-</u>
	<u>1,668,809</u>	<u>1,540,743</u>
Hedge positions		
Listed and OTC stocks	3,875,537	2,715,104
Oversea securities	592,084	1,085,737
Listed and OTC warrant	<u>3,704</u>	<u>28,249</u>
	<u>4,471,325</u>	<u>3,829,090</u>
	<u>\$ 55,752,957</u>	<u>\$ 69,315,807</u>

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Government bonds	\$ 65,878,067	\$ 20,017,935
Listed, OTC and emerging market stocks	21,758,314	20,055,988
Bank debentures	13,051,597	20,955,028
Corporate bonds	5,161,140	9,091,039
Others	<u>509,947</u>	<u>523,025</u>
	<u>\$ 106,359,065</u>	<u>\$ 70,643,015</u>

As of December 31, 2016 and 2015, available-for-sale financial assets, with aggregate carrying values of \$28,629,003 thousand and \$25,014,339 thousand, respectively, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

The Group signed a trust contract with China Trust Commercial Bank (CTBC) in August 2015, entrusting shares of Capital Securities Corporation to them. The trustee deals with the shares in accordance with the contract during the contract period.

For the information on available-for-sale financial assets pledged as collateral for the Group, please refer to Note 48.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Bank debentures	\$ 15,151,082	\$ 3,882,273
Government bonds	9,135,147	10,512,947
Corporate bonds	4,851,085	2,813,252
Commercial papers	<u>745,844</u>	<u>35,413,781</u>
	<u>\$ 29,883,158</u>	<u>\$ 52,622,253</u>
Resold amounts	<u>\$ 29,910,667</u>	<u>\$ 52,622,018</u>
Last maturity date	February 2017	March 2016

12. RECEIVABLES

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Receivables on margin loans, refinancing margin and refinancing deposits receivable	\$ 28,686,768	\$ 36,440,846
Receivable accounts for settlement	17,058,010	13,879,169
Accounts receivable factoring without recourse	9,590,021	1,234,873
Accounts receivable - forfeiting	7,912,584	26,685,120

(Continued)

	December 31	
	2016	2015
Trading securities receivable	\$ 6,901,611	\$ 2,728,739
Settlement price	6,798,639	3,026,676
Lease receivables	6,424,942	7,462,931
Others	<u>12,113,019</u>	<u>12,823,986</u>
	95,485,594	104,282,340
Less: Unrealized interest revenue	(378,214)	(521,616)
Allowance for bad debts	<u>(2,917,166)</u>	<u>(3,006,575)</u>
	<u>\$ 92,190,214</u>	<u>\$ 100,754,149</u>
		(Concluded)

The Group's changes in allowance for bad debts of receivables were as follows:

	For the Year Ended December 31	
	2016	2015
Balance, January 1	\$ 3,006,575	\$ 3,085,451
Allowance	132,148	165,672
Loans reclassified to nonperforming loans	(1,790)	(1,759)
Write-off	(183,720)	(271,447)
Effect of exchange rate changes	<u>(36,047)</u>	<u>28,658</u>
Balance, December 31	<u>\$ 2,917,166</u>	<u>\$ 3,006,575</u>

For the information on impairment loss analysis of receivables, please refer to Note 53.

The amount of receivables pledged as collateral for the Group please refer to Note 48.

13. DISCOUNTS AND LOANS

	December 31	
	2016	2015
Short-term loans	\$ 60,824,456	\$ 45,337,996
Medium-term loans	152,145,653	132,596,923
Long-term loans	42,061,948	41,698,553
Loans reclassified to nonperforming loans	708,046	541,860
Export negotiations	<u>139,441</u>	<u>750,976</u>
	255,879,544	220,926,308
Less: Allowance for bad debts	(3,429,672)	(3,115,696)
Less: Discounts on loans	<u>(72,880)</u>	<u>(30,284)</u>
	<u>\$ 252,376,992</u>	<u>\$ 217,780,328</u>

The Group's changes in allowance for bad debts of discounts and loans were as follows:

	For the Year Ended December 31	
	2016	2015
Balance, January 1	\$ 3,115,696	\$ 3,447,239
Allowance (reversal)	121,292	(655,675)
Recovery of written-off credits	802,286	1,137,538
Write-off	(563,785)	(829,902)
Reduction and exemption	(31,610)	(20,932)
Effects of exchange rate changes	<u>(14,207)</u>	<u>37,428</u>
Balance, December 31	<u>\$ 3,429,672</u>	<u>\$ 3,115,696</u>

For the information on impairment loss analysis of discounts and loans, please refer to Note 53.

14. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Associates that are not individually material:

	December 31			
	2016		2015	
	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	\$ 4,988,044	34	\$ 4,765,852	34
KGI Securities (Thailand) Public Company Limited	2,160,555	35	2,059,804	35
CDIB Capital Asia Partners L.P.	2,109,639	-	1,314,206	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	1,165,320	-	667,550	-
CPEC Huachuang Private Management Equity (Kunshan) Enterprise (Limited Partnership)	960,603	-	585,700	-
CDIB Biomedical Venture Capital Corporation	582,599	34	584,514	34
CDIB CME Fund Ltd.	568,380	40	576,143	40
Others	<u>140,664</u>		<u>221,896</u>	
	<u>\$ 12,675,804</u>		<u>\$ 10,775,665</u>	

Summarized financial information in respect of the not individually material associates was set out below:

	For the Year Ended December 31	
	2016	2015
The Group's share of:		
Net profit for the year	\$ 331,826	\$ 444,114
Other comprehensive income (loss)	<u>250,018</u>	<u>(135,881)</u>
Total comprehensive income for the year	<u>\$ 581,844</u>	<u>\$ 308,233</u>

The investments accounted for by using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2016 and 2015 were based on the associates' financial statements audited by the auditors.

There are no any investments under equity method was pledged as collateral.

15. 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 but rights and obligations in accordance with the contract.

	<u>December 31</u>	
	2016	2015
Investment in private equity fund		
Financial assets measured at cost	<u>\$ 6,135,403</u>	<u>\$ 6,891,768</u>
Maximum exposure	<u>\$ 6,135,403</u>	<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's subsidiaries and external third parties.

	<u>December 31</u>	
	2016	2015
Management on private equity fund		
Total assets	\$ 15,250,696	\$ 9,351,364
Total liabilities	17,840	101,340
Investments accounted for using equity method	4,235,562	2,567,456
Maximum exposure	4,235,562	2,567,456

16. RESTRICTED ASSETS

	<u>December 31</u>	
	2016	2015
Restricted demand deposits	\$ 27,519,235	\$ 29,345,180
Stocks	149,392	149,392
Accounts receivables	105,831	105,447
Checking accounts - restricted for agent's stock transfer purposes	62,566	83,390
Impound account	48,012	49,178
Accrued revenue	35,879	30,287
Due from banks	<u>13,009</u>	<u>13,856</u>
	<u>\$ 27,933,924</u>	<u>\$ 29,776,730</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 overseas.

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 49), CDIB Capital Group 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”.

For the information on restricted assets pledged as collateral for the Group, please refer to Note 48.

17. FINANCIAL ASSETS MEASURED AT COST

	December 31	
	2016	2015
Unlisted stocks - common stock	\$ 7,818,874	\$ 8,022,763
Unlisted overseas partnership fund	6,135,403	6,891,768
Others	<u>5,537,485</u>	<u>6,180,743</u>
	<u>\$ 19,491,762</u>	<u>\$ 21,095,274</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	\$ 18,043,472	\$ 19,749,728
Financial assets at FVTPL	<u>1,448,290</u>	<u>1,345,546</u>
	<u>\$ 19,491,762</u>	<u>\$ 21,095,274</u>

CDIB Capital Group and subsidiaries disposed of certain financial assets measured at cost with carrying amount of \$2,107,720 thousand and \$7,551,693 thousand during the years ended December 31, 2016 and 2015, respectively, recognizing disposal gain of \$1,521,450 thousand and \$1,929,873 thousand, respectively.

18. OTHER FINANCIAL ASSETS

	December 31	
	2016	2015
Guarantee deposits received on futures contracts	\$ 36,201,863	\$ 31,506,459
Time deposits with original maturities over three months	5,573,703	4,567,104
Debt instruments with no active market	2,083,503	1,619,702
Pledged time deposit	744,223	629,344
Others	<u>190,022</u>	<u>451,212</u>
	<u>\$ 44,793,314</u>	<u>\$ 38,773,821</u>

For the information on other financial assets pledged as collateral for Group, please refer to Note 48.

19. INVESTMENT PROPERTY

	<u>December 31</u>	
	2016	2015
Land	\$ 1,879,859	\$ 1,779,276
Buildings and facilities	<u>299,497</u>	<u>269,035</u>
	<u>\$ 2,179,356</u>	<u>\$ 2,048,311</u>

The changes in the Group's investment properties were as follows:

	<u>For the Year Ended December 31</u>	
	2016	2015
<u>Cost</u>		
Beginning balance	\$ 2,682,688	\$ 2,698,832
Additions	31,152	-
Disposal	(3,863)	(11,527)
Reclassification	<u>128,029</u>	<u>(4,617)</u>
Ending balance	<u>2,838,006</u>	<u>2,682,688</u>
<u>Accumulated depreciation</u>		
Beginning balance	(134,095)	(126,765)
Depreciation	(8,166)	(8,577)
Disposal	415	963
Reclassification	<u>(18,269)</u>	<u>284</u>
Ending balance	<u>(160,115)</u>	<u>(134,095)</u>
<u>Accumulated impairment</u>		
Beginning balance	(500,282)	(501,361)
Reversal of impairment	<u>1,747</u>	<u>1,079</u>
Ending balance	<u>(498,535)</u>	<u>(500,282)</u>
Carrying amount	<u>\$ 2,179,356</u>	<u>\$ 2,048,311</u>

The above items of investment property were depreciated on a straight-line basis at economics 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 Group's investment property as of December 31, 2016 and 2015 were \$4,147,015 thousand and \$3,622,323 thousand, respectively. Investment property was categorized into Level 3.

KGI Bank and subsidiaries, as well as CDIB Capital Group and subsidiaries, arrived at the fair value of their investment property by using reports of external appraisers that are not identified as related parties, and instead of evaluating by independent professional, the subsidiaries' management other than KGI Bank and CDIB Capital Group of the Group apply valuation models which often used in markets as common practice in evaluating the remaining investment property; however, they used the models that market

participants would use in determining the fair value. Sales comparison approach compares a subject property's characteristics with those of comparable properties which have recently sold in the similar transaction; Income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

All of the Group's investment property were held under freehold interests. The carrying amount of the investment properties that had been pledged by the Group to secure borrowings were reflected in Note 48.

20. PROPERTY AND EQUIPMENT

	December 31	
	2016	2015
Land	\$ 8,831,716	\$ 8,915,396
Buildings and facilities	4,368,108	4,554,334
Computer equipment	525,987	488,401
Transportation equipment	3,363	21,424
Other equipment	236,998	256,935
Leasehold improvements	302,598	247,471
Leased assets	<u>240,303</u>	<u>231,352</u>
	14,509,073	14,715,313
Prepayments for acquisition of properties	<u>3,843</u>	<u>1,847</u>
	<u>\$ 14,512,916</u>	<u>\$ 14,717,160</u>

The changes in the Group's 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
Cost									
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)
Reclassification	1,338	26,074	42,751	-	20,201	46,004	(15,216)	(74,033)	47,119
Effects of changes on consolidated subsidiaries	-	-	28,707	-	5,475	4,407	-	-	38,589
Effect of exchange rate changes	-	-	5,002	1,240	24,727	11,441	-	-	42,410
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>
Accumulated depreciation and impairment									
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)
Effects 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>
Cost									
Balance at January 1, 2016	\$ 8,919,653	\$ 6,716,830	\$ 1,381,780	\$ 53,161	\$ 1,836,284	\$ 670,775	\$ 268,931	\$ 1,847	\$ 19,849,261
Additions	-	10,412	196,294	4,966	69,877	128,981	80,826	24,639	515,995
Disposals	-	(64,244)	(301,644)	(17,048)	(111,355)	(96,769)	(23,798)	(788)	(615,646)
Reclassification	(81,846)	(45,692)	45,578	(21,656)	(9,024)	30,981	(2,883)	(21,742)	(106,284)
Effects of changes on consolidated subsidiaries	-	-	-	1,416	2,366	-	-	-	3,782
Effect of exchange rate changes	-	-	(12,100)	(103)	(17,776)	(10,801)	-	(113)	(40,893)
Balance at December 31, 2016	<u>8,837,807</u>	<u>6,617,306</u>	<u>1,309,908</u>	<u>20,736</u>	<u>1,770,372</u>	<u>723,167</u>	<u>323,076</u>	<u>3,843</u>	<u>19,606,215</u>
Accumulated depreciation and impairment									
Balance at January 1, 2016	(4,257)	(2,162,496)	(893,379)	(31,737)	(1,579,349)	(423,304)	(37,579)	-	(5,132,101)
Additions	(1,834)	(165,167)	(189,473)	(5,525)	(87,517)	(98,362)	(55,362)	-	(603,240)
Disposals	-	63,952	299,669	13,200	109,936	95,678	8,064	-	590,499
Reclassification	-	14,513	(5,621)	6,893	8,451	(1,690)	2,104	-	24,650
Effects of changes on consolidated subsidiaries	-	-	-	(236)	(396)	-	-	-	(632)
Effect of exchange rate changes	-	-	4,883	32	15,501	7,109	-	-	27,525
Balance at December 31, 2016	<u>(6,091)</u>	<u>(2,249,198)</u>	<u>(783,921)</u>	<u>(17,373)</u>	<u>(1,533,374)</u>	<u>(420,569)</u>	<u>(82,773)</u>	<u>-</u>	<u>(5,093,299)</u>
Balance at December 31, 2016, net	<u>\$ 8,831,716</u>	<u>\$ 4,368,108</u>	<u>\$ 525,987</u>	<u>\$ 3,363</u>	<u>\$ 236,998</u>	<u>\$ 307,598</u>	<u>\$ 240,303</u>	<u>\$ 3,843</u>	<u>\$ 14,512,916</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	20-60 years
Lifting equipment	15 years
Air-conditioning and electrical equipment	5-10 years
Fire and monitoring equipment	4-5 years
Computer equipment	1-8 years
Transportation equipment	2-15 years
Other equipment	
Office furniture and equipment	2-10 years
Others	10 years
Leasehold improvements	1-10 years
Leased assets	1-10 years

For the information on property and equipment pledged as collateral for the Group, please refer to Note 48.

21. INTANGIBLE ASSETS

	December 31	
	2016	2015
Operation rights	\$ 5,527,201	\$ 6,202,496
Goodwill	1,895,744	1,892,627
Computer software	489,037	452,971
Others	<u>36,396</u>	<u>36,396</u>
	<u>\$ 7,948,378</u>	<u>\$ 8,584,490</u>

The changes in the Group's intangible assets were as follows:

	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
Effects of changes on consolidated subsidiaries	-	372,878	-	-	372,878
Effects 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)
Effects 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>

(Continued)

	Operation Rights	Goodwill	Computer Software	Others	Total
<u>Cost</u>					
Balance at January 1, 2016	\$ 8,542,562	\$ 1,892,627	\$ 822,706	\$ 51,994	\$ 11,309,889
Additions	-	76,975	199,448	-	276,423
Disposals	-	(12,502)	(77,736)	-	(90,238)
Reclassification	-	-	8,001	-	8,001
Effects of exchange rate changes	-	(61,356)	(1,133)	-	(62,489)
Balance at December 31, 2016	<u>8,542,562</u>	<u>1,895,744</u>	<u>951,286</u>	<u>51,994</u>	<u>11,441,586</u>
<u>Accumulated amortization and impairment</u>					
Balance at January 1, 2016	(2,340,066)	-	(369,735)	(15,598)	(2,725,399)
Amortization	(675,295)	-	(170,438)	-	(845,733)
Disposals	-	-	77,547	-	77,547
Effects of exchange rate changes	-	-	377	-	377
Balance at December 31, 2016	<u>(3,015,361)</u>	<u>-</u>	<u>(462,249)</u>	<u>(15,598)</u>	<u>(3,493,208)</u>
Balance at December 31, 2016, net	<u>\$ 5,527,201</u>	<u>\$ 1,895,744</u>	<u>\$ 489,037</u>	<u>\$ 36,396</u>	<u>\$ 7,948,378</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

22. OTHER ASSETS

	December 31	
	2016	2015
Guarantee deposits paid	\$ 9,401,359	\$ 9,798,152
Security borrowing margins	2,810,965	6,563,279
Operating guarantee deposits	1,417,056	1,447,740
Prepaid expense	987,651	698,528
Settlement funds	527,293	560,724
Competitive bid transactions guarantee	419,426	323,027
Collaterals assumed	149,650	153,005
Collected for underwriting payment of shares	123,770	2,115,341
Others	<u>471,245</u>	<u>537,895</u>
	<u>\$ 16,308,415</u>	<u>\$ 22,197,691</u>

As of December 31, 2016 and 2015, the above collaterals were net of accumulated impairment losses of \$59,242 thousand and \$58,674 thousand, respectively.

For the information on other assets pledged as collateral for the Group, please refer to Note 48.

23. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	December 31	
	2016	2015
Call loans from banks	\$ 29,863,422	\$ 8,797,670
Deposits from Chunghwa Post Co., Ltd.	<u>1,215,347</u>	<u>1,226,729</u>
	<u>\$ 31,078,769</u>	<u>\$ 10,024,399</u>

24. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2016	2015
Bank debentures	\$ 51,255,621	\$ 58,098,148
Government bonds	44,361,659	32,897,800
Corporate bonds	<u>23,943,163</u>	<u>28,615,920</u>
	<u>\$ 119,560,443</u>	<u>\$ 119,611,868</u>
Repurchased amounts	<u>\$ 119,817,493</u>	<u>\$ 119,734,729</u>
Last maturity date	March 2017	March 2016

25. COMMERCIAL PAPER PAYABLE

	December 31	
	2016	2015
Commercial paper payable	\$ 17,558,460	\$ 13,149,834
Less: Unamortized discount	<u>(8,663)</u>	<u>(10,632)</u>
	<u>\$ 17,549,797</u>	<u>\$ 13,139,202</u>
Rate	0.48%-1.87%	0.43%-2.02%
Last maturity date	October 2017	November 2016

As of December 31, 2016, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Dah Chang Bills Finance Corporation, International Bills Finance Corporation, Far Eastern International Bank, Mega Bank, Taipei Star Bank, Ta Chong Bank, Taiwan Finance Corporation, Syndicated Loans issued by China Bills Finance Corporation, Ta Ching Finance Corporation, Union Bank of Taiwan, Taishin International Bank, Hua Nan Commercial Bank, Taiwan Business Bank, Sunny Bank, Taiwan Cooperative Bank, Shanghai Commercial Bank and Union Bills Finance Corporation guaranteed the above commercial paper. However, some commercial paper issued by the Group, which amounted to \$8,185,474 thousand, had no guarantee.

As of December 31, 2015, Taipei Star Bank, 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 Group, which amounted to \$9,595,100 thousand, had no guarantee.

26. PAYABLES

	December 31	
	2016	2015
Accounts payable for settlement	\$ 35,954,518	\$ 29,449,576
Guaranteed price deposits received from securities borrowers	10,869,488	13,780,419
Accrued expenses	3,528,890	3,742,613
Settlement proceeds	2,875,364	1,863,332
Securities financing guarantee deposits	2,681,255	3,377,214
Others	<u>4,427,813</u>	<u>4,938,890</u>
	<u>\$ 60,337,328</u>	<u>\$ 57,152,044</u>

27. DEPOSITS AND REMITTANCES

	December 31	
	2016	2015
Time deposits	\$ 182,288,180	\$ 211,950,211
Saving deposits	98,220,082	88,713,219
Demand deposits	29,969,608	23,496,448
Checking deposits	2,853,653	1,040,422
Negotiable CDs	1,896,300	100,700
Inward remittance	<u>224,141</u>	<u>11,132</u>
	<u>\$ 315,451,964</u>	<u>\$ 325,312,132</u>

28. BONDS PAYABLE

	December 31	
	2016	2015
Corporate bonds payable	\$ 25,000,000	\$ 26,006,520
Bank debentures payable	<u>2,684,236</u>	<u>2,612,172</u>
	<u>\$ 27,684,236</u>	<u>\$ 28,618,692</u>

Corporate Bonds Payable

	December 31	
	2016	2015
1st corporate bonds in 2009 - the Corporation	\$ 1,000,000	\$ 1,000,000
1st corporate bonds in 2011 - the Corporation	6,000,000	6,000,000
1st corporate bonds in 2013 - the Corporation	3,000,000	3,000,000
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000
1st corporate bonds in 2014 - KGI Securities	-	1,006,520
1st corporate bonds in 2015 - KGI Securities	<u>7,000,000</u>	<u>7,000,000</u>
	<u>\$ 25,000,000</u>	<u>\$ 26,006,520</u>
Fair value	<u>\$ 25,314,561</u>	<u>\$ 26,469,816</u>

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 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 2020.

Bank Debentures Payable

Name	December 31		Issue Year	Repayment Year	Interest Rate
	2016	2015			
04 KGIB2	\$ 2,750,000	\$ 2,750,000	2008.01.09-2017.12.13	Principal due on maturity	0.00%
Unamortized discount	<u>(65,764)</u>	<u>(137,828)</u>			
Net amount	<u>\$ 2,684,236</u>	<u>\$ 2,612,172</u>			
Fair value	<u>\$ 2,672,291</u>	<u>\$ 2,592,759</u>			

29. OTHER BORROWINGS

	December 31	
	2016	2015
Short-term credit borrowings	\$ 9,575,993	\$ 11,848,307
Short-term secured borrowings	5,036,020	5,727,556
Note issuance facility	4,799,568	3,899,189
Long-term credit borrowings	<u>466,877</u>	<u>334,407</u>
	<u>\$ 19,878,458</u>	<u>\$ 21,809,459</u>
Rate	0.65%-9.45%	0.45%-6.64%
Last maturity date	December 2019	July 2018

30. PROVISIONS

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Provisions for employee benefits	\$ 931,377	\$ 1,037,014
Provisions for guarantee liabilities	97,555	104,564
Others	<u>344,735</u>	<u>277,876</u>
	<u>\$ 1,373,667</u>	<u>\$ 1,419,454</u>

31. 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 \$375,308 thousand in 2016 and \$343,669 thousand in 2015, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to \$14,687 thousand and \$12,382 thousand for the years ended December 31, 2016 and 2015, respectively.

b. Defined benefit plans

The Corporation and domestic 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 Capital Group has made monthly contributions at 13% of salaries and wages to a pension fund. In February 2006, CDIB Capital Group 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 Capital Group 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 Capital Group is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI Securities 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. Before the end of each year, KGI 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, KGI is required to fund the difference in one appropriation that should be made before the end of March of the next year.

KGI Bank 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 KGI Bank's Zhonghe Branch in the committee's name. Before the end of each year, KGI Bank 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, KGI Bank 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 Group's defined benefit plans were as follows:

	December 31	
	2016	2015
Present value of defined benefit obligation	\$ 2,749,772	\$ 2,618,343
Fair value of plan assets	<u>(1,952,036)</u>	<u>(1,737,265)</u>
Net defined benefit liability	<u>\$ 797,736</u>	<u>\$ 881,078</u>

Movements in net defined benefit liability (asset) were as follows:

The Group

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
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	<u>821</u>	<u>-</u>	<u>821</u>
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	<u>320,471</u>	<u>(1,456)</u>	<u>319,015</u>
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>
Service cost			
Current service cost	28,646	-	28,646
Net interest expense (income)	<u>38,374</u>	<u>(26,142)</u>	<u>12,232</u>
Recognized in profit or loss	<u>67,020</u>	<u>(26,142)</u>	<u>40,878</u>

(Continued)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	\$ -	\$ 9,398	\$ 9,398
Actuarial gain - changes in demographic assumptions	24,376	-	24,376
Actuarial gain - changes in financial assumptions	23,612	-	23,612
Actuarial gain - experience adjustments	<u>87,758</u>	<u>4,517</u>	<u>92,275</u>
Recognized in other comprehensive income	<u>135,746</u>	<u>13,915</u>	<u>149,661</u>
Contributions from the employer	-	(273,881)	(273,881)
Benefits paid	<u>(71,337)</u>	<u>71,337</u>	<u>-</u>
Balance at December 31, 2016	<u>\$ 2,749,772</u>	<u>\$ (1,952,036)</u>	<u>\$ 797,736</u> (Concluded)

Through the defined benefit plans under the Labor Standards Law, the Group 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

	<u>Valuation at December 31</u>	
	<u>2016</u>	<u>2015</u>
Discount rates	1.35%	1.20%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Discount rates	1.35%	1.20%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Discount rates	1.50%-1.60%	1.50%
Expected rates of salary increase	2.00%	2.00%

KGI Bank and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Discount rates	1.35%-1.38%	1.20%-1.63%
Expected rates of salary increase	2.50%-3.00%	2.50%-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:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Discount rate(s)		
0.25-0.50% increase	<u>\$ (120,685)</u>	<u>\$ (122,642)</u>
0.25-0.50% decrease	<u>\$ 138,108</u>	<u>\$ 133,294</u>
Expected rate(s) of salary increase		
0.25-0.50% increase	<u>\$ 134,632</u>	<u>\$ 129,900</u>
0.25-0.50% decrease	<u>\$ (118,725)</u>	<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.

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
The expected contributions to the plan for the next year	<u>\$ 94,466</u>	<u>\$ 65,898</u>
The average duration of the defined benefit obligation	4.2-20.7 years	4.64-18.70 years

32. OTHER LIABILITIES

	<u>December 31</u>	
	2016	2015
Guarantee deposits received	\$ 12,851,266	\$ 7,435,318
Collections for others	1,808,971	1,007,866
Temporary receipts and suspense accounts	453,673	562,163
Advance receipts	197,049	322,221
Collections for underwriting stock value	-	3,641,600
Others	<u>241,249</u>	<u>147,561</u>
	<u>\$ 15,552,208</u>	<u>\$ 13,116,729</u>

33. EQUITY

a. Share capital

Common stock

	<u>December 31</u>	
	2016	2015
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>14,974,421</u>	<u>15,112,544</u>
Shares issued	<u>\$ 149,744,213</u>	<u>\$ 151,125,441</u>

b. Capital surplus

	<u>December 31</u>	
	2016	2015
Arising from treasury stock transactions	\$ 821,193	\$ 379,850
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	182,755	182,755
Share-based payments awards	81,539	74,681
Arising from share of changes in capital surplus of associates	13,728	13,728
Capital surplus-issue of stock in excess	<u>5,306</u>	<u>3,789</u>
	<u>\$ 1,104,521</u>	<u>\$ 654,803</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 Order No. 10200017220 issued by the Financial Supervisory Commission (FSC), if the capital surplus obtained by a financial holding company through a stock conversion comes from its subsidiaries' unappropriated earnings net of legal reserve and special reserve, the surplus 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 Capital Group, 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 Group also recognizes special revenue according to the percentage of holdings by the Group to subsidiaries directly and indirectly.

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 shareholders' 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.

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 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 shareholders meeting 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 42.

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 shareholders 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 shareholders in the following year and given effect to in the financial statements of that year.

On May 16, 2016 and June 12, 2015, the board of the shareholders approved the resolution on the appropriations from the earnings of 2015 and 2014, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		Dividends Per Share (NT\$)	
	2015	2014	2015	2014
Legal reserve	\$ 852,823	\$ 1,083,622		
Special reserve (reversed)	2,463,255	(358,817)		
Cash dividends	7,487,006	9,098,673	\$ 0.5	\$ 0.6

The appropriation of earnings of 2016 has not yet been approved by the board of directors as of the issuance date of auditors' report.

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

	For the Year Ended December 31	
	2016	2015
Balance at January 1	\$ 3,606,912	\$ 5,833,601
Attributable to non-controlling interests		
Share of profit for the year	63,823	86,944
Exchange difference on translation of foreign financial statements	(5,156)	(1,088)
Unrealized losses on available-for-sale financial assets	(6,061)	(2,343)
Actual gains (losses) arising from defined benefit plans	142	(680)
Effect of change in consolidated subsidiaries	8,737	(2,207,847)
Payment of cash dividends by subsidiaries	<u>(59,476)</u>	<u>(101,675)</u>
Balance at December 31	<u>\$ 3,608,921</u>	<u>\$ 3,606,912</u>

34. 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, 2016</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 shareholders' equity	<u>-</u>	<u>143,010</u>	<u>143,010</u>	<u>-</u>
	<u>323,232</u>	<u>143,010</u>	<u>143,010</u>	<u>323,232</u>
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 shareholders' 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>

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 \$2,438,842 thousand and \$2,490,281 thousand on December 31, 2016 and 2015, respectively. The Corporation's shares held by CDIB Capital Group are also treated as treasury stock and recognized book value on the swap date. The market prices of the shares were \$166,408 thousand and \$169,918 thousand on December 31, 2016 and 2015.

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 shareholders' 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 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 shareholders' 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. The Corporation had repurchased 143,010 thousand shares at an average price of NT\$8.04 per share and retired all the treasury stocks on June 27, 2016.

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 shareholders' rights on those shares.

35. INTEREST PROFIT, NET

	<u>For the Year Ended December 31</u>	
	2016	2015
<u>Interest revenues</u>		
Discounts and loans	\$ 6,703,391	\$ 7,346,179
Margin loans and refinancing margin	1,829,691	2,638,629
Securities	1,021,522	1,594,424
Due from and call loans to banks	630,631	645,934
Deposits	430,434	451,901
Account receivable - forfeiting	275,956	941,838
Others	<u>500,346</u>	<u>627,084</u>
	<u>11,391,971</u>	<u>14,245,989</u>
<u>Interest expenses</u>		
Deposits	2,353,664	3,004,950
Notes and bonds issued under repurchase agreements	802,220	627,549
Borrowing interest expense	326,311	424,975
Corporate bonds	378,335	351,718
Structured products	130,518	185,410
Others	<u>341,421</u>	<u>543,574</u>
	<u>4,332,469</u>	<u>5,138,176</u>
Interest profit, net	<u>\$ 7,059,502</u>	<u>\$ 9,107,813</u>

36. SERVICE FEE AND COMMISSION, NET

	<u>For the Year Ended December 31</u>	
	2016	2015
<u>Service fee revenue and commission income</u>		
Brokerage	\$ 7,067,626	\$ 8,959,469
Commission income - insurance	1,250,448	1,004,970
Security lending	404,304	274,393

(Continued)

	For the Year Ended December 31	
	2016	2015
Trust	\$ 334,793	\$ 402,449
Others	<u>707,025</u>	<u>663,647</u>
	<u>9,764,196</u>	<u>11,304,928</u>
<u>Service fee expense and commission expense</u>		
Brokerage	1,249,320	1,281,705
Consignment settlement and delivery	250,569	243,760
Agency	147,866	139,868
Dealing handling fee	137,270	155,292
Commission expense - other	270,041	197,857
Others	<u>201,238</u>	<u>319,637</u>
	<u>2,256,304</u>	<u>2,338,119</u>
Service fee and commission, net	<u>\$ 7,507,892</u>	<u>\$ 8,966,809</u>

(Concluded)

37. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	For the Year Ended December 31	
	2016	2015
Operating securities	\$ 2,180,515	\$ 137,572
Bonds	1,455,007	2,314,794
Derivatives	832,292	702,501
Stocks	602,185	529,886
Call (put) warrants	486,426	732,335
Mutual funds	(438,902)	115,993
Others	<u>(201,745)</u>	<u>(25,047)</u>
	<u>\$ 4,915,778</u>	<u>\$ 4,508,034</u>

For the years ended December 31, 2016 and 2015, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of \$2,217,615 thousand and \$2,124,766 thousand, respectively, dividend income of \$616,151 thousand and \$634,587 thousand, respectively and interest expense of \$371,070 thousand and \$160,945 thousand, respectively.

38. REALIZED GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS

	For the Year Ended December 31	
	2016	2015
Dividend income	\$ 782,942	\$ 996,458
Gain on stock disposal	709,595	1,161,677
Gain on bond disposal	607,504	1,598,719
Others	<u>14,702</u>	<u>12,452</u>
	<u>\$ 2,114,743</u>	<u>\$ 3,769,306</u>

39. IMPAIRMENT LOSS ON ASSETS, NET

	For the Year Ended December 31	
	2016	2015
Available-for-sale financial assets	\$ 646,561	\$ 34,278
Financial assets measured at cost	559,205	853,183
Debts investment without active market	-	71,863
Others	<u>15,389</u>	<u>24,654</u>
	<u>\$ 1,221,155</u>	<u>\$ 983,978</u>

40. GAIN ON FINANCIAL ASSETS MEASURED AT COST

	For the Year Ended December 31	
	2016	2015
Gain on security disposal	\$ 1,600,017	\$ 1,915,341
Dividend income	358,727	390,075
Distributions of fund capital gain	308,038	109,026
Others	<u>140,508</u>	<u>47,806</u>
	<u>\$ 2,407,290</u>	<u>\$ 2,462,248</u>

41. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Year Ended December 31	
	2016	2015
Revenue from underwriting	\$ 877,749	\$ 497,087
Gain on debts investment without active market	406,634	328,230
Gain on sale of nonperforming loans	150,105	190,688
Revenue from providing agency service for stock affairs	138,599	141,195
Rental income	114,509	97,054
Others	<u>463,643</u>	<u>200,796</u>
	<u>\$ 2,151,239</u>	<u>\$ 1,455,050</u>

42. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	For the Year Ended December 31	
	2016	2015
Employee benefit expense		
Salaries and wages	\$ 9,780,543	\$ 10,804,656
Employee insurance	594,286	602,151
Pension	443,951	395,411
Others	<u>595,796</u>	<u>719,859</u>
	<u>\$ 11,414,576</u>	<u>\$ 12,522,077</u>
Depreciation and amortization expenses	<u>\$ 1,472,993</u>	<u>\$ 1,432,844</u>

a. Employees' compensation and remuneration to directors and supervisors for 2016 and 2015

To comply with the Company Act as amended in May 2015, the proposed amended Articles of Incorporation of the Corporation stipulate to distribute the compensation of employees and remuneration of directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before paying income tax and the compensation of employees.

The disposal of compensation of employees and remuneration have been reported to shareholders' meeting held on May 16, 2016.

The compensation of employees and remuneration of directors and supervisors for 2016 and 2015 which have been approved by the board of directors on March 27, 2017 and March 28, 2016, respectively, were as follows:

	For the Year Ended December 31	
	2016	2015
Employees' compensation to employees	\$ 59,000	\$ 87,000
Remuneration of directors and supervisors	58,000	75,000

If there is a change in the proposed amounts after the annual consolidated financial statements were authorized for issue, the differences will be recorded as a change in accounting estimate.

If the Corporation's board of directors approves to issue stocks as compensation of employees, the basis of share calculation will be the closing price on the day before the board's meeting for considering the effect of cash and stock dividends.

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2016 and 2015.

The information on the proposed and approved compensation to employees and 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>).

b. Bonus to employees and remuneration to directors and supervisors for 2014

The employees' compensation bonus and remuneration of directors and supervisors which have been approved in the shareholders meeting on June 12, 2015, were as follows.

	For the Year Ended December 31, 2014
Employees' bonus to employees	\$ 102,000
Remuneration of directors and supervisors	75,000

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2014.

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>).

43. OTHER GENERAL ADMINISTRATIVE EXPENSES

	For the Year Ended December 31	
	2016	2015
Taxation	\$ 1,478,633	\$ 1,598,161
Rental	1,037,631	978,050
Professional services	725,678	841,475
Computer information	705,947	658,848
Postage	338,696	398,582
Repair	232,823	263,865
Others	<u>1,858,444</u>	<u>1,901,511</u>
	<u>\$ 6,377,852</u>	<u>\$ 6,640,492</u>

44. 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 Group, 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:

	For the Year Ended December 31	
	2016	2015
Current income tax		
Current year	\$ 513,397	\$ 547,108
Prior years	<u>(110,347)</u>	<u>(158,277)</u>
	403,050	388,831
Deferred income tax	<u>720,875</u>	<u>438,981</u>
Income tax expense recognized in profit or loss	<u>\$ 1,123,925</u>	<u>\$ 827,812</u>

b. The reconciliation of accounting income and current income tax expense adjustments were as follows:

	For the Year Ended December 31	
	2016	2015
Income tax expenses at the statutory rate	\$ 2,599,751	\$ 3,598,069
Permanent differences	(2,100,655)	(3,051,980)
Unrecognized temporary differences	(120,810)	(68,600)
Loss carryforwards	300,000	-
		(Continued)

	For the Year Ended December 31	
	2016	2015
Prior year's adjustments	\$ (110,347)	\$ (158,277)
Additional income tax under the Alternative Minimum Tax Act	426,362	351,450
Tax on unappropriated earnings	-	111,783
Others	<u>129,624</u>	<u>45,367</u>
Income tax expenses	<u>\$ 1,123,925</u>	<u>\$ 827,812</u> (Concluded)

The applicable tax rate used above is the corporate tax rate of 17% payable by the Group 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 2017 appropriations of earnings is uncertain, the potential income tax consequences of 10% of 2016 unappropriated earnings are not reliably determinable.

- c. Income tax expense (benefit) recognized in other comprehensive income were as follows:

	For the Year Ended December 31	
	2016	2015
Deferred income tax		
Unrealized gain (loss) on available-for-sale financial assets	\$ 3,805	\$ 858
Actuarial gain (loss) on defined benefit plans	<u>(9,497)</u>	<u>(64,980)</u>
	<u>\$ (5,692)</u>	<u>\$ (64,122)</u>

- d. Deferred tax assets and liabilities

	December 31	
	2016	2015
<u>Deferred tax assets</u>		
Loss carryforwards	\$ 4,078,274	\$ 4,641,966
Allowance for bad debts	554,725	553,529
Defined benefit obligation	125,801	150,001
Collaterals assumed	64,134	63,841
Others	<u>89,119</u>	<u>152,588</u>
	<u>\$ 4,912,053</u>	<u>\$ 5,561,925</u>
<u>Deferred tax liabilities</u>		
Goodwill	\$ 909,342	\$ 909,342
Land value increment tax	406,642	406,642
Defined benefit plans	58,708	38,703
Others	<u>113,193</u>	<u>105,479</u>
	<u>\$ 1,487,885</u>	<u>\$ 1,460,166</u>

- e. Unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets

The Corporation

	<u>December 31</u>	
	2016	2015
Loss carryforwards		
Expiry in 2018	\$ -	\$ 503,243
Expiry in 2019	792,798	765,047
Expiry in 2021	<u>411,369</u>	<u>438,846</u>
	<u>\$ 1,204,167</u>	<u>\$ 1,707,136</u>

CDIB Capital Group

	<u>December 31</u>	
	2016	2015
Loss carryforwards		
Expiry in 2018	\$ -	\$ 1,100,330
Expiry in 2019	46,525	591,520
Expiry in 2021	<u>422,212</u>	<u>487,389</u>
	<u>\$ 468,737</u>	<u>\$ 2,179,239</u>

KGI Bank

	<u>December 31</u>	
	2016	2015
Loss carryforwards		
Expiry in 2017	\$ 2,186,453	\$ -
Expiry in 2018	7,424,143	5,494,558
Expiry in 2019	<u>1,136,463</u>	<u>3,487,795</u>
	<u>\$ 10,747,059</u>	<u>\$ 8,982,353</u>

- f. Information about unused investment credits, unused carryforward and tax-exemption as of December 31, 2016, investment tax credits comprised:

KGI Bank

Remaining Creditable Amount	Expiry Year
\$ 5,677,790	2017
13,762,127	2018
10,187,530	2019
2,624,589	2020
<u>1,240,412</u>	2021
<u>\$ 33,492,448</u>	

g. Integrated income tax

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Imputation credits accounts - the Corporation	\$ 406,208	\$ 1,101,373

The Corporation's creditable tax ratio for the distribution of earnings of 2016 and 2015 were 4.33% (estimated) and 12.51%, respectively.

Under the Income Tax Law, for distribution of earnings generated after January 1, 1998, the imputation credits allocated to ROC resident shareholders of the Corporation was calculated based on the creditable ratio as of the date of dividend distribution. The actual imputation credits allocated to shareholders 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 2016 earnings may differ from the actual creditable ratio to be used in allocating imputation credits to the shareholders.

The Corporation had no unappropriated earnings generated before January 1, 1998.

h. Income tax assessments

The Corporation's income tax returns through 2011 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2011 and 2010 tax returns and thus filed tax appeals.

CDIB Capital Group's income tax returns through 2011 had been examined by the tax authorities. However, CDIB Capital Group disagreed with the tax authorities' assessments of its 2010 tax returns and thus filed tax appeals.

Income tax returns of CDIB Capital Management Inc., China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., formerly R.O.C. Strategic Company Ltd., formerly CDIB Strategic Venture Fund Ltd. and formerly China Venture Management Inc., through 2014 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2012 had been examined by the tax authorities.

The income tax returns of formerly Grand Cathay through 2011 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2011 tax returns and thus filed tax appeals.

The income tax returns of KGI Securities for the years through 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 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co., and KGI Securities Investment Advisory Co., Ltd., through 2015 had been examined by the tax authorities. Income tax returns of GSFC, KGI Securities Investment Trust Co., Ltd., KGI Futures Co., Ltd. and KGI Venture Capital Co., Ltd. through 2014 had been examined by the tax authorities.

Income tax returns of KGI Bank, formerly KGI Bank Insurance Brokerage Company, CDIB Management Consulting Corporation, and CDC Finance & Leasing Corp. for the years through 2014 had been examined by the tax authorities.

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Basic EPS	<u>\$ 0.40</u>	<u>\$ 0.58</u>
Diluted EPS	<u>\$ 0.40</u>	<u>\$ 0.57</u>

The earnings and weighted average number of common shares outstanding in the computation of EPS were as follows:

Net Profit for the Year

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Earnings used in the computation of EPS	<u>\$ 5,923,081</u>	<u>\$ 8,528,231</u>

Weighted Average Number of Common Shares Outstanding (In Thousand Shares)

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
Weighted average number of common shares outstanding in computation of basic EPS	14,662,151	14,822,514
Effect of potentially dilutive common shares:		
Restricted shares	7,913	7,968
Employee share options	<u>1,137</u>	<u>10,827</u>
Weighted average number of common shares outstanding in computation of diluted EPS	<u>14,671,201</u>	<u>14,841,309</u>

46. 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 and 11,088 thousand options 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:

	For the Year Ended December 31			
	2016		2015	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	74,320	\$ 9.01	83,231	\$ 9.48
Options exercised	(410)	6.81	(4,963)	8.88
Options invalid	<u>(699)</u>	8.86	<u>(3,948)</u>	9.55
Balance at December 31	<u>73,211</u>	8.43	<u>74,320</u>	9.01
Options exercisable, end of year	<u>34,594</u>	8.38	<u>30,530</u>	8.93
Weighted-average remaining contractual life (years)	4.63		5.63	

The weighted-average share prices at the date of exercise of share options from January 1 to December 31, 2016 and 2015 were \$7.83 and \$10.45.

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	\$7.68-\$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, 2016 and 2015 were \$16,077 thousand and \$17,064 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 board of directors of the Corporation has decided to issue restricted shares plan which is \$44,780 thousand in total, and \$10 per face value totaled 4,478 thousand shares with issue price of \$0 (free issuance) at February 1, 2016. Further, the board of directors made February 4, 2016 as the base-date for capital increase. Fair value on the payment day of the stock was \$7.61.

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, 2016 and 2015, the Corporation recognized \$45,054 thousand and \$56,326 thousand as compensation cost.

47. 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 Group</u>
Others	Other related parties

b. Significant transactions with related-parties

1) Cash in banks (recognized as cash and cash equivalents)

	Amount	%
December 31, 2016	\$ 10,582	-
December 31, 2015	166,736	1

For the years ended December 31, 2016 and 2015, the interest revenues from cash in bank were \$3,363 thousand and \$202 thousand, respectively.

2) Due from banks (recognized as cash and cash equivalents)

	Amount	%
December 31, 2016	\$ 240,836	1
December 31, 2015	71,436	-

For the years ended December 31, 2016 and 2015, the interest revenues from due from banks were both 0 thousand.

3) Call loans to banks (recognized as due from the central bank and call loans to banks)

	Amount	%
December 31, 2015	\$ 4,629,240	5

For the years ended December 31, 2016 and 2015, the interest revenues from call loans to banks were \$970 thousand and \$2,268 thousand, respectively.

4) Purchase funds managed by related parties (recognized as financial assets at fair value through profit or loss)

	Amount	%
December 31, 2016	\$ 31,609	-
December 31, 2015	26,574	-

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2016</u>		
Other related parties	\$ 97,143	\$ 1,689,580
<u>For the year ended December 31, 2015</u>		
Other related parties	1,709,013	6,274,423

6) Purchase and sale of securities

	Purchase of Securities
<u>For the year ended December 31, 2016</u>	
Other related parties	\$ 50,700

7) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2016	\$ 131,210	-
December 31, 2015	67,745	-

8) Receivable on margin loans (recognized as receivables, net)

	Amount	%
December 31, 2016	\$ 12,245	-
December 31, 2015	15,503	-

9) Credit card receivable (recognized as receivables, net)

	Amount	%
December 31, 2016	\$ 16,619	-
December 31, 2015	27,612	-

10) Other receivables (recognized as receivables, net)

	Amount	%
December 31, 2016	\$ 14,584	-
December 31, 2015	16,921	-

11) Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2016	\$ 912,472	-	1.54-15.00
December 31, 2015	999,266	-	1.43-18.25

For the years ended December 31, 2016 and 2015, the interest revenues from discounts and loans were \$15,293 thousand and \$16,502 thousand, respectively.

Balance as of December 31, 2016

(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	42	\$ 32,490	\$ 16,502	\$ 16,502	\$ -	None	Yes
Residential mortgage loans	78	1,227,071	883,732	883,732	-	Real estate	Yes
Others	14	30,505	12,238	12,238	-	Deposit/real estate	Yes

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	\$ -	None	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Deposit/real estate	Yes

12) Call loans from banks (recognized as deposits from the Central Bank and banks)

	December 31, 2016	
	Amount	%
Other related parties	\$ 4,322,790	14

For the years ended December 31, 2016 and 2015, the interest expenses from call loans from banks were \$5,891 thousand and \$6,285 thousand, respectively.

13) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2016	\$ 715,372	1
December 31, 2015	50,000	-

14) Guaranteed price deposits received from securities borrowers (recognized as payables)

	Amount	%
December 31, 2016	\$ 47,186	-
December 31, 2015	45,987	-

15) Deposits payable for securities financing (recognized as payables)

	Amount	%
December 31, 2016	\$ 52,173	-
December 31, 2015	45,825	-

16) Other payables (recognized as payables)

	Amount	%
December 31, 2016	\$ 20,113	-
December 31, 2015	1,842	-

17) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2016	\$ 866,299	-	0-5.8
December 31, 2015	801,873	-	0-6.5

For the years ended December 31, 2016 and 2015, the interest expenses from deposits and remittances were \$7,967 thousand and \$8,372 thousand, respectively.

18) Short-term borrowings (recognized as other borrowings)

	Amount	%
December 31, 2015	\$ 223,396	1

For the years ended December 31, 2016 and 2015, the interest expenses from short-term borrowings were \$3,432 thousand and \$18,336 thousand, respectively.

19) Customers' equity accounts - futures

	Amount	%
December 31, 2016	\$ 45,184	-
December 31, 2015	57,965	-

20) Brokerage service fee revenue (recognized as service fee and commission, net)

	For the Year Ended December 31	
	Amount	%
2016	\$ 19,833	-
2015	25,814	-

21) Other noninterest profit and gain

	For the Year Ended December 31	
	Amount	%
2016	\$ 13,799	1
2015	17,595	1

22) Consulting service revenue

	For the Year Ended December 31			
	2016		2015	
	Amount	%	Amount	%
Other related parties	\$ 487,166	41	\$ 576,302	53

23) Donation (recognized as other operating and administrative expenses)

	For the Year Ended December 31	
	Amount	%
2016	\$ 77,000	1
2015	61,000	1

24) Outstanding derivative financial instruments

KGI Bank

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 at FVTPL	\$ 18,890
					Financial liabilities at FVTPL	30,786

25) Compensation of key management personnel

	For the Year Ended December 31	
	2016	2015
Salary and short-term benefits	\$ 270,041	\$ 327,511
Share-based payment	34,369	52,377
Post-employment benefits	<u>15,193</u>	<u>4,270</u>
	<u>\$ 319,603</u>	<u>\$ 384,158</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 Capital Group and KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by CDIB Capital Group 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 Capital Group and subsidiaries

<u>Related Party</u>	<u>Relationship with the Bank and Subsidiaries</u>
The Corporation	Parent company
KGI Securities	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
Others	Other related parties (Note)

Note: CDC Financial & Leasing Corporation was no longer the subsidiary of the CDIB Capital Group after the transfer date of May 1, 2015.

1) Cash in banks (recognized as cash and cash equivalents)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,897,892	6	\$ 10,607,534	38

2) Due from banks (recognized as cash and cash equivalents)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 19,723,431	67	\$ 12,613,249	45

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2015</u>		
Subsidiary of the parent company	\$ 1,583,244	\$ 2,211,662

4) Revenue receivable (recognized as receivable, net)

	December 31, 2016	
	Amount	%
Other related parties	\$ 128,793	8

5) Receivables from parent (recognized as current tax assets)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	\$ 461,986	99	\$ 690,918	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

7) Securities holding (recognized as available-for-sale financial assets)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	\$ 166,408	2	\$ 169,918	2

8) Payables to parent (recognized as current tax liabilities)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	\$ 386,864	98	\$ 248,526	62

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns since 2003.

9) Consulting service revenue

	December 31			
	2016		2015	
	Amount	%	Amount	%
Other related parties	\$ 257,763	22	\$ 461,524	73

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
The Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
Others	Other related parties

1) Cash in banks (recognized as cash and cash equivalents)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 2,663,508	16	\$ 393,854	3
Other related parties	-	-	165,644	1

2) Available-for-sale financial assets - current

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	\$ 2,438,842	26	\$ 2,490,281	34

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2016</u>		
Subsidiary of the parent company	\$ 1,523,921	\$ 6,817,931
Other related parties	97,143	1,689,580
<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

4) Guarantee deposits received in futures contracts

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 846,673	2	\$ 177,650	1

5) Current tax assets

	December 31, 2015	
	Amount	%
Parent company	\$ 122,581	21

6) Restricted assets (recognized as other assets)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,427,905	5	\$ 829,941	2

7) Amounts held for settlement (recognized as other current assets)

	December 31, 2015	
	Amount	%
Subsidiary of the parent company	\$ 1,531,123	4

8) Short-term borrowings

	December 31, 2015	
	Amount	%
Other related parties	\$ 198,396	1

9) Notes and bonds issued under repurchase agreement

	December 31, 2016	
	Amount	%
Other related parties	\$ 715,372	1

10) Current tax liabilities

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	\$ 275,787	39	\$ 506,024	48

11) Outstanding derivative financial instruments

a) Interest rate swap contracts

	December 31, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	\$ 114,000

b) Asset swap option contracts - call

	December 31, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	\$ 114,000

c) Interest rate swap contracts

	December 31, 2016
	Contract Amount (Principal)
Subsidiary of the parent company	\$ 710,138

KGI Bank and subsidiaries

<u>Related Party</u>	<u>Relationship with the Bank and Subsidiaries</u>
The Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Securities	Subsidiary of the parent company
Others	Other related parties

1) Due from banks (recognized as cash and cash equivalents)

	December 31, 2016	
	Amount	%
Other related parties	\$ 234,544	3

2) Call loans to banks (recognized as due from the central bank and call loans to banks)

	December 31, 2015	
	Amount	%
Other related parties	\$ 4,629,240	5

3) Receivables from securities sale (recognized as receivables)

	Amount	%
December 31, 2015	\$ 117,459	-

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2016</u>		
Subsidiary of the parent company	\$ 6,817,930	\$ 1,523,921
<u>For the year ended December 31, 2015</u>		
Subsidiary of the parent company	4,487,411	7,277,298

5) Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2016	\$ 912,472	-	1.54-15.00
December 31, 2015	999,266	-	1.43-18.25

Balance as of December 31, 2016

(In Thousands of New Taiwan Dollars)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Was the Transaction Conducted at Arm's Length
Consumer loans	42	\$ 32,490	\$ 16,502	\$ 16,502	\$ -	None	Yes
Residential mortgage loans	78	1,227,071	883,732	883,732	-	Real estate	Yes
Others	14	30,505	12,238	12,238	-	Deposit/real estate	Yes

Balance as of December 31, 2015

(In Thousands of New Taiwan Dollars)

Category	Number of Accounts or Name of Related Party	Highest Balance	Ending Balance	Normal	Overdue	Type of Collateral	Was the Transaction Conducted at Arm's Length
Consumer loans	34	\$ 24,394	\$ 16,314	\$ 16,314	\$ -	None	Yes
Residential mortgage loans	60	1,145,950	974,484	974,484	-	Real estate	Yes
Others	7	113,608	8,468	8,468	-	Deposit/real estate	Yes

6) Call loans from other banks (recognized as deposits from the Central Bank and banks)

	December 31, 2016	
	Amount	%
Other related parties	\$ 4,322,790	14

7) Deposits and remittances

	Amount	%	Interest Rate (%)
<u>December 31, 2016</u>			
Parent company	\$ 1,385,671	-	0-0.35
Subsidiary of the parent company	26,602,012	8	0-1.21
<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

8) Payable on securities purchased (recognized as payables)

	Amount	%
December 31, 2015	\$ 193,325	5

9) Payable on parent (recognized as current tax liabilities)

	December 31			
	2016		2015	
	Amount	%	Amount	%
Parent company	\$ 379,060	100	\$ 181,150	97

The payables resulted from CDFH and its eligible subsidiaries' adopting the linked-tax system in the filing of tax returns.

10) Outstanding derivative financial instrument

December 31, 2016

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Subsidiaries of the parent company	Asset swap - Interest rate swap contracts	January 5, 2016 - June 3, 2019	\$ 114,000	\$ 3,883	Financial assets at FVTPL	\$ 4,342
	Asset swap - option	January 5, 2016 - May 20, 2019	114,000	2,020	Financial liabilities at FVTPL	5,081
	Interest rate swap contracts	November 4, 2016 - October 27, 2019	710,138	(4,120)	Financial liabilities at FVTPL	4,120

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 at FVTPL	\$ 18,890
					Financial liabilities at FVTPL	30,786

48. PLEDGED ASSETS

The following assets have 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 Taipei Exchange Securities Market for settlement reserve, (c) required by the Central Bank for day-term overdraft, (d) required by government for bidding of government bonds, (e) pledged as part of the requirements for filing a petition for tax reassessment, (f) pledged as operating guarantee, compensation reserve and wealth management compensation, (g) pledged as guarantee deposit for overseas bonds sold with repurchase agreement, and (h) derivative transactions security deposit.

	December 31	
	2016	2015
Due from the Central Bank and call loans to banks	\$ 21,230,000	\$ 10,075,000
Property and equipment, net	4,862,154	4,773,042
Available-for-sale financial assets - bonds and stocks	3,015,063	2,427,634
Lease receivables	2,983,362	3,424,754
Operating guarantee deposits	1,417,056	1,447,740
Other financial assets - pledged time deposits	744,223	629,344
Competitive bid transactions guarantee	419,426	323,027
Guarantee deposit paid	389,585	532,456
Investment property, net	353,477	170,336
Financial assets at fair value through profit or loss - bonds and stocks	251,947	50,443
Checking accounts - restricted for agent's stock transfer purposes	62,566	83,390
Restricted assets - impound account	48,012	49,178

49. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 52 and 53 were summarized as follows:

- a. In April 2007, CDIB Capital Group 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 Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant losses to CDIB Capital Group. On July 15, 2010, CDIB Capital Group initiated action against Morgan Stanley & Co. International PLC ("Morgan Stanley") et al. to recover losses CDIB Capital Group 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 Capital Group by Morgan Stanley during the solicitation process were materially false and misleading and therefore caused significant financial losses to CDIB Capital Group. As of December 31, 2010, the underlying asset pools on the CDS had been liquidated, and CDIB Capital Group had recognized all gains and losses from the transaction. The balance of US\$11,978 thousand (NT\$386,632 thousand based on the exchange rate of December 31, 2016) was reclassified to "other financial liabilities". The litigation had not yet been concluded as of December 31, 2016. In addition, Morgan Stanley overlooked CDIB Capital Group'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 Capital Group reserves the right of legal proceedings.
- 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 which issued on November 7, 2007, 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 proceeded 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 eCyberChina to Minda in exchange. However, GT and its fund managers, including KGI Limited, disposed the 2,000 thousand shares of eCyberChina 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 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 Capital Group’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 Capital Group, claiming that they were jointly liable for damages of \$677,199 thousand plus interest. The criminal case brought by FEAT against Hu and CDIB Capital Group 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 Capital Group 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 Capital Group 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, CDIB Capital Group 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 Capital Group 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 the Taiwan High Court. CDIB won the lawsuit on April 14, 2016 claimed by the Taiwan High Court. Although FEAT filed appeal to the Supreme Court of the ROC, the Supreme Court dismissed the appeal on November 30, 2016. Thus, the decision was certain. CDIB Capital Group was not liable for the damages.

- f. The case KGI Bank acted vigorously in regards to Prince Motors' overdue debt. 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. KGI Bank has appealed for second trial on March 10, 2014. On March 6, 2016, the lawyer judged that the case has ethical conflicts and insufficient evidence to support the judgment of the court. KGI Bank has a high possibility of winning the case, and the case is currently under the trial of the high court.
- 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 \$872,238 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, 2016.

50. BUSINESS COMBINATION

- a. 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:

	Fair Value on Acquisition Date
Assets	
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>
Liabilities	
Financial liabilities	<u>(2,647,608)</u>
Identifiable net assets	<u>\$ 618,482</u>

- 2) KGI Fraser's goodwill, \$372,878 thousand, was resulted from the difference between consideration of the acquisition (cash transaction cost of acquisition) of \$991,360 thousand and the fair value of identifiable net assets of \$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 net revenue and net profit of the Company and subsidiaries for the year ended would be \$29,808,137 thousand and \$8,596,435 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.

b. PT KGI Sekuritas Indonesia

To extend the scale of overseas operation and enhance group's regional distribution, KGI Securities' board of directors approved a 99% investment in PT Hasta Dana Sekuritas Indonesia by KGI Capital Asia Ltd. on August 31, 2016. The unlisted company was established in Indonesia and specializing in securities related business.

1) Assets acquired and liabilities assumed on the acquisition date were as follows:

	Fair Value on Acquisition Date
Assets	
Financial assets (include cash and cash equivalent \$47,450)	\$ 226,818
Other assets	<u>3,094</u>
Assets subtotal	<u>229,912</u>
Liabilities	
Financial liabilities	(108,462)
Other liabilities	<u>(21)</u>
Liabilities subtotal	<u>(108,483)</u>
Identifiable net assets	<u>\$ 121,429</u>

2) KGI Indonesia's goodwill, \$76,975 thousand, was resulted from the consideration of the acquisition (cash transaction cost of acquisition) of \$197,190 thousand plus fair value of non-controlling interests of \$1,214 thousand and deduct fair value of identifiable net assets of \$121,429 thousand.

3) Effects of results of operations caused by business combination

From the acquisition date to December 31, 2016, net revenue and net loss from acquiree were \$22,108 thousand and \$372 thousand. Should the acquisition occur on the beginning of the accounting period, the pro-forma net revenue and net profit of the Company and subsidiaries for the year ended would be \$27,156,877 thousand and \$5,986,381 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.

51. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, CDIB CAPITAL GROUP, KGI SECURITIES AND KGI BANK

Consolidated Profitability

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	0.81	1.06
	After income tax	0.68	0.96
Return on net worth	Before income tax	4.23	5.48
	After income tax	3.57	5.00
Profit margin		22.07	29.00

Profitability of CDFH

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	3.15	4.55
	After income tax	3.21	4.52
Return on net worth	Before income tax	3.50	5.09
	After income tax	3.60	5.09
Profit margin		90.41	91.46

Profitability of CDIB Capital Group

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	2.17	1.76
	After income tax	2.06	1.80
Return on net worth	Before income tax	2.22	5.20
	After income tax	2.10	5.32
Profit margin		69.52	82.65

Profitability of KGI Securities

(%)

Items		December 31, 2016	December 31, 2015
Return on total assets	Before income tax	1.50	1.51
	After income tax	1.43	1.43
Return on net worth	Before income tax	4.30	4.39
	After income tax	4.09	4.17
Profit margin		25.28	28.93

Profitability of KGI Bank

(%)

Items		December 31, 2016	December 31, 2015 (Note)
Return on total assets	Before income tax	0.87	1.07
	After income tax	0.69	0.95
Return on net worth	Before income tax	8.24	10.42
	After income tax	6.58	9.21
Profit margin		37.35	49.63

Note: The above information includes prior interests under joint control.

52. 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, quoted price arrived from pricing models that use inputs such as in interest rates and volatility 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 were as follows:

December 31, 2016

	(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	\$ 14,729,281	\$ -	\$ -	\$ 14,729,281
Bond investments	45,690,252	17,938,947	-	63,629,199
Others	79,948	11,084,251	-	11,164,199
Financial assets designated as at FVTPL	191,269	41,171,537	174,265	41,537,071
Available-for-sale financial assets				
Stock investments	21,758,314	143,902	366,045	22,268,261
Bond investments	37,878,390	46,212,414	-	84,090,804
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	4,982,114	2,864,269	-	7,846,383
Financial liabilities designated as at FVTPL	-	11,892,012	-	11,892,012

(Continued)

	Level I	Level II	Level III	Total
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	\$ 640,495	\$ 27,338,473	\$ 241,384	\$ 28,220,352
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	438,904	30,046,248	237,850	30,723,002
Financial liabilities designated as at FVTPL	-	1,103,869	-	1,103,869
				(Concluded)

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

2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, fair value is determined at quoted market prices. When market prices of the Group's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Group uses 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-scholes model) and numerical method model (for example Monte 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 accept approaches and principles for the making the appropriate adjustments, all parameters and price information should be evaluated thoroughly and make reference from market situation.

b) Credit risk valuation adjustments

Credit risk valuation adjustments are classify 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 Group calculates their debit valuation adjustment on the basis of their internal assessment of a 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 Group calculates 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 Group takes 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, 2016		For the Year Ended December 31, 2015	
	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	\$ 226,823	\$ -	\$ 410,851	\$ 234,787
Available-for-sale financial assets - stock investments	-	394,954	-	-
Available-for-sale financial assets - bond investments	5,366,996	351,565	1,694,599	-

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 from level one into level two or level two into level one, and stock investment has open-market quotes, it makes the applicable level of bond's fair value change from 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, 2016

(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	\$ 2,931,302	\$ (878,412)	\$ 629,937	\$ -	\$ (600,098)	\$ (1,841,345)	\$ 241,384
Financial assets designated as at FVTPL	188,401	(29,838)	15,702	-	-	-	174,265
Available-for-sale financial assets	327,725	28,359	329,890	-	(319,929)	-	366,045

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

The movements of financial liabilities with Level III fair value were as follows:

For the Year Ended December 31, 2016

(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	\$ 3,071,362	\$ (968,451)	\$ 658,308	\$ -	\$ (675,764)	\$ (1,847,605)	\$ 237,850

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)	-	-	-	-	-

Note: For parts of financial assets at FVTPL, the Corporation's subsidiaries change their evaluation source from sell's quote to observable market parameters, causing the applicable level of fair value of the financial assets at FVTPL change level three to level two.

The total gains or losses for the years ended December 31, 2016 and 2015 included a loss of \$23,630 thousand and a gain of \$488,665 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 Capital Group and subsidiaries

Equity securities are classified fair value Level 3 financial asset by CDIB Capital Group and subsidiaries. Quantitative information about the significant unobservable inputs is set out below:

	Fair Value at December 31, 2016	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					
Convertible bond	\$ 158,126	Market approach	Income multiplier lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
Others	16,139	Recent strike price	-	-	-
Available-for-sale financial assets	307,895	Market approach Discounted cash-flow method	Income multiplier WACC lack of liquidity discount	4.7 11.7% 20%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value.
Derivative financial assets		Recent strike price	-	-	-
Others	9,824	Recent strike price	-	-	-

	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 lack of liquidity discount	3.75 15%	When the higher income multiplier, the higher of fair value; when the higher lack 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:

December 31, 2016

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Non-derivative financial assets				
Available-for-sale financial assets	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party	Fair value from counter-party.
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.72%-53.10%	According to condition of contract, fair value of asset may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Modal	Recovery rate	0.4%	According to ISDA Standard Upfront Modal, recovery rate is set from the category of targets' debts.

Financial liabilities

Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.52%-29.19%	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	16.13%-31.40%	According to condition of contract, fair value of liabilities may be higher or lower.

December 31, 2015

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Derivative instruments				
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.
<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.

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.

The recovery rate adopted by KGI Securities in the ISDA CDS Standard Model is set based on the ISDA Standard CDS Converter Specification. If the underlying debt is senior unsecured debt, the recovery rate is set to be 0.4. If the underlying debt is subordinated debt, the recovery rate is set to be 0.2. If the debt is from emerging markets (including senior and subordinated debt), the

recovery rate is set to be 0.25. KGI Securities set the recovery rate base on the types of the debts. Therefore, the recovery rate is not changed.

In addition to modify the evaluation technology of the credit linked structured commodity in the year of 2015, pricing techniques and significant unobservable inputs used in KGI Securities and subsidiaries on December 31, 2016 are the same compare with it used on December 31, 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:

December 31, 2016

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
<u>Financial assets</u>				
Non-derivative instruments				
Available-for-sale financial assets	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	<u>\$ 1,662</u>	<u>\$ 1,476</u>
<u>Financial liabilities</u>				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	\$ -	\$ -
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	-	-
			<u>\$ -</u>	<u>\$ -</u>

December 31, 2015

	Sensitivity Analysis of Relationship Between Inputs and Fair Value		Recognized to Profit or Loss	
	Inputs	Positive/ Negative Change	Positive Impact	Negative Impact
<u>Financial assets</u>				
Derivative instruments				
Structured notes - options	History volatility	+25%/-25%	<u>\$ 249</u>	<u>\$ 170</u>
<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>\$ 693</u>	<u>\$ 807</u>

KGI Bank and subsidiaries

The table below lists quantitative unobservable inputs of Level 3 financial instruments:

	Fair Value at December 31, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
<u>Derivative financial assets</u>					
Financial assets at FVTPL	\$ 177,705	HullWhite, Libor Market Model, discounted cash flow	Quantity/Factor/FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL	234,417	HullWhite, Libor Market Model, discounted cash flow	Quantity/Factor/FREQ/Simulate Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

	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	Credit Spread	Inapplicable	Yield rate is proportional to Credit Spread; fair value is inversely proportional to Credit Spread.
<u>Derivative financial assets</u>					
Financial assets at FVTPL	2,919,020	Hull White, Libor Market Model, discounted cash flow	Quantity/Factor/FREQ/Simulate/Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.
<u>Derivative financial liabilities</u>					
Financial liabilities at FVTPL	3,043,322	Hull White, Libor Market Model, discounted cash flow	Quantity/Factor/FREQ/Simulate/Method	Inapplicable	Inputs of parameters do not contain linear relation, which analyzed by comparing correctness, stability, rationality, efficiency of performance and other different aspects of the outcome. Then KGI Bank and subsidiaries select the applicable one according to the analysis.

7) Pricing process of Level III fair value

CDIB Capital Group and subsidiaries

The valuation method and parameters adopted by CDIB Capital Group and subsidiaries conform to the general market practice which the theoretical basis is generally identified by the industry. Besides, the department exams and adjusts inputs that pricing model needed periodically to insure outcomes are reasonable. Investment Property is valued by CDIB Capital Group 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 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, 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 conform to market practice; the basis of the theory are 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

Assets and liabilities measured at cost, excluding investment accounted for using equity method - unlisted stocks, financial assets measured at cost, debt instruments with no active market investment properties, bank debentures payable, have carrying amounts that are reasonably close to their fair value; thus, their fair values are not disclosed.

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 and the fair value cannot be reliably measured 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; thus, the Group does not disclose their fair value.

For fair value measurement of investment property, please refer to Note 19.

Bank debentures payable with quoted price in an active market are using market price as fair value; bond payable with no quoted price in an active market are estimated by valuation methods or opponent's price.

2) The fair value hierarchy of financial instruments were as follows:

December 31, 2016

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
<u>Financial assets</u>				
Investments accounted for using the equity method	\$ 2,448,105	\$ -	\$ -	\$ 2,448,105
Debt instrument with no active market	-	-	581,022	581,022
<u>Non-financial assets</u>				
Investment property, net	-	-	4,147,015	4,147,015
<u>Financial liabilities</u>				
Bank debentures payable	-	2,672,291	-	2,672,291

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	-	-	3,622,323	3,622,323
<u>Financial liabilities</u>				
Bank debentures payable	-	2,592,759	-	2,592,759

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 and their fair value cannot be reliably measured owing to that the variation interval of the estimate of the fair value is not quite small and the estimates adopted in the interval thereof cannot be assessed reasonably; thus, the Group does not disclose their fair value.
- c) The base rate (floating rate) is usually adopted as the loan rate because it can reflect the market rate. Thus, using its carrying amount for considering the probability of repossession and estimating its fair value is reasonable.
- d) The value of the debt instrument with no active market is referred to the estimated fair value from the counter party.
- e) 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.
- f) For fair value measurement of investment property, refer to Note 19.

53. 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 Capital Group and subsidiaries

CDIB Capital Group 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 business, operational and liquidity risks.

CDIB Capital Group has established a risk management committee supervising the implementation of risk management policies, inspecting risk control reports and dealing with related issues. CDIB Capital Group 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 Capital Group and subsidiaries

CDIB Capital Group is exposed to credit risk due to default on contracts by borrowers, debtors or counter-parties and changes in credit quality. The maximum exposure to credit risk is equal to the book value.

For the objectives to enhance shareholder value and to ensure degree of risk tolerance, CDIB Capital Group's credit risk strategy focuses on superior credit quality assets.

1) Credit analysis of financial assets were as follows:

Some financial assets such as cash and cash equivalents, financial assets at fair value through profit or loss, some receivables (like as receivables from securities sale, bond receivables and interest receivables from certificate deposit) 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 analysis of other financial assets were as follows:

a) Credit quality analysis for receivables

Date	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	
December 31, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,233,477	\$ 2,233,477	\$ 123,934	\$ 989,598	\$ 1,119,945
December 31, 2015	-	-	-	-	-	2,404,132	2,404,132	194,780	968,605	1,240,747

b) Credit quality analysis for marketable securities

December 31, 2016	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	\$ 158,798	\$ -	\$ -	\$ 158,798	\$ -	\$ -	\$ 158,798	\$ -	\$ 158,798

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of \$13,019,570 thousand, loss on valuation of \$3,698,010 thousand and accumulated impairment of \$110,308 thousand.

Note 2: Financial assets measured at cost have an initial cost of \$19,425,997 thousand and accumulated impairments of \$2,360,258 thousand.

Note 3: Debt instruments with no active markets have initial costs of \$1,720,516 thousand and accumulated impairments of \$218,035 thousand.

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.

2) CDIB Capital Group and Subsidiaries' impairment of receivables

Items		Receivables		Allowance for Bad Debts	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
With objective evidence of impairment	Assessment of individual impairment	\$ 1,090,485	\$ 1,263,179	\$ 123,934	\$ 194,780
With no objective evidence of impairment	Assessment of collective impairment	1,142,992	1,140,953	989,598	968,605

Note: The amounts of receivables do not include the amounts of allowance and adjustments for discounts (premiums).

3) CDIB Capital Group and subsidiaries had no overdue but not yet impaired financial assets.

4) Management policies of collaterals assumed

CDIB Capital Group and subsidiaries' collaterals assumed were mainly land and buildings. As of December 31, 2016 and 2015, the carrying amounts of the collaterals were \$115,449 thousand and \$118,804 thousand, respectively. Collaterals assumed are classified as other assets in the consolidated balance sheets.

5) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of overdue loans and receivables: None

b) Excluded overdue loans and receivables: None

c) Concentration of credit risk: None

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 who 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

Low risk
Medium-low risk
Medium risk
High risk

Taiwan Ratings

twAAA - twAA
twAA- - twA
twA- - twBBB-
twBB+ - under twC

3) Quality and past due of financial assets

December 31, 2016

(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	\$ 16,401,449	\$ 17,900	\$ 30,871	\$ -	\$ -	\$ -	\$ -	\$ 16,450,220
Financial assets measured at FVTPL - current	43,109,950	447,192	2,886,469	-	-	-	-	46,443,611
Available-for-sale financial assets - current	11,307	-	-	-	-	-	-	11,307
Bonds purchased under resell agreements	26,142,100	2,945,208	-	-	-	-	-	29,087,308
Receivables	49,815,491	10,580,853	446,369	4,129	-	-	-	60,846,842
Customers' margin accounts - futures	37,066,541	-	-	-	-	-	-	37,066,541
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,376,961	623,726	-	-	-	-	-	3,000,687
Other financial assets - current	2,498,770	29,100	-	-	-	-	-	2,527,870
Other current assets	30,477,056	-	-	-	-	-	-	30,477,056
Financial assets measured at FVTPL - noncurrent	50,033	-	-	-	-	-	-	50,033
Held to maturity Financial assets - noncurrent	-	-	300,000	-	-	-	-	300,000
Others noncurrent assets	3,443,492	-	50,702	-	-	-	-	3,494,194
Total	\$ 211,393,150	\$ 14,643,979	\$ 3,714,411	\$ 4,129	\$ -	\$ -	\$ -	\$ 229,755,669
Percentage	92.01%	6.37%	1.62%	0.00%	-	-	-	100.00%

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%

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 rating 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 and Sunny 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:

	<u>December 31</u>	
	<u>2016</u>	<u>2015</u>
Irrevocable loan commitments, guarantees and letters of credit	\$ 102,215,434	\$ 95,728,457

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 (e.g.: Machinery), rights certificates and securities (e.g.: 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 (e.g.: 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

Object	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Public and private enterprise	\$ 173,659,505	67.87	\$ 144,211,746	65.28
Natural person	81,877,228	32.00	76,343,186	34.56
Non-profit organization	342,811	0.13	371,376	0.16
Total	\$ 255,879,544	100.00	\$ 220,926,308	100.00

b) By region

Region	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Domestic	\$ 199,963,503	78.15	\$ 178,752,940	80.91
Overseas	55,916,041	21.85	42,173,368	19.09
Total	\$ 255,879,544	100.00	\$ 220,926,308	100.00

c) By collateral

Collateral	December 31, 2016		December 31, 2015	
	Amount	%	Amount	%
Non-collateral	\$ 159,432,165	62.31	\$ 137,464,454	62.22
Collateral				
Financial collateral	5,533,267	2.16	6,047,359	2.74
Property	69,541,082	27.18	58,966,463	26.69
Guarantee	15,837,714	6.19	13,689,559	6.20
Other	5,535,316	2.16	4,758,473	2.15
Total	\$ 255,879,544	100.00	\$ 220,926,308	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, part of receivable and other financial assets, 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, 2016	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	\$ 20,187,004	\$ 48,726	\$ 60,944	\$ 20,296,674	\$ 36,825	\$ 274,288	\$ 19,985,561
- other	7,908,772	98,184	1,916,337	9,923,293	1,328,120	75,347	8,519,826
Discount and loans	253,320,668	1,415,205	1,143,671	255,879,544	523,710	2,903,962	252,449,872

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

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, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	\$ 20,619,402	\$ 7,823,627	\$ 60,603	\$ -	\$ 28,503,632
- cash card	8,183,177	2,716,848	639,023	2,772,738	14,311,786
- micro credit loans	16,524,651	2,030,135	155,321	81,658	18,791,765
- other-secured	15,126,807	1,443,817	96,230	59,219	16,726,073
- other - unsecured	43,490	-	-	2,764	46,254
Corporate banking					
- secured	14,348,674	19,565,638	15,836,689	757,145	50,508,146
- unsecured	26,744,197	68,938,717	25,144,016	3,606,082	124,433,012
Total	\$ 101,590,398	\$ 102,518,782	\$ 41,931,882	\$ 7,279,606	\$ 253,320,668

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, 2016	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	\$ 802,014	\$ 561,693	\$ 730,325	\$ 418,963	\$ 2,512,995
- forfeiting	1,205,206	3,471,384	-	3,235,994	7,912,584
- accounts receivable factoring - no recourse	6,479,896	2,963,430	-	146,658	9,589,984
- acceptances	-	64,383	107,058	-	171,441
Total	\$ 8,487,116	\$ 7,060,890	\$ 837,383	\$ 3,801,615	\$ 20,187,004

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
- 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

c) Securities investment credit quality analysis

December 31, 2016	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	\$ 83,920,699	\$ -	\$ -	\$ 83,920,699	\$ -	\$ -	\$ 83,920,699	\$ -	\$ 83,920,699
Debt instrument with no active market	581,022	-	-	581,022	-	-	581,022	-	581,022

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of \$5,556,000 thousand, loss on valuation of \$754,653 thousand and accumulated impairment of \$0 thousand.

Note 2: Financial assets measured at cost have an initial cost of \$296,423 thousand and accumulated impairments of \$40,764 thousand.

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 \$303,683 thousand and accumulated impairments of \$40,764 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:

	December 31, 2016		
	1 Month	Over 1 Month - 3 Months	Total
Credit card business	\$ 23,777	\$ 24,949	\$ 48,726
Discount and loans			
Consumer banking			
- mortgage loans	269,849	32,498	302,347
- cash card	258,200	72,214	330,414
- small-scale credit loans	306,991	69,996	376,987
- other - secured	132,069	16,131	148,200
- other - unsecured	236	-	236
Corporate banking			
- secured	25,493	229,889	255,382
- unsecured	618	1,021	1,639

	December 31, 2015		
	1 Month	Over 1 Month - 3 Months	Total
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

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, 2016	December 31, 2015	December 31, 2016	December 31, 2015
With objective evidence of impairment	Assessment of individual impairment	\$ 376,736	\$ 209,879	\$ 72,202	\$ 84,667
	Assessment of collective impairment	766,935	784,792	451,508	432,473
Without objective evidence of impairment	Assessment of collective impairment	254,735,873	219,931,637	2,905,962	2,598,556
Total		255,879,544	220,926,308	3,429,672	3,115,696

Items		Receivables		Allowance for Bad Debts	
		December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
With objective evidence of impairment	Assessment of individual impairment	\$ 1,900,712	\$ 1,884,175	\$ 1,315,493	\$ 1,169,447
	Assessment of collective impairment	76,569	87,984	49,452	53,327
Without objective evidence of impairment	Assessment of collective impairment	28,242,686	40,537,844	349,635	526,154
Total		30,219,967	42,510,003	1,714,580	1,748,928

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, 2016 and 2015, 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, 2016					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 153,513	\$ 50,916,170	0.30%	\$ 605,608	394.50%	
	Unsecured	324,861	124,754,280	0.26%	1,505,056	463.29%	
Consumer loan	Mortgage (Note 4)	39,967	28,859,486	0.14%	384,928	963.12%	
	Cash card	175,281	14,985,877	1.17%	417,765	238.34%	
	Micro credit (Note 5)	160,697	19,434,610	0.83%	290,606	180.84%	
	Other (Note 6)	Secured	6,479	16,881,472	0.04%	225,073	3,473.86%
		Unsecured	2,389	47,649	5.02%	636	26.59%
Total		863,187	255,879,544	0.34%	3,429,672	397.33%	
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card		25,200	2,621,513	0.96%	50,580	200.72%	
Account receivable - factored without recourse (Note 7)		46	9,590,067	0.00%	138,798	303,013.14%	

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%	

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: $NPL\ ratio = \frac{Nonperforming\ loans}{Total\ loan\ balance}$.

For credit card business: $Delinquency\ ratio = \frac{Overdue\ credit\ card\ receivables}{Credit\ card\ receivables\ balance}$.

Note 3: Coverage ratio of loans: $Allowance\ for\ possible\ losses\ for\ loans \div Nonperforming\ loans$.

Coverage ratio of credit card receivables: $Allowance\ for\ possible\ losses\ for\ credit\ card\ receivables \div Overdue\ credit\ card\ receivables$.

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, except for 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, 2016		December 31, 2015	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 36,467	\$ 182	\$ 53,096	\$ 216
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	29,330	3,928	37,718	4,831
Total	\$ 65,797	\$ 4,110	\$ 90,814	\$ 5,047

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, 2016

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 016102 telecommunication industry	\$ 6,208,240	10.57
2	B Group - 012711 computer manufacturing	4,165,657	7.09
3	C Group - 015100 civil aviation transportation	4,025,770	6.86
4	D Group - 014510 merchandise brokers	3,227,900	5.50
5	E Group - 012641 LCD and related components manufacturing	3,064,630	5.22
6	F Group - 011599 other paper produces not elsewhere classified manufacturing	3,055,979	5.20
7	G Group - 012740 data storage media	2,950,000	5.02
8	H Group - 016700 real estate brokerage	2,779,993	4.73
9	I Group - 012611 integrated circuits manufacturing	2,628,808	4.48
10	J Group - 016811 real estate activities for sale and rental	2,628,185	4.48

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

c. Liquidity risk

CDIB Capital Group

1) Source and definition of liquidity risk

Liquidity risk is defined as CDIB Capital Group 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 Capital Group 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 CDIB Capital Group 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 Capital Group 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, financial assets at fair value through profit or loss, and available-for-sale financial assets.

b) Nonderivative financial liabilities

The following tables show the cash outflows of CDIB Capital Group'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, 2016	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	96,178	99,241	2,406	173,114	855,535	1,226,474
Subtotal	\$ 96,178	\$ 99,241	\$ 2,406	\$ 173,114	\$ 855,535	\$ 1,226,474

(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 U.S. Dollars)

December 31, 2016	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, 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

4) 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 Capital Group

(In Thousands of New Taiwan Dollars)

December 31, 2016	0-10 Days	11-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	\$ 694,599	\$ 14,854,367	\$ 2,196,688	\$ 229,701	\$ 491,241	\$ 50,667,627	\$ 69,134,223
Cash outflow	42,238	53,940	99,241	2,406	173,114	70,905,362	71,276,301
Gap	652,361	14,800,427	2,097,447	227,295	318,127	(20,237,735)	(2,142,078)

(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

b) Maturity analysis of U.S. dollars of CDIB Capital Group

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Cash inflow	\$ 34	\$ -	\$ 75,398	\$ -	\$ 1,208	\$ 76,640
Cash outflow	-	-	-	-	13,855	13,855
Gap	34	-	75,398	-	(12,647)	62,785

(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)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 6,009,351	\$ 10,440,869	\$ -	\$ -	\$ -	\$ 16,450,220
Financial assets measured at FVTPL - current	50,073,606	3,543,039	7,114,717	424,822	169,399	61,325,583
Financial assets at cost - current	1,090,749	-	-	-	-	1,090,749
Available-for-sale financial assets - current	9,246,926	-	-	-	-	9,246,926
Securities purchased under resell agreement	-	29,114,724	-	-	-	29,114,724
Receivable	35,547,141	4,864,635	15,087,392	5,347,674	-	60,846,842
Customers' margin accounts	37,066,541	-	-	-	-	37,066,541
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,092,300	466,917	441,470	-	-	3,000,687
Other financial assets - current	-	-	2,527,870	-	-	2,527,870
Current tax assets	-	-	17,500	13,394	422,825	453,719
Other current assets	29,675,416	163,028	638,612	-	-	30,477,056
Financial assets measured at FVTPL - noncurrent	-	-	50,313	-	-	50,313
Financial assets at cost - noncurrent	-	-	-	415	917,899	918,314
Available-for-sale financial assets - noncurrent	-	-	-	142,975	282,584	425,559
Held-to-maturity financial assets - noncurrent	-	-	-	-	300,000	300,000
Investments accounted for using the equity method	-	-	-	-	2,186,633	2,186,633
Others noncurrent assets	220,000	-	100,000	376,804	2,834,601	3,531,405
Total	\$ 171,022,030	\$ 48,593,212	\$ 25,977,874	\$ 6,306,084	\$ 7,113,941	\$ 259,013,141
Percentage	66.03%	18.76%	10.03%	2.43%	2.75%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2016	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 12,777,858	\$ -	\$ -	\$ -	\$ 12,777,858
Commercial papers payable, net	-	10,293,033	-	-	-	10,293,033
Financial liabilities measured at FVTPL - current	3,657,874	4,716,941	2,942,584	922,739	169,399	12,409,537
Bonds issued under repurchase agreements	-	57,598,541	-	-	-	57,598,541
Payables	46,896,855	861,531	4,829,585	149,960	-	52,737,931
Guarantee deposits - borrowed securities	-	4,414,965	6,920,988	-	-	11,335,953
Futures customers' equity	36,084,937	-	-	-	-	36,084,937
Other current liabilities	535,836	871,919	2,505,228	110	-	3,913,093
Other financial liabilities - current	-	4,426,111	-	-	-	4,426,111
Current tax liabilities	-	-	88,753	198,492	411,192	698,437
Bonds payable	-	-	-	7,000,000	-	7,000,000
Provisions - noncurrent	-	-	-	23,248	201,660	224,908
Others noncurrent liabilities	-	-	822	640,197	72,375	713,394
Total	\$ 87,175,502	\$ 95,960,899	\$ 17,287,960	\$ 8,934,746	\$ 854,626	\$ 210,213,733
Percentage	41.47%	45.65%	8.22%	4.25%	0.41%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2016	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 171,022,030	\$ 48,593,212	\$ 25,977,874	\$ 6,306,084	\$ 7,113,941	\$ 259,013,141
Cash outflow	87,175,502	95,960,899	17,287,960	8,934,746	854,626	210,213,733
Amount of cash flow gap	\$ 83,846,528	\$ (47,367,687)	\$ 8,689,914	\$ (2,628,662)	\$ 6,259,315	\$ 48,799,408

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 Months-12 Months	Over 1 Year-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
Securities purchased under resell agreement	-	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
Current 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 financial assets - 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	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 issued 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
Current tax liabilities	-	-	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
Provisions - 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	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

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, 2016 and 2015, show that the sums from deducting cash outflow from cash inflow are \$48,799,408 thousand and \$49,388,135 thousand, respectively, all indicating sufficient fund liquidity.

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 66.03% 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, 2016 and 2015, net cash inflow calculated from net spot financial assets are respectively \$83,846,528 thousand and \$100,706,931 thousand, which are sufficient to cover the net cash outflows of \$49,996,349 thousand and \$69,167,625 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 the 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.

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) Maturity gap analysis of financial assets and non-derivative financial liabilities held for liquidity purposes

a) Financial assets held for liquidity management

The Bank holds cash and highly liquid and high-grade assets to pay off obligations and meet any potential emergency funding needs. 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 and loans, and available-for-sale financial assets.

b) Non-derivative financial liabilities

The following tables show the cash outflows on the Bank's non-derivative financial liabilities based on contract maturities. However, because the amounts disclosed were based on contractual cash flows, some of them will not match the amounts shown in the balance sheets.

(In Thousands of New Taiwan Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 23,484,126	\$ 460,583	\$ 253,739	\$ 416,899	\$ -	\$ 24,615,347
Notes and bonds issued under repurchase agreement	21,868,872	459,685	-	-	-	22,328,557
Deposits and remittances	73,974,018	40,709,082	45,443,242	59,670,662	22,038,891	241,835,895
Bank debentures payable	-	-	-	2,750,000	-	2,750,000
Other capital outflow on maturity	1,634,569	616,498	282,125	404,150	483,030	3,420,372
Total	\$ 120,961,585	\$ 42,245,848	\$ 45,979,106	\$ 63,241,711	\$ 22,521,921	\$ 294,950,171

(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 U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 133,000	\$ 30,000	\$ -	\$ -	\$ -	\$ 163,000
Notes and bonds issued under repurchase agreement	554,336	678,966	-	-	-	1,233,302
Deposits and remittances	783,074	543,615	501,747	942,410	26,490	2,797,336
Bank debentures payable	-	-	-	-	368,413	368,413
Other capital outflow on maturity	22,947	15,779	3,121	1,884	42,700	86,431
Total	\$ 1,493,357	\$ 1,268,360	\$ 504,868	\$ 944,294	\$ 437,603	\$ 4,648,482

(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

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, 2016	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	\$ (171,492,690)	\$ (231,995,114)	\$ (167,321,858)	\$ (17,638,218)	\$ (327,000)	\$ (588,774,880)
Cash inflow	164,681,784	234,004,664	162,867,950	18,831,464	-	580,385,862
Interest rate derivatives instruments						
Cash outflow	(1,750,715)	(441,025)	(1,361)	(912,497)	(15,023,911)	(18,129,509)
Cash inflow	214,301	423,840	-	-	-	638,141
Others						
Cash outflow	-	-	-	-	-	-
Cash inflow	714	-	-	-	-	714
Cash outflow subtotal	(173,243,405)	(232,436,139)	(167,323,219)	(18,550,715)	(15,350,911)	(606,904,389)
Cash inflow subtotal	164,896,799	234,428,504	162,867,950	18,831,464	-	581,024,717
Net cash flow	\$ (8,346,606)	\$ 1,992,365	\$ (4,455,269)	\$ 280,749	\$ (15,350,911)	\$ (25,879,672)

(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, 2016	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	\$ (5,801,671)	\$ (7,928,173)	\$ (5,383,285)	\$ (1,081,788)	\$ (149,201)	\$ (20,344,118)
Cash inflow	6,155,681	7,902,248	5,527,944	928,621	174,935	20,689,429
Interest rate derivatives instruments						
Cash outflow	(19,852)	(33,865)	(30,342)	(1,006)	(20,264)	(105,329)
Cash inflow	13,143	33,962	29,726	689	-	77,520
Others						
Cash outflow	(744)	-	-	-	-	(744)
Cash inflow	275	-	-	-	-	275
Cash outflow subtotal	(5,822,267)	(7,962,038)	(5,413,627)	(1,082,794)	(169,465)	(20,450,191)
Cash inflow subtotal	6,169,099	7,936,210	5,557,670	929,310	174,935	20,767,224
Net cash flow	\$ 346,832	\$ (25,828)	\$ 144,043	\$ (153,484)	\$ 5,470	\$ 317,033

(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

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, 2016	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	\$ 6,402,878	\$ 11,356,859	\$ 11,247,994	\$ 29,457,826	\$ 43,749,877	\$ 102,215,434

(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

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.

The maturity analysis of lease commitments were as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2016	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	\$ 3,268,707	\$ 3,156,235	\$ -	\$ 6,424,942
Financial lease present value income (lessor)	3,076,383	2,970,345	-	6,046,728
Operating lease payment (lessee)	239,465	471,498	-	710,963
Operating lease income (lessor)	16,325	22,947	-	39,272
Present value of financial lease payment (lessee)	869	8	-	877

(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

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, 2016	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	\$ 149,978,483	\$ 187,766,579	\$ 273,928,025	\$ 188,006,146	\$ 58,519,345	\$ 96,361,544	\$ 954,560,122
Main capital outflow on maturity	138,288,017	186,969,792	335,677,721	259,116,285	111,646,052	132,880,819	1,164,578,686
Gap	11,690,466	796,787	(61,749,696)	(71,110,139)	(53,126,707)	(36,519,275)	(210,018,564)

(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)

b) Maturity analysis of assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

December 31, 2016	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 7,791,191	\$ 8,779,663	\$ 5,933,975	\$ 1,350,339	\$ 1,585,732	\$ 25,440,900
Main capital outflow on maturity	8,209,945	11,019,043	7,209,512	2,031,887	659,533	29,129,920
Gap	(418,754)	(2,239,380)	(1,275,537)	(681,548)	926,199	(3,689,020)

(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)

d. Market risk

CDIB Capital Group 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 Capital Group 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.

3) The procedure of market risk measuring, monitoring, and reporting

Risk factors analyzed through CDIB Capital Group’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 Capital Group’s market risk report includes limits usage, and trading portfolio risk assessment.

The risk management unit of CDIB Capital Group independently performs daily market risk limit controls, disclosures of positions held, information of price, information of net income (loss), and monthly reports to the authority.

4) Foreign currency rate risk information

The financial assets and liabilities denominated in foreign currency and with material influence on CDIB Capital Group and subsidiaries were as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 245,665	32.279	\$ 7,929,817
HKD	114,029	4.162	474,611
RMB	60,969	4.622	281,794
KRW	7,363,850	0.027	197,506
JPY	429,029	0.276	118,283
			(Continued)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
Investment accounted for using the equity method			
USD	\$ 65,502	32.279	\$ 2,114,355
RMB	459,967	4.622	2,125,923
<u>Financial liabilities</u>			
Monetary items			
USD	18,733	32.279	604,671 (Concluded)

(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	\$ 277,091	33.066	\$ 9,162,288
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	20,256	33.066	669,786

5) 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)

December 31, 2016

(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	\$ 17,303,349	\$ -	\$ -	\$ 158,798	\$ 17,462,147
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	17,303,349	-	-	158,798	17,462,147
Net worth					70,049,827
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					25

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

Note 1: The above amounts included only New Taiwan dollar amounts held in the domestic and overseas branches (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)

December 31, 2016

(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	\$ 75,389	\$ -	\$ -	\$ 75,423
Interest rate-sensitive liabilities	-	-	-	-	-
Interest rate sensitivity gap	34	75,389	-	-	75,423
Net worth					-
Ratio of interest rate-sensitive assets to liabilities (%)					-
Ratio of interest rate-sensitive gap to net worth (%)					-

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 (%)					-

Note 1: The above amounts included only U.S. dollar amounts held in the domestic and overseas branches and OBU (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).

6) Other price risk

CDIB Capital Group and subsidiaries were exposed to equity price risk through its investments in principal investment business. CDIB Capital Group manages this exposure by setting risk acceptance limitation concerning industry, country, affiliated groups, and the same group.

If equity prices had been 1% higher/lower, the post-tax other comprehensive income for the years ended December 31, 2016 and 2015 would increase/decrease by \$92,118 thousand and \$90,210 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

KGI Securities and subsidiaries

Market risk is the risk of potential loss or change in valuation for securities or financial products 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 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)

Risk Sensitivity	December 31, 2016	December 31, 2015
Interest rate risk	\$ 2,321	\$ 12,186
Equity securities risk	18,656,595	15,566,569
Exchange rate risk	1,416,056	589,868
Commodity risk	(2,051)	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 effectiveness 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:

	For the Year Ended December 31, 2016			December 31, 2016
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 406,843	\$ 248,091	\$ 733,544	\$ 529,293
Interest rate	75,275	31,612	155,833	69,226
Exchange rate	19,930	2,031	97,630	9,294
Commodity	6,619	58	49,537	29,399

	For the Year Ended December 31, 2015			December 31, 2015
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
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

3) Stress test

Stress test is one of the tools for risk management. It mainly evaluates the effects extreme changes in market risk factors in an investment portfolio to help a company’s board of directors and 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 historic analysis and hypothetical scenarios analysis. The results will be regularly reported to the risk management committee and the board of directors of KGI Securities.

4) Foreign currency exchange rate of financial assets and liabilities information

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 2,336,758	32.21	\$ 75,259,143
JPY	8,724,871	0.28	2,404,829
EUR	33,751	33.92	1,144,684
RMB	244,837	4.62	1,131,607
HKD	127,231	4.16	529,229
SGD	9,014	22.31	201,095
AUD	4,373	23.30	101,903
Nonmonetary items			
USD	761,214	32.28	24,571,228
RMB	412,573	4.62	1,906,873
AUD	4,529	22.30	105,539
Investments accounted for using the equity method			
USD	67,639	32.28	2,183,329
<u>Financial liabilities</u>			
Monetary items			
USD	3,678,462	32.28	118,729,246
JPY	8,413,574	0.28	2,319,492
RMB	300,806	4.62	1,390,287
EUR	31,848	33.92	1,080,125
HKD	79,633	4.16	331,116
SGD	8,768	22.31	195,616
Nonmonetary items			
USD	196,950	32.28	6,357,340
RMB	39,941	4.62	184,602
AUD	4,529	23.30	105,539

	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
<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

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, 2016			For the Year Ended December 31, 2015		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 33,310	\$ 74,214	\$ 17,157	\$ 47,779	\$ 118,218	\$ 11,394
Equity risk	5,951	12,389	2,336	15,831	28,568	7,542
Exchange rate risk	36,105	80,973	6,133	8,539	27,412	1,514

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 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, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,345,458	32.28	\$ 172,546,025
RMB	1,934,700	4.62	8,941,990
HKD	604,307	4.16	2,515,248
EUR	61,196	33.92	2,075,584
GBP	45,031	39.61	1,783,666
JPY	3,860,310	0.28	1,064,287
AUD	11,789	23.30	274,698
ZAR	85,730	2.37	203,017
THD	169,664	0.90	152,884
CAD	6,237	23.93	149,229
Nonmonetary items			
HKD	521,348	4.16	2,169,956
<u>Financial liabilities</u>			
Monetary items			
USD	5,475,408	32.28	176,740,694
RMB	1,955,014	4.62	9,035,879
ZAR	1,454,274	2.37	3,443,867
AUD	65,000	23.30	1,514,621
EUR	36,380	33.92	1,233,894
HKD	293,670	4.16	1,222,312
JPY	2,345,749	0.28	646,723
NZD	15,481	22.42	347,017
GBP	3,801	39.61	150,540

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

Financial liabilities

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

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, 2016

(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	\$ 212,961,639	\$ 14,406,478	\$ 4,879,123	\$ 108,803,232	\$ 341,050,472
Interest rate-sensitive liabilities	151,925,098	94,329,388	36,692,575	4,274,816	287,221,877
Interest rate sensitivity gap	61,036,541	(79,922,910)	(31,813,452)	104,528,416	53,828,595
Net worth					57,022,065
Ratio of interest rate-sensitive assets to liabilities (%)					118.74
Ratio of interest rate-sensitive gap to net worth (%)					94.40

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

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).

b) Analysis of interest rate-sensitive assets and liabilities (U.S. dollars)

December 31, 2016

(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	\$ 2,375,210	\$ 225,241	\$ 449,089	\$ 1,219,782	\$ 4,269,322
Interest rate-sensitive liabilities	2,988,749	440,418	737,981	394,903	4,562,051
Interest rate sensitivity gap	(613,539)	(215,177)	(288,892)	824,879	(292,729)
Net worth					52,465
Ratio of interest rate-sensitive assets to liabilities (%)					93.58
Ratio of interest rate-sensitive gap to net worth (%)					(557.95)

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)

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, 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 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, 2016					
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	\$ 56,923,804	\$ 57,422,129	\$ 56,923,804	\$ 57,422,129	\$ (498,325)
Transaction - borrowed securities	46,749	65,449	46,749	65,449	(18,700)

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, 2016					
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	\$ 10,229,100	\$ 610,676	\$ 610,676	\$ -	\$ 610,676

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	\$ 447,128	\$ 447,128	\$ -	\$ 447,128

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, 2016						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	\$ 4,568,600	\$ 990,100	\$ 3,106,700	\$ 1,563,700	\$ -	\$ 10,229,100

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, 2016			
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 Day	Revenues or Expenses Recognized During the Period
Call option	\$ (41,236)	\$ 611,220	\$ 569,984

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 Day	Revenues or Expenses Recognized During the Period
Call option	\$ (176,259)	\$ (257,532)	\$ (433,791)

KGI Bank and subsidiaries

Transferred financial assets not qualifying for full derecognition

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, 2016					
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	Fair Value of Net Position
Notes and bonds issued under repurchase agreements	\$ 35,227,572	\$ 33,509,311	\$ 35,227,572	\$ 33,509,311	\$ 1,718,261
Financial assets at FVTPL					
Available-for-sale financial assets	30,023,890	28,629,003	30,023,890	28,629,003	1,394,887

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	Fair Value of Net Position
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

KGI Securities and subsidiaries

KGI Securities and subsidiaries' 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, 2016						
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	\$ 2,163,243	\$ -	\$ 2,163,243	\$ -	\$ 132,559	\$ 2,030,684
Securities purchased under resell agreements	29,087,308	-	29,087,308	29,087,308	-	-
Total	\$ 31,250,551	\$ -	\$ 31,250,551	\$ 29,087,308	\$ 132,559	\$ 2,030,684

December 31, 2016						
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	\$ 2,845,225	\$ -	\$ 2,845,225	\$ -	\$ 465,985	\$ 2,379,240
Notes and bonds issued under repurchase agreements	57,422,129	-	57,422,129	57,422,129	-	-
Total	\$ 60,267,354	\$ -	\$ 60,267,354	\$ 57,422,129	\$ 465,985	\$ 2,379,240

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

Note: Financial instruments include master netting arrangements and non-cash collateral.

KGI Bank and subsidiaries

KGI Bank and subsidiaries 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, 2016						
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	\$ 795,850	\$ -	\$ 795,850	\$ 795,850	\$ -	\$ -
Derivative financial instruments	25,434,608	-	25,434,608	7,171,127	1,018,564	17,244,917
Total	\$ 26,230,458	\$ -	\$ 26,230,458	\$ 7,966,977	\$ 1,018,564	\$ 17,244,917

December 31, 2016						
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	\$ 62,138,314	\$ -	\$ 62,138,314	\$ 61,725,136	\$ 413,178	\$ -
Derivative financial instruments	27,516,130	-	27,516,130	7,171,127	6,655,765	13,689,238
Total	\$ 89,654,444	\$ -	\$ 89,654,444	\$ 68,896,263	\$ 7,068,943	\$ 13,689,238

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

Note: Financial instruments include master netting arrangements and non-cash collateral.

54. CAPITAL MANAGEMENT

a. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Items	December 31, 2015		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 163,482,476	\$ 188,137,891
CDIB Capital Group	100.00	20,910,410	1,215,027
KGI	100.00	17,895,797	8,151,174
KGI Bank	100.00	53,986,254	35,206,376
Deduct items		186,391,735	186,391,735
Subtotal		69,883,202 (A)	46,318,733 (B)
Group's CAR (C)=(A)÷(B)			150.87 (C)

(In Thousands of New Taiwan Dollars; %)

Items	December 31, 2015		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		165,157,125	188,455,852
CDIB Capital Group	100.00	14,497,173	1,067,612
KGI	100.00	20,503,870	9,042,459
KGI Bank	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)

Note: 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	
	2016	2015
Common stock	\$ 149,744,203	\$ 151,124,071
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	-	-
Reserve for raising capital	10	1,370
Capital surplus	1,104,521	654,803
Legal reserve	5,014,298	4,161,475
Special reserve	3,228,296	765,041
Retained earnings	8,556,188	13,580,644
Equity adjustment	(1,782,652)	(2,746,831)
Deduction: Capital items	<u>(2,382,388)</u>	<u>(2,383,448)</u>
	<u>\$ 163,482,476</u>	<u>\$ 165,157,125</u>

The Group's CARs were 150.87% and 165.38% as of December 31, 2016 and 2015, 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 Capital Group and subsidiaries

a. Objectives

CDIB Capital Group'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 Capital Group's capital as well as meet the regulatory authorities' minimum requirements, CDIB Capital Group follows the principle "Capital bears risk as well as requires compensation", thus, under an effective capital management framework, CDIB Capital Group balances risk control and business development and achieves the business objective of maximizing shareholder value.

b. Capital management procedures

CDIB Capital Group 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

Items		Year	December 31, 2016	December 31, 2015
Eligible capital	Common shareholders' equity		\$ 20,910,410	\$ 14,497,173
	Other Tier 1 capital		-	-
	Tier 2 capital		-	-
	Eligible capital		20,910,410	14,497,173
Risk-weighted assets	Credit risk	Standardized approach	5,938,428	4,880,609
		Internal rating-based approach	NA	NA
		Securitization	-	-
	Operational risk	Basic indicator approach (Note 4)	5,669,725	6,668,563
		Standardized approach/alternative standardized approach	NA	NA
		Advanced measurement approach	NA	NA
	Market risk	Standardized approach	2,479,113	1,795,975
		Internal model approach	NA	NA
	Total risk-weighted assets			14,087,266
Capital adequacy ratio			148.43%	108.63%
Ratio of common shareholders' equity to risk-weighted assets			148.43%	108.63%
Ratio of Tier 1 capital to risk-weighted assets			148.43%	108.63%
Leverage ratio			92.95%	89.92%

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 shareholder'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 shareholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Shareholders' 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

Items		Year	December 31,	December 31,
			2016	2015
Eligible capital	Common shareholders' equity		\$ 53,944,546	\$ 53,124,545
	Other Tier 1 capital		-	-
	Tier 2 capital		41,708	179,269
	Eligible capital		53,986,254	53,303,814
Risk-weighted assets	Credit risk	Standardized approach	335,603,806	296,938,821
		Internal rating-based approach	NA	NA
		Securitization	-	-
	Operational risk	Basic indicator approach	17,971,561	18,407,174
		Standardized approach/alternative standardized approach	NA	NA
		Advanced measurement approach	NA	NA
	Market risk	Standardized approach	54,614,500	40,872,275
		Internal model approach	NA	NA
	Total risk-weighted assets		408,189,867	356,218,270
Capital adequacy ratio		13.23%	14.96%	
Ratio of common shareholders' equity to risk-weighted assets		13.22%	14.91%	
Ratio of Tier 1 capital to risk-weighted assets		13.22%	14.91%	
Leverage ratio		8.85%	9.28%	

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 shareholder'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 shareholders' equity to risk-weighted assets = Common stock/Total risk-weighted assets.
- 5) Ratio of Tier 1 capital to risk-weighted assets = (Shareholders' equity + Other Tier 1 capital)/Total risk-weighted assets.
- 6) Leverage ratio = Tier 1 capital/Total exposure.

55. 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 Capital Group were as follows:

CDIB Capital Group will not engage in trust operations from the date of transfer of business on May 1, 2015.

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Four Months Ended April 30, 2015
Trust income and gains	
Gain on financial assets at FVTPL, net	\$ 225,466
Interest income	15,721
Rental income	<u>1,025</u>
Total trust income and gains	<u>242,212</u>
Trust expenses	
Interest expense	19,635
Trust administrative expense	188
Other expenses	<u>34</u>
Total trust expenses	<u>19,857</u>
Net income before income tax	<u>\$ 222,355</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, 2016 and 2015

(In Thousands of New Taiwan Dollars)

Trust Assets	2016	2015	Trust Liabilities	2016	2015
Bank deposits	\$ 809,142	\$ 876,118	Payables	\$ 16,097	\$ 30,124
Financial assets	22,988,241	22,837,422	Trust capital	23,786,620	23,578,392
Receivables	<u>72,988</u>	<u>99,904</u>	Reserves and retained earnings	<u>67,654</u>	<u>204,928</u>
Total	<u>\$ 23,870,371</u>	<u>\$ 23,813,444</u>	Total	<u>\$ 23,870,371</u>	<u>\$ 23,813,444</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	2015
Trust income	\$ 2,077,401	\$ 2,136,357
Trust expenses	<u>(2,712,400)</u>	<u>(2,327,314)</u>
Income before income tax	<u>\$ (634,999)</u>	<u>\$ (190,957)</u>

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31	
	2016	2015
Bank deposits	\$ 809,142	\$ 876,118
Stocks	13,755,119	15,470,397
Funds	9,227,067	7,320,525
Structured notes	6,055	46,500
Receivables	<u>72,988</u>	<u>99,904</u>
Total	<u>\$ 23,870,371</u>	<u>\$ 23,813,444</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

(In Thousands of New Taiwan Dollars)

Trust Assets	2016	2015	Trust Liabilities	2016	2015
Bank deposits	\$ 310,897	\$ 654,161	Payables	\$ 153,951	\$ 154,615
Short-term investment	30,860,207	31,338,483	Payables on securities under custody	1,909,451	-
Financial assets at FVTPL	2,660,355	3,697,006	Other liabilities	30,906	1,336,311
Receivables	26,191	51,927	Trust capital	34,693,769	37,805,193
Payments for others	-	1,166,813	Accumulated earnings	<u>1,067,910</u>	<u>795,758</u>
Financial assets measured at cost	687,150	1,401,010			
Real estate, net	417,202	797,943			
Intangible assets - surface rights	984,534	984,534			
Securities under custody	<u>1,909,451</u>	<u>-</u>			
Other assets					
Total	<u>\$ 37,855,987</u>	<u>\$ 40,091,877</u>	Total	<u>\$ 37,855,987</u>	<u>\$ 40,091,877</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	2015
Trust income and gains		
Profit income	\$ 86,041	\$ 157,838
Interest income	1,385,573	1,624,518
Rental income	30,624	30,922
Gain or loss on financial assets at FVTPL, net	480,409	190,454
Other income	<u>23,470</u>	<u>915</u>
Total trust income and gains	<u>2,006,117</u>	<u>2,004,647</u>
Property transaction losses	<u>(1,461,127)</u>	<u>(1,576,080)</u>
Trust expenses		
Administrative expenses	(24,329)	(36,612)
Interest expenses	(39,754)	(45,650)
Other expenses	<u>(30,303)</u>	<u>(12,445)</u>
Total trust expenses	<u>(94,386)</u>	<u>(94,707)</u>
Net income	<u>\$ 450,604</u>	<u>\$ 333,860</u>

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

Investment Portfolio	December 31	
	2016	2015
Bank deposits	\$ 310,897	\$ 654,161
Short-term investments		
Funds	29,104,043	29,808,756
Bonds	1,468,806	1,113,036
Common shares	78,300	81,400
Structured notes	93,766	215,507
ETF	115,292	119,784
Financial assets at FVTPL	2,660,355	3,697,006
Payment for others	-	1,166,813
Financial assets measured at cost	687,150	1,401,010
Real estate, net	417,202	797,943
Intangible assets - surface right	984,534	984,534
Securities under custody	1,909,451	-
Other assets	<u>26,191</u>	<u>51,927</u>
Total	<u>\$ 37,855,987</u>	<u>\$ 40,091,877</u>

56. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 9 (attached).

57. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 10 (attached).

58. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

For the resources sharing in the Group, please refer to Note 47 to the consolidated financial statements.

59. CONTINGENCIES AND COMMITMENT, DISASTROUS DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 49 to the consolidated financial statements. Information on disaster damages: None.

60. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 51 and 53 to the consolidated financial statements.

61. SPECIFIC RISK FROM FUTURES DEALING

The futures dealer needs to maintain adequate liquidity in case of 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.

62. 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
		2016		2015			
		Formula	%	Formula	%		
17		$\frac{\$1,784,471}{\$394,084}$	= 4.53	$\frac{\$1,965,939}{\$407,338}$	= 4.83	≥ 1	Yes
17	Current liabilities	$\frac{\$2,133,932}{\$166,579}$	= 12.81	$\frac{\$2,320,730}{\$238,942}$	= 9.71	≥ 1	Yes
22	Equities	$\frac{\$1,784,471}{\$400,000}$	= 446.12%	$\frac{\$1,965,939}{\$400,000}$	= 491.48%	≥ 60%	Yes
	Capital stock					≥ 40%	
22	Adjusted net capital	$\frac{\$1,322,873}{\$281,618}$	= 469.74%	$\frac{\$1,417,650}{\$215,941}$	= 656.50%	≥ 20%	Yes
	Client and proprietary account					≥ 15%	

b. KGI Futures Corp.

Rule No.	Formula	December 31				Standard	Meet Standard
		2016		2015			
		Formula	%	Formula	%		
17		$\frac{\$2,735,161}{\$298,763}$	= 9.15	$\frac{\$2,624,668}{\$372,168}$	= 7.05	≥ 1	Yes
17	Current liabilities	$\frac{\$22,820,898}{\$20,694,894}$	= 1.10	$\frac{\$20,589,705}{\$18,589,073}$	= 1.11	≥ 1	Yes
22	Equities	$\frac{\$2,735,161}{\$760,000}$	= 359.89%	$\frac{\$2,624,668}{\$760,000}$	= 345.35%	≥ 60%	Yes
	Capital stock					≥ 40%	
22	Adjusted net capital	$\frac{\$2,338,562}{\$3,376,756}$	= 69.25%	$\frac{\$2,221,296}{\$3,662,040}$	= 60.66%	≥ 20%	Yes
	Client and proprietary account					≥ 15%	

63. ACCOUNT RECLASSIFICATION

KGI Securities 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 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</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, 2016 and 2015 were as follows:

	December 31			
	2016		2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>KGI Securities and subsidiaries</u>				
Available-for-sale financial assets	\$ 5,363,359	\$ 5,363,359	\$ 4,358,869	\$ 4,358,869

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2016 and 2015) for the years ended December 31, 2016 and 2015 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	For the Year Ended December 31			
	2016		2015	
	Gains (Losses) Recorded	Pro Forma Losses	Gains (Losses) Recorded	Pro Forma Gains
<u>KGI Securities and subsidiaries</u>				
Available-for-sale financial assets	\$ -	\$ 1,004,489	\$ -	\$ (88,944)

64. 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 13-4 (attached).
- b. Income statement: Tables 14-1 to 14-4 (attached).

- c. Securities held: None.
- d. Derivative instruments and related capital resources: None.
- e. Asset management revenues, service and litigation matters: Note 49(c).
- f. Related party transactions or dealings among foreign enterprises: None.

65. ADDITIONAL DISCLOSURES

- a. and b. following are the additional disclosures required for the Group:
 - 1) Financing provided: Not applicable to the Corporation, CDIB Capital Group and KGI Bank. For other subsidiaries' information: Please refer to Table 1 (attached).
 - 2) Collaterals/guarantees provided: Not applicable to the Corporation, CDIB Capital Group and KGI Bank. For other subsidiaries' information: Please refer to Table 2 (attached).
 - 3) Marketable securities held: Not applicable to the Corporation, CDIB Capital Group, KGI Bank, and KGI Securities and subsidiaries. For other subsidiaries' information: Please refer to Table 3 (attached).
 - 4) Subsidiaries were 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 KGI Bank and subsidiaries' information: None. Not applicable to KGI Securities and subsidiaries. For the Corporation, CDIB Capital Group 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 Group's information: None.
 - 6) Disposal of individual real estate at price of at least NT\$300 million or 10% of the issued capital: For the Group's information: None.
 - 7) Discount on service fees received from related parties amounting to NT\$5 million: For the Group's information: None.
 - 8) Receivables from related parties amounting to NT\$300 million or 10% of the issued capital: Please refer to Note 47 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 Group: Please refer to Notes 8, 52 and 53 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 Group: Please refer to Table 12 (attached).

66. 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 Group's operating revenue and results by reportable segment:

	Industrial Banking	Securities	Commercial Banking	Other	Total
For the year ended <u>December 31, 2016</u>					
Interest profit (loss), net	\$ 61,228	\$ 1,720,087	\$ 5,881,614	\$ (603,427)	\$ 7,059,502
Noninterest profit, net	<u>2,840,575</u>	<u>12,223,572</u>	<u>4,949,024</u>	<u>55,055</u>	<u>20,068,226</u>
Net profit (loss)	2,901,803	13,943,659	10,830,638	(548,372)	27,127,728
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	42,757	(535,491)	(258,744)	-	(751,478)
Operating expenses	<u>(1,529,421)</u>	<u>(10,881,734)</u>	<u>(5,569,586)</u>	<u>(1,284,680)</u>	<u>(19,265,421)</u>
Income (loss) before income tax	1,415,139	2,526,434	5,002,308	(1,833,052)	7,110,829
Income tax benefit (expense)	<u>(125,488)</u>	<u>(250,695)</u>	<u>(927,070)</u>	<u>179,328</u>	<u>(1,123,925)</u>
Net income (loss)	<u>\$ 1,289,651</u>	<u>\$ 2,275,739</u>	<u>\$ 4,075,238</u>	<u>\$ (1,653,724)</u>	<u>\$ 5,986,904</u>
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 (loss), net	<u>4,493,955</u>	<u>13,006,858</u>	<u>3,033,731</u>	<u>66,254</u>	<u>20,600,798</u>
Net profit (loss)	5,910,826	15,255,360	9,210,848	(668,423)	29,708,611
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	205,757	(205,017)	329,049	-	329,789
Operating expenses	<u>(2,256,695)</u>	<u>(12,165,031)</u>	<u>(4,886,071)</u>	<u>(1,287,616)</u>	<u>(20,595,413)</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>

b. Segment assets and liabilities

	Industrial Banking	Securities	Commercial Banking	Other	Total
<u>December 31, 2016</u>					
Assets	<u>\$ 50,846,244</u>	<u>\$ 264,790,087</u>	<u>\$ 574,393,912</u>	<u>\$ 2,167,266</u>	<u>\$ 892,197,509</u>
Liabilities	<u>\$ 2,679,674</u>	<u>\$ 210,476,569</u>	<u>\$ 484,824,170</u>	<u>\$ 27,120,058</u>	<u>\$ 725,100,471</u>
<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>

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 are detailed below:

	Revenue from External Customers	
	For the Year Ended December 31	
	2016	2015
Taiwan	\$ 21,239,678	\$ 21,313,249
Hong Kong	4,152,461	5,895,999
British Virgin Islands	567,842	1,224,025
Malaysia	548,229	483,605
China	265,304	308,492
Grand Cayman	249,392	395,164
Others	<u>104,822</u>	<u>88,077</u>
	<u>\$ 27,127,728</u>	<u>\$ 29,708,611</u>

d. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2016 and 2015.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2016
(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	\$ 7,101,380	\$ 3,873,480	\$ 3,615,248	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 14,536,477 (Note 1)	\$ 14,536,477 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,487,430	5,487,430	-	Floating	Short-term financing	-	Working capital	-	-	-	14,536,477	
		KGI Investment Advisory (Shanghai) Company Limited	Receivables, net	Yes	25,823	25,823	-	Floating	Short-term financing	-	Working capital	-	-	-	14,536,477	
2	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,613,950	1,613,950	-	Floating	Short-term financing	-	Working capital	-	-	-	15,592,650 (Note 2)	15,592,650 (Note 2)
		KGI International Finance Limited	Receivables, net	Yes	4,841,850	-	-	Floating	Short-term financing	-	Working capital	-	-	-	15,592,650	
		KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Receivables, net	Yes	115,373	-	-	Floating	Short-term financing	-	Working capital	-	-	-	15,592,650	
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	322,790	322,790	64,558	Floating	Short-term financing	-	Working capital	-	-	-	15,592,650	

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, 2016
(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	KGI Securities	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Note 1	\$ 6,024,405	\$ 1,200,876	\$ 1,115,500	\$ 1,115,500	\$ -	1.85%	\$ 24,097,619 (Note 2)	No	No	No
		KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Note 1	6,024,405	1,200,876	1,115,500	1,115,500	-	1.85%		No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,592,650	2,754,742	2,754,742	974,276	-	17.67%	15,592,650 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,592,650	3,034,226	1,743,066	232,230	-	11.18%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,592,650	209,814	209,814	-	-	1.35%		No	No	No
		KGI Finance Limited	Note 1	15,592,650	138,800	138,800	-	-	0.89%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,592,650	2,001,298	2,001,298	-	-	12.83%		No	No	No
		KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Note 1	15,592,650	645,580	645,580	-	-	4.14%		No	No	No
3	KGI Investments Holdings Limited	KGI Asia (Holdings) Pte. Limited	Note 1	15,592,650	1,080,770	1,003,978	-	-	6.44%	No	No	No	
		PT KGI Sekuritas Indonesia	Note 1	11,771,912	96,837	96,837	32,279	-	0.82%	11,771,912 (Note 4)	No	No	No
4	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	PT KGI Sekuritas Indonesia	Note 1	834,334	96,837	96,837	-	-	11.61%		834,334 (Note 5)	No	No
5	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	6,015,245	3,643,871	1,642,573	1,226,602	-	136.53%	6,015,245 (Note 6)	No	No	Yes

Note 1: The Group owns directly or indirectly over 50% ownership of the investee company.

Note 2: The limit of maximum guarantee provided by KGI Securities 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 3: 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 4: The limit of maximum guarantee provided by KGI Investments 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 limit of maximum guarantee provided by KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.) 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 6: 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 7: 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, 2016

(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, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Management Inc.	<u>Stocks</u>							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	660,000	\$ 72,600	0.41	\$ 72,600	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	65,660	5,266	0.05	5,266	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	199,229	2,490	0.18	2,490	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	101,240	1,689	0.14	1,689	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	26,160	0.67	26,160	
	Initio Corporation	-	Financial assets measured at cost	93,285	684	0.52	557	
	Arcoa Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	14,886	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	1,606	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	744,058	12,060	1.44	6,241	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	1,442,883	13,645	2.16	17,676	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	402	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	243,651	100.00	243,651	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	14,281	1.00	14,281	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	17,089	1.00	17,089	
CDIB Innovation Advisors Corporation Limited	Subsidiary	Investments accounted for using the equity method	1,200,000	11,106	60.00	11,106		
CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u>							
	CDIB Private Equity Management Corporation	Subsidiary	Investments accounted for using the equity method	-	HK\$ 41,054	100.00	HK\$ 41,054	
	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK\$ 3,546	27.08	HK\$ 3,546	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 7,649	56.00	HK\$ 7,649	
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	-	-	-		
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	<u>Stocks</u>				RMB 6,793	65.00	RMB 6,793	
	CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	-	-	-	
CPEC Huachuang Private Management (Kushan) Enterprise (Limited Partnership)	<u>Fund</u>				RMB 6,879	58.33	RMB 6,879	
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	-	-	-	
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	<u>Fund</u>				RMB 6,954	-	RMB 6,954	
	CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	-	-	-	
CDIB Venture Capital Corporation	<u>Stocks</u>				RMB 7,143	-	RMB 7,143	
	Aten International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	183,142	1.91	183,142	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	121,285	3.62	121,285	
	Macroblock, Inc.	-	Available-for-sale financial assets	250,000	17,825	0.75	17,825	
	Taihan Precision Technology Co., Ltd.	-	Available-for-sale financial assets	3,455,158	30,060	5.51	30,060	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	28,843	1.17	28,843	
	Formosa Advanced Technologies Co., Ltd.	-	Available-for-sale financial assets	100,000	2,355	0.02	2,355	
	Chicony Power Technology Co., Ltd.	-	Available-for-sale financial assets	3,228,366	161,418	0.86	161,418	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	77,351	1.41	77,351	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	4,555,307	67,102	0.44	67,102	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	34,426	0.46	34,426	
	Gallant Precision Machine Co., Ltd.	-	Available-for-sale financial assets	1,247,499	26,197	0.76	26,197	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	50,672	0.34	50,672	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	23,004	5.71	23,004	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	\$ 15,854	0.37	\$ 15,854	
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	223,663	7,783	0.30	7,783	
	Hotron Precision Electronic Industrial Co., Ltd.	-	Available-for-sale financial assets	1,167,000	38,161	1.84	38,161	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	6,400,000	6,260	0.42	6,260	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	49,262	1.58	49,262	
	Aces Connectors Co., Ltd.	-	Available-for-sale financial assets	2,850,421	70,263	2.31	70,263	
	China Communications Media Group Co., Ltd.	-	Available-for-sale financial assets	1,110,000	17,927	2.93	17,927	
	FocalTech Corporation, Ltd.	-	Available-for-sale financial assets	495,352	17,436	0.17	17,436	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	2,594,562	86,658	0.45	86,658	
	Enterex International Limited	-	Available-for-sale financial assets	1,751,000	93,503	1.74	93,503	
	Trea Xtal Technology Corp.	-	Available-for-sale financial assets	4,250,961	7,822	2.23	7,822	
	HIM International Music Inc.	-	Available-for-sale financial assets	1,116,960	130,684	2.61	130,684	
	Capital Securities Corporation	-	Available-for-sale financial assets	884,887	8,575	0.04	8,575	
	Andes Technologies Co., Ltd.	-	Available-for-sale financial assets	958,296	67,742	2.58	67,742	
	Newmax Technology Co., Ltd.	-	Available-for-sale financial assets	743,847	15,621	0.73	15,621	
	Victory Circuit Co., Ltd.	-	Available-for-sale financial assets	202,480	12,804	0.29	12,804	
	Strong LED Lighting Systems (Cayman) Co., Ltd.	-	Available-for-sale financial assets	1,281,000	31,769	3.46	31,769	
	Shane Global Holding Inc.	-	Available-for-sale financial assets	1,715,700	144,545	1.72	144,545	
	Dyaco Co., Ltd.	-	Available-for-sale financial assets	5,575,500	227,759	6.00	227,759	
	Interactive Digital Technologies Inc.	-	Available-for-sale financial assets	2,881,000	108,038	6.24	108,038	
	4Gamers Entertainment Inc.	-	Available-for-sale financial assets	24,000	12,912	20.00	12,912	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	27,469	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	4,986	
	Chain Yarn Co., Ltd.	-	Financial assets measured at cost	843,653	11,504	0.55	5,568	
	Top Green Technologies Inc.	-	Financial assets measured at cost	1,111,111	16,667	0.89	5,505	
	Biodenta Corporation	-	Financial assets measured at cost	1,299,999	32,500	3.10	13,000	
	M2Communication, Inc.	-	Financial assets measured at cost	6,477,527	96,810	16.73	103,640	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.48	52,485	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	255,605	9.96	66,529	
	Luxtaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	522	
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	188,158	
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	56,724	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	177,703	
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	155,666	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,400,000	119,000	4.91	133,731	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,772,331	51,100	1.03	47,994	
	Cvie Therapeutics Limited	-	Financial assets measured at cost	846,351	40,262	4.15	71,940	
	Zentera Systems, Inc. - preferred stock	-	Financial assets measured at cost	1,324,503	61,900	39.35	75,852	(Note 4)
	Greenvines Biotech Co., Ltd.	-	Financial assets measured at cost	136,363	12,000	13.11	17,700	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	15,833	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	1.65	10,136	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	4.22	35,169	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	4,301	
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	30,544	
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	0.69	16,422	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	428,928	1,759	1.02	756	
	Derbysoft Holdings Limited-preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	45.78	276,455	(Note 4)
	Derbysoft Holdings Limited-preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	9.26	45,847	(Note 4)
	Cvie Therapeutics Company Limited	-	Financial assets measured at cost	560,000	21,708	4.15	39,337	
	Regal Holding Co., Ltd.	-	Financial assets measured at cost	2,200,000	182,600	6.49	268,400	
	Handa Pharmaceuticals Inc. - preferred stock	-	Financial assets measured at cost	2,850,000	91,200	2.73	299,250	
	Sum Max Tech. Limited	-	Financial assets measured at cost	2,340,000	108,000	14.52	226,980	
	iCHEF Co., Ltd. - preferred stock	-	Financial assets measured at cost	11,167,513	73,874	40.74	78,786	(Note 4)
	FUNP Co., Ltd. - preferred stock	-	Financial assets measured at cost	400,000	48,283	20.00	58,093	(Note 4)
	Fuiser Inc. - preferred stock	-	Financial assets measured at cost	878,029	48,585	100.00	40,503	(Note 4)
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	16,139	2.46	16,139	(Note 4)
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	650,000,000	2,435,332	100.00	2,435,332	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				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>Option</u> CBA Sports International Limited	-	Financial assets measured at cost	-	\$ 142,819	-	\$ 159,079	
	<u>Convertible (exchangeable) corporate bond</u> Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	158,126	-	76,638	
	<u>Stocks</u> CPEC Huakai Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	HK\$ 17,262	70.00	HK\$ 17,262	
	<u>Fund</u> CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership) CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate Associate	Investments accounted for using the equity method Investments accounted for using the equity method	- -	HK\$ 272,045 HK\$ 226,654	- -	HK\$ 272,045 HK\$ 226,654	
CPEC Huakai Private Equity (Fujian) Co., Ltd.	<u>Stocks</u> CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	RMB 2,460	20.00	RMB 2,460	
CDIB Capital Investment I Limited	<u>Stocks</u> Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US\$ 80	100.00	US\$ 80	
	Da Chan Food (Asia) Ltd.	-	Available-for-sale financial assets	48,210,000	US\$ 4,538	4.74	US\$ 4,538	
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	24,298,000	US\$ 736	1.59	US\$ 736	
	CCAP Best Logistics Holdings Limited	-	Available-for-sale financial assets	1,000	US\$ 4,661	11.11	US\$ 4,661	
	BP SCI, LLC	-	Financial assets measured at cost	30,000	US\$ 3,000	18.61	US\$ 4,144	
	BP SCI, LLC - preferred stock	-	Financial assets measured at cost	12,000	US\$ 12,000	18.61	US\$ 16,575	(Note 4)
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US\$ 818	1.91	US\$ 1,062	(Note 4)
	Touch Media International Holdings - preferred stock - B	-	Financial assets measured at cost	8,097,973	US\$ 906	60.44	US\$ 23	(Note 4)
	Rock Mobile (Cayman) Co. - preferred stock - C	-	Financial assets measured at cost	840,336	US\$ 1,000	3.26	US\$ 530	(Note 4)
	Chewy, Inc.	-	Financial assets measured at cost	12,368	US\$ 11,699	2.17	US\$ 11,699	
	<u>Fund</u> CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US\$ 65,356	-	US\$ 65,356	
	Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 4,231	-	US\$ 1,284	
	Ripley Cable Holdings I, L.P.	-	Financial assets measured at cost	-	US\$ 540	-	US\$ 9,886	
	MSD Sports Partners, L.P.	-	Financial assets measured at cost	-	US\$ 8,060	-	US\$ 8,060	
	<u>Option</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US\$ 1,785	-	US\$ 12,849	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	-	US\$ 304	-	US\$ 304	
	<u>Convertible (exchangeable) corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd. Mestay Cayman Islands Limited	- -	Debt instruments with no active markets Debt instruments with no active markets	- -	US\$ 4,368 US\$ 4,696	- -	US\$ 4,023 US\$ 4,696	
<u>Corporate bond</u> Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	-	US\$ 6,398	-	US\$ 6,513		
Subicvest, Inc.	<u>Stocks</u> SPEC Protertices, Inc.	-	Financial assets measured at cost	242,683	PHP 2,590	3.44	PHP 2,590	
CDIB Capital Investment II Limited	<u>Stocks</u> Neo-neon Holdings Ltd.	-	Available-for-sale financial assets	14,000,000	US\$ 2,058	0.72	US\$ 2,058	
	Great Rich Technologies Limited	-	Available-for-sale financial assets	1,660,000	US\$ 6,218	2.46	US\$ 6,218	
	Indostar Capital	-	Financial assets measured at cost	992,674	US\$ 9,927	4.53	US\$ 19,423	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US\$ 9,923	9.37	US\$ 19,324	(Note 4)
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US\$ 2,733	0.89	US\$ 503	
	<u>Option</u> CBA Sports International Ltd.	-	Financial assets measured at cost	-	US\$ 4,867	-	US\$ 2,347	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Global Markets Limited	<u>Fund</u> Miare Asset Partners Private Equity Fund VII	-	Financial assets measured at cost		US\$ 4,232	-	US\$ 6,535	
	<u>Stocks</u> Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US\$ 6	0.28	US\$ 42	
	Sonics, Inc. - preferred stock-B	-	Financial assets measured at cost	114,359	US\$ 333	14.74	US\$ 446	(Note 4)
	Microfabrica, Inc. - Preferred Series B	-	Financial assets measured at cost	13,091	US\$ 27	0.12	US\$ 22	(Note 4)
	Microfabrica, Inc. - Preferred Series AC	-	Financial assets measured at cost	7,749	US\$ 13	0.48	US\$ 13	(Note 4)
	Optoplex Corporation - preferred stock-A	-	Financial assets measured at cost	7,956	US\$ 23	0.42	US\$ 4	(Note 4)
	Optoplex Corporation - preferred stock-B	-	Financial assets measured at cost	20,602	US\$ 31	0.75	US\$ 10	(Note 4)
	Optoplex Corporation - common stock	-	Financial assets measured at cost	55	US\$ -	-	US\$ -	
	GoPro Inc.	-	Available-for-sale financial assets	51,878	US\$ 452	0.04	US\$ 452	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	834	US\$ 19,980	39.94	US\$ 33,590	(Note 4)
	<u>Fund</u> Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US\$ 5,460	-	US\$ 4,611	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US\$ 3,523	-	US\$ 3,265	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 7,475	-	US\$ 6,807	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US\$ 12,476	-	US\$ 3,119	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 7,002	-	US\$ 7,811	
	Tenaya Capital VI, L.P.	-	Financial assets measured at cost	-	US\$ 6,143	-	US\$ 6,006	
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US\$ 21,000	-	US\$ 11,197	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US\$ 8,351	-	US\$ 10,580	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 6,620	-	US\$ 7,920	
	Riverwood Capital Partners, L.P.	-	Financial assets measured at cost	-	US\$ 6,954	-	US\$ 7,870	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US\$ 6,727	-	US\$ 8,480	
	Sino-Century China Private Equity II L.P.	-	Financial assets measured at cost	-	US\$ 520	-	US\$ 384	
	KKR Asian Fund II L.P.	-	Financial assets measured at cost	-	US\$ 4,235	-	US\$ 6,246	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US\$ 14,773	-	US\$ 63,121	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US\$ 4,067	-	US\$ 4,559	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US\$ 2,383	-	US\$ 6,149	
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US\$ 11,408	-	US\$ 11,716	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 4,077	-	US\$ 4,557	
	Riverwood Capital Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 5,924	-	US\$ 5,421	
	Huaxing Capital Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 3,688	-	US\$ 3,783	
	THL Equity Fund VI Investors (Ceridian), L.P.	-	Financial assets measured at cost	-	US\$ 5,006	-	US\$ 7,950	
	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\$ 6,151	100.00	US\$ 6,151
CDIB Capital International (Korea) Corporation		Subsidiary	Investments accounted for using the equity method	1,848,000	US\$ 5,364	100.00	US\$ 5,364	
CDIB Capital International (USA) Corporation		Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 1,581	100.00	US\$ 1,581	
CDIB Capital Asia Partners Limited		Subsidiary	Investments accounted for using the equity method	-	US\$ (45)	100.00	US\$ (45)	
China Development Asset Management Corp.	<u>Stocks</u> Development Industrial Bank Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	2,000,000	112,598	100.00	112,598	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,530,059	100.00	2,530,059	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	198,529	100.00	198,529	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	46,031	12.25	46,093	
	Waterland Securities Co., Ltd.	-	Financial assets measured at cost	9,748,769	8,672	1.07	106,551	
CDIB Management Consulting Corp.	<u>Stocks</u> CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	619,862	76.04	619,862	
	CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	426,521	100.00	426,521	
CDC Finance & Leasing Corp.	<u>Stocks</u> Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	736	19.00	736	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2016				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
Global Securities Finance Corporation	<u>Stocks</u>							
	Chunghwa Telecom Co., Ltd.	-	Available-for-sale financial assets- noncurrent	950,000	\$ 96,425	-	\$ 96,425	
	Fubon Financial Holding Co., Ltd. - preferred stock	-	Available-for-sale financial assets- noncurrent	500,000	30,950	-	30,950	
	Taiwan Mobile Co., Ltd.	-	Available-for-sale financial assets- noncurrent	150,000	15,600	-	15,600	
	Honpang Venture Capital Corp.	-	Financial assets measured at cost- noncurrent	751,000	415	6.25	1,483	
	<u>Operating securities</u>							
	KGI Economic Moat TWD	The fund manage by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	180,000	2,029	-	2,029	
	KGI Silver Age TWD	The fund manage by KGI Securities Investment Trust Co., Ltd.	Financial assets at fair value through profit or loss	3,000,000	29,580	-	29,580	
	<u>Bank debentures</u>							
	Bank SinoPac Third Subordinated Bank Debentures issued in 2011	-	Other financial assets	150,000,000	151,157	-	151,096	
	E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	-	Other financial assets	50,000,000	50,000	-	50,190	
	Sunny Bank Second Subordinated Bank Debentures issued in 2015	-	Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
	Hwatai Commercial Bank 2nd Subordinate Financial Debentures issue in 2015	-	Held-to-maturity financial assets	100,000,000	100,000	-	99,999	
	<u>Bond</u>							
	A05113	-	Other financial assets	100,000,000	99,426	-	98,559	

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, 2016. 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: No securities were treated as collaterals or warrants.

Note 6: 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 PAID-IN CAPITAL)
FOR THE YEAR ENDED DECEMBER 31, 2016
(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				Ending Balance	
					Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Shares/Face Value/Units	Amount	Carrying Value	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Company	Stock KGI Securities	Investment accounted for using the equity method	-	-	3,798,812,320	\$ 56,955,321	-	\$ -	300,000,000	\$ -	\$ 1,386,543 (Note 1)	\$ -	3,498,812,320	\$ 55,568,778
CDIB Capital Group	Stock CDIB Venture Capital Corporation	Investment accounted for using the equity method	-	-	822,790,915	7,754,037	100,000,000	1,110,658 (Note 2)	-	-	-	-	922,790,915	8,864,695
	China Development Asset Management Corp.	Investment accounted for using the equity method	-	-	400,000,000	4,509,009	-	-	200,000,000	-	2,112,054 (Note 3)	-	200,000,000	2,396,955
	CDIB Capital Management Corporation	Investment accounted for using the equity method	-	-	73,093,889	989,009	-	-	40,000,000	-	387,081 (Note 4)	-	33,093,889	601,928
	Transcend Information Inc.	Available-for-sale financial assets	-	-	5,314,287	274,322	-	-	4,860,287	447,557	250,887	196,670	454,000	23,435 (Note 5)
	JHL Biotech, Inc.	Financial assets measured at cost	-	-	23,915,844	413,228	-	-	11,021,000	765,397	190,425	574,972	12,894,844	222,803
China Development Asset Management Corp.	Stock Development Industrial Bank Asset Management Corp.	Investment accounted for using the equity method	-	-	120,000,000	1,389,860	-	-	118,000,000	-	1,277,262 (Note 6)	-	2,000,000	112,598
	Chung Hwa Growth 3 Asset Management Corp.	Investment accounted for using the equity method	-	-	300,000,000	3,347,955	-	-	74,000,000	-	817,896 (Note 7)	-	226,000,000	2,530,059
CDIB Venture Capital Corporation	Stock CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	420,000,000	1,582,533	230,000,000	852,799 (Note 8)	-	-	-	-	650,000,000	2,435,332
CDIB Venture Capital (Hong Kong) Corporation Limited	Fund CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK\$ 152,034	-	HK\$ 120,011 (Note 9)	-	-	-	-	-	HK\$ 272,045
	CPEC Huachuang Private Equity (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK\$ 136,235	-	HK\$ 90,419 (Note 10)	-	-	-	-	-	HK\$ 226,654
CDIB Capital Investment I Limited	Fund Calera XV, LLC	Financial assets measured at cost	-	-	-	US\$ 15,173	-	US\$ 84	-	US\$ 23,262	US\$ 15,257	US\$ 8,005	-	-
	CDIB Capital Asia Partner Fund	Investment accounted for using the equity method	-	-	-	US\$ 39,745	-	US\$ 25,611 (Note 11)	-	-	-	-	-	US\$ 65,356
	Stock B&M Holdings, Inc.	Financial assets measured at cost	-	-	199,999	US\$ 8,828	-	-	199,999	US\$ 10,000	US\$ 8,828	US\$ 1,172	-	-
	Chewy, Inc.	Financial assets measured at cost	-	-	-	-	12,368	US\$ 11,699	-	-	-	-	12,368	US\$ 11,699
CDIB Capital Investment II Limited	Bond Mirae Asset PEF VII - Fund	Financial assets measured at cost	-	-	-	US\$ 19,971	-	-	-	US\$ 15,739	US\$ 15,739	-	-	US\$ 4,232
	Sungjoo Design Tech & Distribution Inc.	Debt instruments with no active markets/financial assets measured at cost	-	-	3,334	US\$ 13,379	-	-	3,334	US\$ 20,431 (Note 12)	US\$ 13,379	US\$ 7,052	-	-

Note 1: Consists of reduction of the Corporation capital of \$3,000,000 thousand, cash dividends of \$1,626,449 thousand, exchange loss on translating foreign operations of \$352,564 thousand, investment gain \$1,932,930 thousand, unrealized gain on available-for-sale financial assets of \$1,542,006 thousand, additional paid-in capital increase \$4,399 thousand and other adjustment \$113,135 thousand.

Note 2: Consists of \$1,000,000 thousand from new issue, cash dividends of \$40,676 thousand, exchange loss on translating foreign operations of \$180,880 thousand, investment gain \$145,723 thousand and unrealized gain on available-for-sale financial assets of \$186,491 thousand.

Note 3: Consists of reduction of the Corporation's capital of \$2,000,000 thousand, cash dividends of \$196,937 thousand, actuarial gain on defined benefit plans of \$1,276 thousand, investment gain \$83,569 thousand and additional paid-in capital increase \$38 thousand.

(Continued)

Note 4: Consists of reduction of the Corporation's capital of \$400,000 thousand, cash dividends of \$74,689 thousand, actuarial gain on defined benefit plans of \$621 thousand, investment gain \$57,648 thousand, exchange loss on translating foreign operations of \$19,978 thousand, unrealized gain on available-for-sale financial assets of \$24,981 thousand and additional paid-in capital increase \$24,336 thousand.

Note 5: Cost of the initial investment.

Note 6: Consists of reduction of the Corporation's capital of \$1,180,000 thousand, cash dividends of \$11,409 thousand, cash dividends granted by legal reserve of \$90,000 thousand and investment gain \$4,147 thousand.

Note 7: Consists of reduction of the Corporation's capital of \$740,000 thousand, cash dividends of \$167,713 thousand and investment gain \$89,817 thousand.

Note 8: Consists of \$972,000 thousand from new issue, exchange loss on translating foreign operations of \$180,880 thousand and investment gain \$61,679 thousand.

Note 9: Consists of HK\$122,451 thousand from new issue, exchange loss on translating foreign operations of HK\$17,826 thousand and investment gain HK\$15,386 thousand.

Note 10: Consists of HK\$102,560 thousand from new issue, exchange loss on translating foreign operations of HK\$12,768 thousand and investment gain HK\$627 thousand.

Note 11: Consists of US\$29,983 thousand from new issue, and investment loss US\$4,372 thousand.

Note 12: The total amount of the transaction in this case was KRW26.5 billion - KRW31.3 billion and the amount for which issuer appealed was KRW23 billion recognized temporarily as the gain on disposal of investment. The income will be adjusted by court's final judgment.

Note 13: 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, 2016

(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		
CDIB Capital Group	The Corporation	Parent company	\$ 461,986	-	\$ -	-	\$ -	\$ -
The Corporation	CDIB Capital Group	Subsidiary	386,864	-	-	-	-	-
	KGI Bank	Subsidiary	379,060	-	-	-	-	-

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, 2016
 (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	
The Corporation	CDIB Capital Group	Taiwan	Industrial bank	100.00	\$ 69,863,440	\$ 1,459,611	2,060,399,410	-	2,060,399,410	100.00	
	KGI Securities	Taiwan	Financial service	100.00	55,568,778	1,932,930	3,498,812,320	-	3,498,812,320	100.00	
	KGI Bank	Taiwan	Commercial bank	100.00	60,959,517	3,393,777	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:
- 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.
 - 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.
 - 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, 2016
(In Thousands of New Taiwan Dollars)**

1. Summary of sold nonperforming loans

Transaction Date	Counter Party	Type of Loans	Carrying Value (Note 1)	Selling Price	Disposal Gain (Loss) (Note 2)	Other Condition	Relationship of Counter-party with the Subsidiaries
2016.02.19	A	Unsecured loans	\$ 1,601	\$ 10,500	\$ 8,899	-	-
2016.02.19	B	Unsecured loans	864	1,500	636	-	-
2016.02.19	C	Real estate mortgages	3,071	3,684	613	-	-
2016.03.14	D	Real estate mortgages	1,479	2,100	621	-	-
2016.03.14	E	Real estate mortgages	-	300	300	-	-
2016.04.27	F	Real estate mortgages	9,080	13,500	4,420	-	-
2016.07.14	G	Real estate mortgages	-	10,000	10,000	-	-
2016.08.16	H	Real estate mortgages	2,512	2,750	238	-	-
2016.08.23	I	Real estate mortgages	39	7,000	6,961	-	-

Note 1: Carrying value = Original amount - Allowance for bad debts

Note 2: Disposal gain (loss) is including the gain on reversal of allowance for bad debts.

2. Sale of nonperforming loans exceeding NT\$1 billion (excluding related-party transactions): For the Group: None.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

SUBSIDIARIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2016

Consolidated entities

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2016	December 31, 2015	
The Corporation	CDIB Capital Group KGI Securities KGI Bank	Industrial bank Financial service Commercial bank	100.00 100.00 100.00	100.00 100.00 100.00	
CDIB Capital Group	CDIB Capital Management Corporation CDIB Venture Capital Corporation China Development Asset Management Corp. CDIB Global Markets I Limited CDIB Global Markets Limited (formerly named CDIB Global Markets II Limited) CDIB Global Markets III Limited CDIB Capital Investment I Limited CDIB Capital Investment II Limited CDIB Capital International Corporation	Management company of venture fund Venture fund Trading and management of nonperforming loans of financial institutions Venture fund Venture fund Venture fund Venture fund Venture fund Management company of venture fund	100.00 100.00 100.00 - 100.00 - 100.00 100.00 100.00 100.00	100.00 100.00 100.00 100.00 100.00 100.00 100.00 100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp. Chung Hwa Growth 3 Asset Management Corp. Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions Trading and management of nonperforming loans of financial institutions Trading and management of nonperforming loans of financial institutions	100.00 100.00 100.00	100.00 100.00 100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited CDIB Capital International (USA) Corporation CDIB Capital International (Korea) Corporation CDIB Capital Asia Partners Limited	Management company of venture fund Management company of venture fund Management company of venture fund Management of private equity fund	100.00 100.00 100.00 100.00	100.00 100.00 100.00 100.00	(Note 1)
CDIB Venture Capital Corporation	CDIB Venture Capital (Hong Kong) Corporation Limited	Venture fund	100.00	100.00	
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 Management and consulting Management and consulting	- 70.00 -	100.00 70.00 56.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2016	December 31, 2015	
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	CDIB Private Equity (Hong Kong) Corporation Limited CDIB Innovative Advisors Corporation Limited	Management and consulting Management and consulting	100.00 60.00	100.00 60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership) CDIB Private Equity Management Corporation CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting Management and consulting Management and consulting	4.33 100.00 56.00	4.53 - -	
CDIB Private Equity Management Corporation	CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	Management and consulting	65.00	-	
CPEC Huachuang Private Equity (Kunshan) Co, Ltd.	CPEC Huachuang Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	93.34	93.02	
KGI Securities	Richpoint Company Limited KGI Securities Investment Advisory Co., Ltd. KGI Insurance Brokers Co., Ltd. KGI Venture Capital Co., Ltd. KGI Securities Investment Trust Co., Ltd. KGI Futures Co., Ltd. Global Securities Finance Corporation	Investment holdings Security investment consulting Life/property insurance brokers Venture capital Nominee services, discretionary investment services Futures investment services Stock loans and financing purchase of securities	100.00 100.00 100.00 100.00 99.99 99.61 21.99	100.00 100.00 100.00 100.00 99.99 99.61 21.99	(Note 2)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	100.00	-	(Note 3)
Richpoint Company Limited	KG Investments Holdings Limited KGI Investment Advisory (Shanghai) Co., Ltd.	Investment holdings Investment and consulting service	100.00 100.00	100.00 100.00	
KG Investments Holdings Limited	KGI International Holdings Limited ANEW Holdings Limited	Investment holdings Investment holdings	100.00 100.00	100.00 100.00	
KGI International Holdings Limited	KG Investments Asset Management (International) Limited KGI Limited Supersonic Services Inc. KGI International Limited Bauhinia 88 Ltd.	Investment services Investment holdings Investment holdings Investment holdings Investment holdings	100.00 100.00 100.00 100.00 100.00	100.00 100.00 100.00 100.00 100.00	
ANEW Holdings Limited	KGI Capital (Hong Kong) Limited	Securities investment	-	100.00	
KGI Limited	KGI Securities (Hong Kong) Limited KGI Futures (Hong Kong) Limited Global Treasure Investments Limited KGI Investments Management Limited	Securities investment Futures and options investment and settlement services Investment services Insurance brokerage	100.00 100.00 100.00 100.00	100.00 100.00 100.00 100.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2016	December 31, 2015	
	KGI International Finance Limited	Investment and financing services	100.00	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	
	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	100.00	
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	
Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00	
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	(Note 4)
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	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	-	(Note 5)
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	100.00	
KGI Asia (Holdings) Pte. Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	Futures investment and foreign - currency services	100.00	100.00	
	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	
KGI Bank	Cosmos Insurance Brokers Co., Ltd.	Life and property insurance Brokers	-	100.00	
	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	

Note 1: CDIB Capital Asia Partners Limited conducted registration of establishment on March 21, 2014, however, CDIB Capital International Corporation had not invested any capital as of December 31, 2016.

Note 2: KGI Securities 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 3: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016, however, KGI Information Technology Co., Ltd. had not invested any capital as of December 31, 2016.

Note 4: KGI Capital (Singapore) Pte. Ltd. has been suspended operations.

Note 5: KGI Capital Asia Limited invested by KGI Securities, Acquired PT KGI Securities Indonesia, which was approved by authorities of Taiwan and Indonesia and completed the acquisition on August 31, 2016. PT KGI Securities Indonesia was renamed PT KGI Sekuritas Indonesia, which was approved by No. Financial-Supervisory-Securities-Firms-1050005075 on February 25, 2016, and has been incorporated into the consolidated financial statements of the Company since 2016.

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2016	December 31, 2015	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	As of December 31, 2016, CDIB Capital Group's investment in CDIB Biotech USA Investment Co., Ltd. of CDIB Capital Group had amounted to \$0 thousand; CDIB Biotech USA Investment Co., Ltd. was appropated 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.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	100.00	100.00	As of December 31, 2016, CDIB Capital Investment I Limited's investment in Subicvest Inc. of CDIB Capital Investment I Limited had amounted to US\$80 thousand; Subicvest Inc. was appropated to liquidate by the Board of Director on May 24, 2016, therefore, Subicvest was not included in the consolidated financial statement.
KGI Securities	Grand Cathay Holding Limited	Holding company	-	-	Grand Cathay Holding Limited was appropated to liquidate by the board of directors on December 27, 2013, therefore, Grand Cathy Holding Limited was not included in the consolidated financial statement.

(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, 2016****(In Millions of New Taiwan Dollars; %)**The Corporation

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
1. The same customer		
Ministry of Finance, R.O.C.	\$ 111,656	68.30
KG Investment Holdings Limited	12,208	7.47
United States of America	9,660	5.91
Taipower Corporation	8,251	5.05
Bank of America Corp.	6,740	4.12
CHAILEASE	5,652	3.46
CDIB & Partners Investment Holding Corporation	4,994	3.05
Mizuho Bank, Ltd.	4,891	2.99
China Life Insurance Company Limited	4,644	2.84
Citi Group Inc.	4,440	2.72
JP Morgan Chase & Co	4,027	2.46
Bank of Jiangsu Co., Ltd.	3,236	1.98
Sumitomo Mitsui Banking Corporation	3,191	1.95
Qisda Corporation	3,051	1.87
Total	\$ 186,641	114.16
2. The same group		
Far Eastern Group	\$ 9,803	6.00
BenQ Group	6,802	4.16
Foxconn Technology Group	4,969	3.04
Qsan Technology Group	4,182	2.56
Evergreen Group	4,038	2.47
YFY Group	3,424	2.09
Ju Teng Group	3,228	1.97
Total	\$ 36,446	22.29

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015 (In Thousands of New Taiwan Dollars)

The Corporation

1. Balance sheets

	(In Thousands of New Taiwan Dollars)	
	<u>December 31</u>	
Assets	2016	2015
Cash and cash equivalents	\$ 1,357,441	\$ 2,665,707
Available-for-sale financial assets	1,199,734	1,226,972
Receivables, net	115	139
Current tax assets	1,436,182	1,438,314
Investments accounted for using the equity method, net	186,391,735	186,684,329
Other financial assets	300	300
Property and equipment, net	9,906	10,094
Other assets, net	<u>541,742</u>	<u>540,719</u>
Total	<u>\$ 190,937,155</u>	<u>\$ 192,566,574</u>
Liabilities and Equity		
Commercial paper payable	\$ 3,999,774	\$ 5,099,745
Payables	554,345	649,830
Current tax liabilities	857,328	1,021,390
Bonds payable	18,000,000	18,000,000
Other borrowings	3,999,892	2,599,847
Provisions	37,290	31,627
Other liabilities	409	309
Total liabilities	<u>27,449,038</u>	<u>27,402,748</u>
Equity		
Capital		
Common stock	149,744,203	151,124,071
Advance receipts for capital stock	10	1,370
Capital surplus	1,104,521	654,803
Retained earnings		
Legal reserve	5,014,298	4,161,475
Special reserve	3,228,296	765,041
Unappropriated earnings	8,556,188	13,580,644
Other		
Exchange differences on translation of foreign financial statements	494,377	1,741,670
Unrealized losses on available-for-sale financial assets	(2,255,818)	(4,456,314)
Others	(21,211)	(32,187)
Treasury shares	<u>(2,376,747)</u>	<u>(2,376,747)</u>
Total equity	<u>163,488,117</u>	<u>165,163,826</u>
Total	<u>\$ 190,937,155</u>	<u>\$ 192,566,574</u>

(Continued)

2. Statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>For the Year Ended December 31</u>	
	2016	2015
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	\$ 6,787,470	\$ 9,590,588
Others	<u>68,441</u>	<u>79,871</u>
Total revenues	<u>6,855,911</u>	<u>9,670,459</u>
EXPENSES AND LOSSES		
Operating expenses	(807,444)	(790,869)
Others	<u>(304,713)</u>	<u>(345,682)</u>
Total expenses and losses	<u>(1,112,157)</u>	<u>(1,136,551)</u>
NET PROFIT BEFORE INCOME TAX	5,743,754	8,533,908
INCOME TAX BENEFIT (EXPENSE)	<u>179,327</u>	<u>(5,677)</u>
NET PROFIT FOR THE YEAR	<u>5,923,081</u>	<u>8,528,231</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	(3,323)	(5,241)
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	(146,266)	(454,637)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	9,506	64,960
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized loss on available-for-sale financial assets	(27,239)	(66,858)
Unrealized gain on cash flow hedges	-	20,659
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	984,232	(2,670,380)
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>(3,790)</u>	<u>(855)</u>
Other comprehensive income (loss) for the year, net of income tax	<u>813,120</u>	<u>(3,112,352)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 6,736,201</u>	<u>\$ 5,415,879</u>
BASIC EARNINGS PER SHARE	<u>\$0.40</u>	<u>\$0.58</u>
DILUTED EARNINGS PER SHARE	<u>\$0.40</u>	<u>\$0.57</u>

(Continued)

3. Statements of changes in equity

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Capital			Retained Earnings			Other Equity					Total Equity
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	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, 2015	\$ 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 2014 earnings												
Legal reserve	-	-	-	1,083,622	-	(1,083,622)	-	-	-	-	-	-
Cash dividends - NTS0.6 per share	-	-	-	-	-	(9,098,673)	-	-	-	-	-	(9,098,673)
Reversal of special reserve	-	-	-	-	(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 stock	(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
Appropriation of 2015 earnings												
Legal reserve	-	-	-	852,823	-	(852,823)	-	-	-	-	-	-
Special reserve	-	-	-	-	2,463,255	(2,463,255)	-	-	-	-	-	-
Cash dividends - NTS0.5 per share	-	-	-	-	-	(7,487,006)	-	-	-	-	-	(7,487,006)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	-	(7,487,006)
Other change in change in capital surplus	-	-	161,616	-	-	-	-	-	-	-	-	161,616
Net profit for the year ended December 31, 2016	-	-	-	-	-	5,923,081	-	-	-	-	-	5,923,081
Other comprehensive income (loss) for the year ended December 31, 2016, net of income tax	-	-	-	-	-	(140,083)	(1,247,293)	2,200,496	-	-	-	813,120
Total comprehensive income (loss) for the year ended December 31, 2016	-	-	-	-	-	5,782,998	(1,247,293)	2,200,496	-	-	-	6,736,201
Buyback of ordinary shares	-	-	-	-	-	-	-	-	-	-	(1,150,440)	(1,150,440)
Cancellation of treasury shares	(1,430,100)	-	279,660	-	-	-	-	-	-	-	1,150,440	-
Share-based payments	50,232	(1,360)	8,442	-	-	(4,370)	-	-	-	10,976	-	63,920
BALANCE AT DECEMBER 31, 2016	\$ 149,744,203	\$ 10	\$ 1,104,521	\$ 5,014,298	\$ 3,228,296	\$ 8,556,188	\$ 494,377	\$ (2,255,818)	\$ -	\$ (21,211)	\$ (2,376,747)	\$ 163,488,117

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 5,743,754	\$ 8,533,908
Adjustments for:		
Depreciation and amortization expenses	4,840	4,806
Interest expense	287,220	319,590
Interest income	(6,968)	(2,426)
Dividend income	(60,668)	(74,287)
Share-based payment compensation cost	52,166	63,489
Share of profit of subsidiaries, associates and joint ventures	(6,786,318)	(9,589,436)
Others	46	477
Changes in operating assets and liabilities		
Other assets	289,591	2,387
Payables	(475,375)	(292,287)
Provision	2,341	2,224
Other liabilities	100	100
Dividend received	5,153,844	10,131,808
Interest paid	(290,128)	(378,380)
Interest received	6,968	2,426
Income tax returned (paid)	<u>108,423</u>	<u>(100,033)</u>
Net cash generated from operating activities	<u>4,029,836</u>	<u>8,624,366</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	-	(38,000,000)
Proceeds of capital return on investments accounted for using the equity method	3,000,000	36,000,000
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	-	4,000,000
Acquisition of property and equipment	<u>(3,519)</u>	<u>(1,999)</u>
Net cash generated from investing activities	<u>2,996,481</u>	<u>1,998,001</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	(1,099,971)	2,099,876
Proceeds from issue of corporate bonds	-	8,000,000
Repayments of corporate bonds	-	(8,000,000)
Increase (decrease) in other borrowings	1,400,045	(999,726)
Cash dividend paid	(7,487,006)	(9,098,673)
Exercise of employee share options	2,789	44,097
Buyback of ordinary shares	<u>(1,150,440)</u>	<u>(1,461,046)</u>
Net cash used in financing activities	<u>(8,334,583)</u>	<u>(9,415,472)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,308,266)	1,206,895
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,665,707</u>	<u>1,458,812</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,357,441</u>	<u>\$ 2,665,707</u>

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2016	2015
Cash and cash equivalents	\$ 19,781,653	\$ 12,674,958
Financial assets at fair value through profit or loss	108,740	111,208
Receivables, net	30,892	483,174
Current tax assets	461,986	690,918
Available-for-sale financial assets	6,673,803	7,163,974
Investments accounted for using the equity method, net	34,674,783	39,227,506
Restricted assets	304,111	298,982
Financial assets measured at cost	7,382,411	8,256,971
Other financial assets	358,439	358,439
Property and equipment, net	1,221,722	1,193,686
Investment property, net	568,005	649,142
Other assets, net	<u>52,388</u>	<u>69,236</u>
Total assets	<u>\$ 71,618,933</u>	<u>\$ 71,178,194</u>
Payables	\$ 367,323	\$ 444,989
Current tax liabilities	386,864	348,635
Other financial liabilities	386,632	396,059
Provisions	162,245	156,440
Deferred tax liabilities	241,555	241,555
Other liabilities	<u>41,172</u>	<u>38,271</u>
Total liabilities	<u>1,585,791</u>	<u>1,625,949</u>
Common stock	20,603,994	20,603,994
Capital surplus	24,703,001	24,700,436
Retained earnings	27,592,053	27,800,173
Exchange differences on translation of foreign financial statements	(98,320)	657,557
Unrealized losses on available-for-sale financial assets	<u>(2,767,586)</u>	<u>(4,209,915)</u>
Total equity	<u>70,033,142</u>	<u>69,552,245</u>
Total liabilities and equity	<u>\$ 71,618,933</u>	<u>\$ 71,178,194</u>

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2016	2015
Interest revenue	\$ 67,464	\$ 2,048,507
Interest expense	<u>(304)</u>	<u>(883,910)</u>
Interest profit, net	67,160	1,164,597
Noninterest profits and gains, net	<u>2,044,269</u>	<u>4,730,747</u>
Total net revenues	2,111,429	5,895,344
Reversal of allowance for bad debts and losses on guarantees, net	-	109,591
Operating expenses	<u>(560,829)</u>	<u>(1,239,611)</u>
Net profit before income tax	1,550,600	4,765,324
Income tax benefit (expense)	<u>(82,705)</u>	<u>107,171</u>
Net profit for the year	1,467,895	4,872,495
Other comprehensive income (loss) for the year, net of income tax	<u>675,342</u>	<u>(3,101,537)</u>
Total comprehensive income for the year	<u>\$ 2,143,237</u>	<u>\$ 1,770,958</u>
Basic earnings per share	<u>\$0.71</u>	<u>\$1.49</u>

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2016	2015
Current assets	\$ 140,174,696	\$ 135,469,806
Noncurrent assets	<u>35,049,534</u>	<u>36,468,292</u>
Total assets	<u>\$ 175,224,230</u>	<u>\$ 171,938,098</u>
Current liabilities	\$ 106,141,192	\$ 101,850,410
Noncurrent liabilities	<u>8,838,991</u>	<u>8,804,980</u>
Total liabilities	<u>114,980,183</u>	<u>110,655,390</u>
Common stock	34,988,123	37,988,123
Capital surplus	8,644,122	8,639,723
Retained earnings	14,356,868	13,534,139
Others	<u>2,254,934</u>	<u>1,120,723</u>
Total equity	<u>60,244,047</u>	<u>61,282,708</u>
Total liabilities and equity	<u>\$ 175,224,230</u>	<u>\$ 171,938,098</u>

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	For the Year Ended December 31	
	2016	2015
Operating revenues	\$ 9,825,639	\$ 8,822,805
Operating expenses	<u>(7,822,997)</u>	<u>(8,467,453)</u>
Profit from operations	<u>2,002,642</u>	<u>355,352</u>
Share of profit (loss) of subsidiaries, associates and joint ventures	(53,362)	1,215,914
Other income and loss	<u>662,704</u>	<u>1,116,956</u>
Total non-operating income or loss	<u>609,342</u>	<u>2,332,870</u>
Net profit before income tax	2,611,984	2,688,222
Income tax expense	<u>(128,438)</u>	<u>(135,811)</u>
Net profit for the year	2,483,546	2,552,411
Other comprehensive income (loss)	<u>1,099,844</u>	<u>(56,648)</u>
Total comprehensive income for the year	<u>\$ 3,583,390</u>	<u>\$ 2,495,763</u>
Basic earnings per share	<u>\$0.68</u>	<u>\$0.67</u>

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2016	2015 (After Restated)
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 78,234,125	\$ 94,801,809
Financial assets at fair value through profit or loss	97,833,395	79,062,398
Securities purchased under resell agreements	795,850	36,176,824
Receivables, net	23,040,675	34,359,108
Current tax assets	-	31,273
Assets held for sale, net	12,290	-
Discount and loans, net	252,376,992	217,780,328
Available-for-sale financial assets	88,722,046	55,238,628
Investments accounted for using the equity method, net	1,823,461	2,081,685
Other financial assets, net	3,882,514	267,404
Property and equipment, net	5,536,616	5,641,055
Investment property, net	712,146	600,574
Deferred tax assets	4,302,232	4,922,153
Other assets, net	<u>8,535,898</u>	<u>8,574,700</u>
Total assets	<u>\$ 565,808,240</u>	<u>\$ 539,537,939</u>
Deposits from the Central Bank and banks	\$ 30,917,374	\$ 9,561,475
Financial liabilities at fair value through profit or loss	39,408,142	26,184,655
Notes and bonds issued under repurchase agreements	62,138,314	61,010,030
Payables	4,087,128	4,199,248
Current tax liabilities	379,060	187,682
Deposits and remittances	343,497,464	354,189,588
Bank debentures payable	2,684,236	2,612,172
Principal received on structured notes	21,875,414	22,300,825
Other financial liabilities	877	4,792
Provisions	220,615	358,360
Deferred tax liabilities	78,585	58,580
Other liabilities	<u>1,795,742</u>	<u>1,185,992</u>
Total liabilities	<u>507,082,951</u>	<u>481,853,399</u>
Common stock	46,061,623	46,061,623
Capital surplus	7,249,280	7,247,278
Retained earnings	6,719,227	4,785,309
Others	<u>(1,304,841)</u>	<u>(409,670)</u>
Total equity	<u>58,725,289</u>	<u>57,684,540</u>
Total liabilities and equity	<u>\$ 565,808,240</u>	<u>\$ 539,537,939</u>

(Continued)

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<u>For the Year Ended December 31</u>	
	<u>2016</u>	<u>2015</u>
		(After Restated)
Interest revenue	\$ 8,721,110	\$ 10,728,523
Interest expense	<u>(3,197,731)</u>	<u>(3,725,154)</u>
Interest profit, net	5,523,379	7,003,369
Noninterest profits and gains, net	<u>4,721,647</u>	<u>3,440,193</u>
Total net revenues	10,245,026	10,443,562
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	37,498	692,262
Operating expenses	<u>(5,485,672)</u>	<u>(5,268,622)</u>
Net profit before income tax	4,796,852	5,867,202
Income tax expense	<u>(969,829)</u>	<u>(683,817)</u>
Net profit for the year	3,827,023	5,183,385
Other comprehensive income (loss) for the year net of income tax	<u>(986,455)</u>	<u>(594,152)</u>
Total comprehensive income for the year	<u>\$ 2,840,568</u>	<u>\$ 4,589,233</u>
Net profit attributable to		
Owners of the parent company	\$ 3,827,023	\$ 4,017,475
Prior interest under common control	<u>-</u>	<u>1,165,910</u>
	<u>\$ 3,827,023</u>	<u>\$ 5,183,385</u>
Total comprehensive income attributed to		
Owners of the parent company	\$ 2,840,568	\$ 2,607,484
Prior interest under common control	<u>-</u>	<u>1,981,749</u>
	<u>\$ 2,840,568</u>	<u>\$ 4,589,233</u>
Basic earnings per share	<u>\$0.83</u>	<u>\$1.13</u>

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2016
(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, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
China Healthcare Multi-services, Inc.	Third party medical services under emergency	RMB 41,192 thousand	Note 1,b,1)	US\$ 1,871 thousand	\$ -	US\$ 1,871 thousand	\$ -	(Note 3)	-	\$ -	\$ -	\$ -
China Peptides (Wuhan) Co., Ltd.	Sale and R&D protein drugs	US\$ 65,000 thousand	Note 1,b,2)	US\$ 2,988 thousand	US\$ 9,215 thousand	US\$ 2,988 thousand	US\$ 9,215 thousand	(Note 3)	-	-	-	-
JHL Biotech, Inc. (Wuhan)	R&D protein drugs	RMB 50,000 thousand	Note 1,b,2)	US\$ 734 thousand	-	US\$ 734 thousand	-	(Note 3)	-	-	-	-
Beauty Essential International Ltd.	Sale and R&D the cosmetic	US\$ 2,000 thousand	Note 1,b,3)	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,b,4)	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,b,4)	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,b,5)	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,b,6)	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,b,7)	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,b,8)	US\$ 1	-	-	US\$ 1	(Note 3)	6.75	-	-	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging	US\$ 87,070 thousand	Note 1,b,9)	US\$ 228 thousand	-	-	US\$ 228 thousand	(Note 3)	1.79	-	7,360	-
Touch Equipment Leasing (Shanghai) Co., Ltd.	Mobile interactive LCD equipment leasing	US\$ 8,000 thousand	Note 1,b,9)	US\$ 669 thousand	-	-	US\$ 669 thousand	(Note 3)	9.61	-	21,595	-
Touch Multimedia Technology (Shanghai) Co., Ltd.	Multimedia technology, network technology, computer software development, design production and sales	RMB 114,660 thousand	Note 1,b,9)	US\$ 1,080 thousand	-	-	US\$ 1,080 thousand	(Note 3)	9.61	-	34,861	-
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,b,10)	US\$ 182 thousand	-	-	US\$ 182 thousand	(Note 3)	5.00	-	5,875	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US\$ 25,000 thousand	Note 1,b,9)	US\$ 882 thousand	-	-	US\$ 882 thousand	(Note 3)	2.16	-	7,033	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service	US\$ 1,400 thousand	Note 1,b,9)	US\$ 33 thousand	\$ -	\$ -	US\$ 33 thousand	(Note 3)	2.16	\$ -	\$ 263	\$ -
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	RMB 104,222 thousand	Note 1,b,9)	RMB 1,016 thousand	-	-	RMB 1,016 thousand	(Note 3)	2.16	-	1,159	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale	US\$ 500 thousand	Note 1,b,9)	US\$ 42 thousand	-	-	US\$ 42 thousand	(Note 3)	2.16	-	332	-
CDIB Private Equity Management Corporation	Management and consulting	US\$ 7,000 thousand	Note 1,b,12)	US\$ 4,000 thousand	US\$ 3,000 thousand	-	US\$ 7,000 thousand	16,352	100.00	16,352	170,878	-
CPEC Huakai Private Equity (Fujian) Co., Ltd.	Management and consulting	RMB 10,000 thousand	Note 1,b,11)	RMB 7,000 thousand	-	-	RMB 7,000 thousand	19,312	70.00	13,518	71,848	-
CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	RMB 12,000 thousand	Note 1,b,11,12)	RMB 6,720 thousand	-	-	RMB 6,720 thousand	1,932	70.00	1,353	39,794	-
CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment	RMB 700,000 thousand	Note 1,b,11,12)	RMB 141,200 thousand	RMB 105,900 thousand	-	RMB 247,100 thousand	186,790	-	65,376	1,165,320	-
CPEC Huachuang Private Equity (Kunshan) Co., Ltd.	Management and consulting	RMB 7,000 thousand	Note 1,b,12)	RMB 4,550 thousand	-	-	RMB 4,550 thousand	14,737	65.00	9,579	31,397	-
CPEC Huachuang Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting	RMB 12,000 thousand	Note 1,b,12)	RMB 195 thousand	RMB 3,055 thousand	-	RMB 3,250 thousand	(100)	65.00	(65)	35,427	-
CPEC Huachuang Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment	RMB 700,000 thousand	Note 1,b,11,12)	RMB 121,400 thousand	RMB 91,050 thousand	-	RMB 212,450 thousand	8,560	-	2,568	960,603	-
Focus Multimedia Technology (Shanghai) Co., Ltd.	Multimedia network information systems software R&D; multimedia network engineering design consultancy; market research and intermediary service; sales of self-produced products	US\$ 38,000 thousand	Note 1,b,13)	US\$ 16,612 thousand	-	-	US\$ 16,612 thousand	(Note 3)	0.94	-	536,226	-
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,b,13)	US\$ 4,371 thousand	-	-	US\$ 4,371 thousand	(Note 3)	0.94	-	141,097	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
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,b,13)	US\$ 875 thousand	\$ -	\$ -	US\$ 875 thousand	(Note 3)	0.94	\$ -	\$ 28,234	\$ -
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent	US\$ 400 thousand	Note 1,b,13)	US\$ 174 thousand	-	-	US\$ 174 thousand	(Note 3)	0.94	-	5,618	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale	RMB 50,000 thousand	Note 1,b,14)	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,b,15)	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,b,16)	US\$ 337 thousand	-	-	US\$ 337 thousand	(Note 3)	13.48	-	10,076	-
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK\$ 313,432 thousand	Note 1,b,10,17)	US\$ 2,311 thousand	-	-	US\$ 2,311 thousand	(Note 3)	7.73	-	74,597	-
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories	HK\$ 195,686 thousand	Note 1,b,10,17)	US\$ 1,677 thousand	-	-	US\$ 1,677 thousand	(Note 3)	7.73	-	54,132	-
Stonehenge Industrial Holding Ltd.	Business in research, development and manufacture of electro optic technology, process on TFT-LCD optical, functional film material, and production and marketing of other plastic product	HK\$ 494,706 thousand	Note 1,b,9)	-	US\$ 1,485 thousand	-	US\$ 1,485 thousand	(Note 3)	4.05	-	11,835	-
Hangzhou Huatong Industries Inc.	Business in sofa manufacture and sale; slipcover and leather products; the clothing; fur products; plush products; toys sale and doing wholesale and import business in furniture	US\$ 32,000 thousand	Note 1,b,9,18)	-	US\$ 3,545 thousand	US\$ 343 thousand	US\$ 3,202 thousand	(Note 3)	1.66	-	105,678	11,074
Hangzhou Rilong Leather Co., Ltd.	Business in toys sale and doing wholesale and import business in furniture	US\$ 1,000 thousand	Note 1,b,9,18)	-	US\$ 10	-	US\$ 10	(Note 3)	1.72	-	-	-
Power Logic Tech. (DongGuan) Inc.	Production and sale of computer cooling fan, radiator, computer peripheral products, LED electric lamps, LED electric driver, computer multimedia speaker, plastic mold, plastic components	HK\$ 21,000 thousand	Note 1,b,19)	-	US\$ 2,590 thousand	-	US\$ 2,590 thousand	(Note 3)	14.52	-	82,879	-
Dongguan TaiYi Electronics Co., Ltd	Engaged in computer radiator, electronic products wholesale, commission agency (except auction), import and export and related business	RMB 3,000 thousand	Note 1,b,19)	-	US\$ 427 thousand	-	US\$ 427 thousand	(Note 3)	14.52	-	13,673	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2016	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2016 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2016	Accumulated Inward Remittance of Earnings as of December 31, 2016
					Outflow	Inflow						
Tutwo (Xiamen) Outdoor Co., Ltd.	Business in wholesale and retail of outdoor sports products, sporting goods, clothing, shoes and hats, wholesale, retail and manufacture of textile and hosiery, leather garments, leather manufacturing, retail of kitchenware and daily groceries	RMB 350,379 thousand	Note 1,b,20)	\$ -	US\$ 7,417 thousand	\$ -	US\$ 7,417 thousand	(Note 3)	2.67	\$ -	\$ 59,111	\$ -
Best Logistics Technology Co., Ltd.	Business in research, development, technical services, computer information, network logistics technology and wholesale and retail of general labor supplies, household appliances and building materials	US\$ 133,000 thousand	Note 1,b,21)	-	US\$ 211 thousand	-	US\$ 211 thousand	(Note 3)	0.42	-	6,827	-
CDIB International Leasing Corporation	Financial Leasing and management business consulting	RMB 187,750 thousand	Note 1,a	US\$ 30,000 thousand	-	-	US\$ 30,000 thousand	(233,948)	100.00	(233,948)	426,521	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy	US\$ 4,000 thousand	Note 1,b,22)	US\$ 2,000 thousand	US\$ 2,000 thousand	-	US\$ 4,000 thousand	(2,581)	100.00	(2,581)	75,059	-

Accumulated Investment in Mainland China as of December 31, 2016	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$7,061,219	US\$337,899 thousand	\$94,447,804

Note 1: The investment types are as follows:

- a. Direct investments.
- B. Reinvested through a third place by:
 - 1) China Healthcare Multi-Service, Inc.
 - 2) JHL Biotech, Inc.
 - 3) Beauty Essentials International Ltd.
 - 4) Derbysoft Holdings Limited.
 - 5) Capital Excel Investments Limited.
 - 6) Solar PV Corporation.
 - 7) Hartec Asia Pet Ltd.
 - 8) Sunfun Info Co., Ltd.
 - 9) CDIB Capital Investment I Limited.
 - 10) CDIB Capital Investment II Limited.
 - 11) CDIB Venture Capital (Hong Kong) Corporation Limited.
 - 12) CDIB Private Equity (Hong Kong) Corporation Limited.
 - 13) CDIB Global Markets Limited.
 - 14) GSD Technologies Co., Ltd.
 - 15) Shengzhuang Holdings Limited.
 - 16) Lightel Technologies, Inc.
 - 17) CBA Sport International Limited.
 - 18) Shane Global Holding Inc.
 - 19) Sun Max Tech Limited.
 - 20) CCAP Tutwo Holdings (Hong Kong) Limited.
 - 21) Best Logistics.
 - 22) Richpoint Company Limited.
- c. Other.

(Continued)

- Note 2: The financial statements were audited by international CPA firms having a corporative relation with CPA firms in the Republic of China
- Note 3: Investee Company was not significantly influenced by the Company, therefore the Group cannot acquire the related financial information.
- Note 4: Investment amount authorized or soon authorized by Investment Commission, MOEA.
- Note 5: Subsidiary of the Corporation indirectly invested in Changshu Everbright Material Technology Co., Ltd. through its subsidiary's investment in Ferro China on which subsidiary of 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: Subsidiary of 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: Subsidiary of 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: Subsidiary of 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: Subsidiary of 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: Subsidiary of 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, refer to its financial report for the information.
- Note 12: Subsidiary of the Corporation formerly indirectly invested in Strong LED Lighting Systems (Suzhou) Corporation through its subsidiary's investment in Strong LED Lighting Systems (Cayman) Co., Ltd. has been listed on the Taipei Exchange on June 30, 2016, refer to its financial report for the information.
- Note 13: The Corporation's subsidiary, CDIB Private Equity (Hong Kong) Corporation Limited, spent US\$1,313 thousand of equity fund acquiring 100% stock right of CDIB Private Equity Management Corporation formerly invested by its subsidiary, CDIB Venture Capital (Hong Kong) Corporation Limited, and the acquiring price become the newly authorized amount.
- The Corporation's subsidiary, CDIB Private Equity (Hong Kong) Corporation Limited, spent US\$1,059 thousand of equity fund acquiring 56% stock right of CPEC Huachuang Private Equity (Fujian) Enterprise (Limited Partnership) formerly invested by its subsidiary, CDIB Venture Capital (Hong Kong) Corporation Limited, and the acquiring price become the newly authorized amount.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2016
(In Thousands of New Taiwan Dollars)**

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
0	The Corporation	CDIB Capital Group	1	Current tax assets	\$ 386,864	Note 4	0.04%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	386,864	Note 4	0.04%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	461,986	Note 4	0.05%
1	CDIB Capital Group	The Corporation	2	Current tax assets	461,986	Note 4	0.05%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	1,385,671	Note 4	0.16%
2	KGI Bank	The Corporation	2	Deposit and remittances	1,385,671	Note 4	0.16%
0	The Corporation	KGI Bank	1	Current tax assets	379,060	Note 4	0.04%
2	KGI Bank	The Corporation	2	Current tax liabilities	379,060	Note 4	0.04%
0	The Corporation	KGI Securities	1	Current tax assets	275,787	Note 4	0.03%
3	KGI Securities	The Corporation	2	Current tax liabilities	275,787	Note 4	0.03%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	19,723,431	Note 4	2.21%
2	KGI Bank	CDIB Capital Group	3	Deposit and remittances	19,723,431	Note 4	2.21%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposit and remittances	2,663,508	Note 4	0.30%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	2,663,508	Note 4	0.30%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
2	KGI Bank	KGI Securities	3	Deposit and remittances	\$ 1,427,905	Note 4	0.16%
3	KGI Securities	KGI Bank	3	Restricted assets	1,427,905	Note 4	0.16%
2	KGI Bank	KGI Securities	3	Deposit and remittances	846,673	Note 4	0.09%
3	KGI Securities	KGI Bank	3	Other financial assets	846,673	Note 4	0.09%
2	KGI Bank	CDIB Capital Investment II Limited	3	Deposit and remittances	194,759	Note 4	0.02%
4	CDIB Capital Investment II Limited	KGI Bank	3	Cash and cash equivalents	194,759	Note 4	0.02%
2	KGI Bank	CDIB Global Markets Limited	3	Deposit and remittances	226,940	Note 4	0.03%
5	CDIB Global Markets Limited	KGI Bank	3	Cash and cash equivalents	226,940	Note 4	0.03%
2	KGI Bank	CDIB Venture Capital Corp.	3	Deposit and remittances	891,956	Note 4	0.10%
6	CDIB Venture Capital Corp.	KGI Bank	3	Cash and cash equivalents	891,956	Note 4	0.10%
2	KGI Bank	CDIB Capital Investment I Limited and its subsidiaries	3	Deposit and remittances	584,238	Note 4	0.07%
7	CDIB Capital Investment I Limited and its subsidiaries	KGI Bank	3	Cash and cash equivalents	584,238	Note 4	0.07%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee and commission, net	250,730	Note 4	0.92%
8	KGI Futures Co., Ltd.	KGI Securities	3	Service fee and commission, net	250,730	Note 4	0.92%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit	329,250	Note 4	1.21%
9	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Net other noninterest profit	329,250	Note 4	1.21%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	474,867	Note 4	0.05%
8	KGI Futures Co., Ltd.	KGI Securities	3	Customers' equity accounts - futures	474,867	Note 4	0.05%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Other operating and administrative expense	150,286	Note 4	0.55%
10	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Consulting service revenue	150,286	Note 4	0.55%
3	KGI Securities	KGI Asia Limited	3	Receivables, net	103,649	Note 4	0.01%
11	KGI Asia Limited	KGI Securities	3	Payables	103,649	Note 4	0.01%

(Continued)

No. (Note 1)	Trader Company	Related Party	Flow of Transactions (Note 2)	Financial Statement Accounts	Amounts	Trading Terms	Transaction Amount/Total Consolidated Revenue or Total Consolidated Assets (Note 3)
6	CDIB Venture Capital Corp.	CDIB Capital Management Corporation	3	Other operating and administrative expense	\$ 101,563	Note 4	0.37%
12	CDIB Capital Management Corporation	CDIB Venture Capital Corp.	3	Consulting service revenue	101,563	Note 4	0.37%
5	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Other operating and administrative expense	198,806	Note 4	0.73%
13	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenue	198,806	Note 4	0.73%
13	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Other operating and administrative expense	245,153	Note 4	0.90%
14	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenue	245,153	Note 4	0.90%
8	KGI Futures Co., Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	3	Other financial assets	951,509	Note 4	0.11%
15	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.)	KGI Futures Co., Ltd.	3	Customers' equity accounts - futures	951,509	Note 4	0.11%
16	Richpoint Company Limited (BVI Holding Co.)	KG Investments Holdings Limited	3	Receivables, net	3,619,388	Note 4	0.41%
17	KG Investments Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	3,619,388	Note 4	0.41%
8	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Limited	3	Other financial assets	253,992	Note 4	0.03%
18	KGI Futures (Hong Kong) Limited	KGI Futures Co., Ltd.	3	Customers' equity account - futures	253,992	Note 4	0.03%

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, 2016
(Expressed in U.S. Dollars/RMB)

ASSETS	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
CURRENT ASSETS					
Cash and cash equivalents	\$ 160,831	\$ 26,509	\$ 19,914	\$ 159	\$ 13,480,945
Receivables, net	-	-	2,000,000	-	2,500,000
Other receivable - related parties	112,000,000	-	110,921,738	62,340,580	-
Other current assets	<u>402,116</u>	<u>1,003,588</u>	<u>-</u>	<u>-</u>	<u>143,638</u>
Total current assets	<u>112,562,947</u>	<u>1,030,097</u>	<u>112,941,652</u>	<u>62,340,739</u>	<u>16,124,583</u>
NONCURRENT ASSETS					
Financial assets measured at cost - noncurrent	940,858	-	-	-	-
Investments accounted for using the equity method	382,101,707	546,362,981	499,998,319	-	-
Property and equipment	-	-	-	-	16,970
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,213</u>
Total noncurrent assets	<u>383,042,565</u>	<u>546,362,981</u>	<u>499,998,319</u>	<u>-</u>	<u>235,183</u>
TOTAL	<u>\$ 495,605,512</u>	<u>\$ 547,393,078</u>	<u>\$ 612,939,971</u>	<u>\$ 62,340,739</u>	<u>\$ 16,359,766</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	\$ 45,250,000	\$ 112,000,000	\$ -	\$ -	\$ -
Commercial paper payable	-	-	129,672,559	-	-
Other payable	16,994	128,273	208,754	-	47,963
Other payable - related parties	<u>-</u>	<u>70,572,218</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>45,266,994</u>	<u>182,700,491</u>	<u>129,881,313</u>	<u>-</u>	<u>47,963</u>
NONCURRENT LIABILITIES					
Other noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Total liabilities	<u>45,266,994</u>	<u>182,700,491</u>	<u>129,881,313</u>	<u>-</u>	<u>199,963</u>
EQUITY					
Common stock	229,751,070	156,864,163	209,248,261	55,924,236	25,278,600
Capital reserve	861,236	66,667	54,651,374	-	10,007
Special reserve	-	9,759,135	387,913	-	-
Retained earnings	220,305,629	198,375,991	219,144,479	6,416,503	(9,128,804)
Other equity	<u>(579,417)</u>	<u>(373,369)</u>	<u>(373,369)</u>	<u>-</u>	<u>-</u>
Total equity	<u>450,338,518</u>	<u>364,692,587</u>	<u>483,058,658</u>	<u>62,340,739</u>	<u>16,159,803</u>
TOTAL	<u>\$ 495,605,512</u>	<u>\$ 547,393,078</u>	<u>\$ 612,939,971</u>	<u>\$ 62,340,739</u>	<u>\$ 16,359,766</u>

TABLE 13-2

BALANCE SHEETS
DECEMBER 31, 2016
 (Expressed in U.S. Dollars)

ASSETS	KG Investments Asset Management (International) Limited	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 500
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	362,734,794	-	72,743,596
TOTAL	\$ -	\$ 362,734,794	\$ -	\$ 72,744,096
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable - related parties	\$ -	\$ 81,598,551	\$ -	\$ 1,061,060
Total liabilities	-	81,598,551	-	1,061,060
EQUITY				
Common stock	10,000	308,341,129	100	81,511,716
Accumulated deficit	(10,000)	(27,204,886)	(100)	(9,828,680)
Total equity	-	281,136,243	-	71,683,036
TOTAL	\$ -	\$ 362,734,794	\$ -	\$ 72,744,096

TABLE 13-3

BALANCE SHEETS
DECEMBER 31, 2016
 (Expressed in U.S. Dollars)

ASSETS	Bauhinia 88 Ltd.	KGI Capital (Hong Kong) Limited	Global Treasure Investments Limited	KGI Hong Kong Limited
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 1,266,049
Prepayments	-	-	-	1,005,549
Other current assets	-	-	-	2,111,446
Total current assets	-	-	-	4,383,044
NONCURRENT ASSETS				
Property and equipment	-	-	-	4,203,241
TOTAL	\$ -	\$ -	\$ -	\$ 8,586,285
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	\$ -	\$ -	\$ -	\$ 10,548,221
Other payable - related parties	-	-	-	18,803,851
Total current liabilities	-	-	-	29,352,072
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	-	1,700,392
Total liabilities	-	-	-	31,052,464
EQUITY				
Common stock	2	-	-	15,000
Special reserve	-	-	-	48,123
Accumulated deficit	(2)	-	-	(22,529,302)
Total equity	-	-	-	(22,466,179)
TOTAL	\$ -	\$ -	\$ -	\$ 8,586,285

TABLE 13-4

BALANCE SHEETS
DECEMBER 31, 2016
(Expressed in U.S. Dollars)

ASSETS	KGI Nominees (Hong Kong) Limited.	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 30,349	\$ 4,677
Other receivable - related parties	1	72,750	-	3,460,978
Derivative asset	-	-	459,265	-
Prepayments	-	-	-	185
Total current assets	<u>1</u>	<u>72,750</u>	<u>489,614</u>	<u>3,465,840</u>
NONCURRENT ASSETS				
Investments accounted for using the equity method	-	-	191,709,229	-
TOTAL	<u>\$ 1</u>	<u>\$ 72,750</u>	<u>\$ 192,198,843</u>	<u>\$ 3,465,840</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	\$ -	\$ -	\$ 15,958	\$ 8,854
Other payable - related parties	-	-	120,206,293	-
Total current liabilities	-	-	120,222,251	8,854
Total liabilities	-	-	120,222,251	8,854
EQUITY				
Common stock	1	10,000	75,749,306	5,738,175
Retained earnings (accumulated deficit)	-	62,750	744,206	(1,777,696)
Other equity	-	-	(4,516,920)	(503,493)
Total equity	<u>1</u>	<u>72,750</u>	<u>71,976,592</u>	<u>3,456,986</u>
TOTAL	<u>\$ 1</u>	<u>\$ 72,750</u>	<u>\$ 192,198,843</u>	<u>\$ 3,465,840</u>

TABLE 14-1

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars/RMB)**

	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
REVENUES					
Operating revenue	\$ -	\$ -	\$ -	\$ -	\$ 4,288,341
Interest revenue	-	3,596	821,686	-	-
Total revenues	-	3,596	821,686	-	4,288,341
COSTS AND EXPENSES					
Financial cost	446,517	1,273,306	1,781,357	-	-
Other operating expenses	26,458	96,790	2,818,269	-	5,648,141
Total costs and expenses	472,975	1,370,096	4,599,626	-	5,648,141
LOSS FROM OPERATIONS	(472,975)	(1,366,500)	(3,777,940)	-	(1,359,800)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	(23,156,458)	(21,718,600)	(20,047,353)	-	-
OTHER PROFITS (LOSSES)	1,427,204	8,479	2,129,157	(22,464)	829,286
NON-OPERATING REVENUE AND EXPENSE	(21,729,254)	(21,710,121)	(17,918,196)	(22,464)	829,286
NET LOSS FOR THE YEAR	(22,202,229)	(23,076,621)	(21,696,136)	(22,464)	(530,514)
OTHER COMPREHENSIVE INCOME	435,329	587,895	587,895	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>\$(21,766,900)</u>	<u>\$(22,488,726)</u>	<u>\$(21,108,241)</u>	<u>\$ (22,464)</u>	<u>\$ (530,514)</u>

TABLE 14-2**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars)**

	KG Investments Asset Management (International) Limited	KGI Limited	Supersonic Services Inc.	KGI International Limited
PROFIT FROM OPERATIONS	\$ -	\$ -	\$ -	\$ -
OTHER PROFITS	<u>17,391</u>	<u>774</u>	-	<u>1,572,477</u>
NON-OPERATING REVENUE AND EXPENSE	<u>17,391</u>	<u>774</u>	-	<u>1,572,477</u>
NET PROFIT FOR THE YEAR	<u>17,391</u>	<u>774</u>	-	<u>1,572,477</u>
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	<u>\$ 17,391</u>	<u>\$ 774</u>	<u>\$ -</u>	<u>\$ 1,572,477</u>

TABLE 14-3

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars)**

	Bauhinia 88 Ltd.	KGI Capital (Hong Kong) Limited	Global Treasure Investments Limited	KGI Hong Kong Limited
REVENUES				
Interest revenue	\$ -	\$ -	\$ -	\$ 170
Other income revenue	-	-	-	76,654,973
Total revenues	-	-	-	76,655,143
COSTS AND EXPENSES				
Employee benefits	-	-	-	54,402,147
Depreciation and amortization	-	-	-	1,982,251
Other operating expenses	-	-	-	19,209,402
Total costs and expenses	-	-	-	75,593,800
PROFIT FROM OPERATIONS	-	-	-	1,061,343
OTHER REVENUE AND EXPENSE	-	-	-	(568,966)
NON-OPERATING REVENUE AND EXPENSE	-	-	-	(568,966)
NET PROFIT FOR THE YEAR	-	-	-	492,377
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ -	\$ -	\$ -	\$ 492,377

TABLE 14-4

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
(In U.S. Dollars)**

	KGI Nominees (Hong Kong) Limited	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES				
Derivative assets	\$ -	\$ -	\$ 30,171	\$ -
COSTS AND EXPENSES				
Financial cost	-	-	487,543	-
Other operating expenses	-	-	575,518	60,180
Total costs and expenses	-	-	1,063,061	60,180
LOSS FROM OPERATIONS	-	-	(1,032,890)	(60,180)
OTHER REVENUE AND EXPENSE	-	128	3,379,406	(70,412)
NON-OPERATING REVENUE AND EXPENSE	-	128	3,379,406	(70,412)
NET PROFIT (LOSS) FOR THE YEAR	-	128	2,346,516	(130,592)
OTHER COMPREHENSIVE LOSS	-	-	(1,910,247)	(80,994)
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	\$ -	\$ 128	\$ 436,269	\$ (211,586)

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

Item	Year		Difference	
	2016.12.31	2015.12.31	Amount	%
Cash and cash equivalents, Due from the central bank and call loans to banks	100,196,911	112,215,613	(12,018,702)	(11)
Financial assets at fair value through profit or loss	159,280,102	157,780,085	1,500,017	1
Available-for-sale financial assets	106,359,065	70,643,015	35,716,050	51
Securities purchased under resell agreements	29,883,158	52,622,253	(22,739,095)	(43)
Receivables, net	92,190,214	100,754,149	(8,563,935)	(8)
Current tax assets	855,145	990,101	(134,956)	(14)
Discount and loans, net	252,376,992	217,780,328	34,596,664	16
Held-to-maturity financial assets, net	300,000	402,564	(102,564)	(25)
Investment accounted for using the equity method, net	12,675,804	10,775,665	1,900,139	18
Restricted assets	27,933,924	29,776,730	(1,842,806)	(6)
Financial assets measured at cost	19,491,762	21,095,274	(1,603,512)	(8)
Other financial assets	44,793,314	38,773,821	6,019,493	16
Investment property, net	2,179,356	2,048,311	131,045	6
Property and equipment, net	14,512,916	14,717,160	(204,244)	(1)
Intangible assets, net	7,948,378	8,584,490	(636,112)	(7)
Deferred tax assets	4,912,053	5,561,925	(649,872)	(12)
Other assets, net	16,308,415	22,197,691	(5,889,276)	(27)
Total assets	892,197,509	866,719,175	25,478,334	3
Deposits from the central bank and banks	31,078,769	10,024,399	21,054,370	210
Financial liabilities at fair value through profit or loss	51,565,266	39,898,179	11,667,087	29
Notes and bonds issued under repurchase agreements	119,560,443	119,611,868	(51,425)	(0)
Commercial paper payable, net	17,549,797	13,139,202	4,410,595	34
Payables	60,337,328	57,152,044	3,185,284	6
Current tax liabilities	826,620	911,029	(84,409)	(9)
Deposits and remittances	315,451,964	325,312,132	(9,860,168)	(3)
Bonds payable	27,684,236	28,618,692	(934,456)	(3)
Other borrowings	19,878,458	21,809,459	(1,931,001)	(9)
Provisions	1,373,667	1,419,454	(45,787)	(3)
Principal received on structured notes	26,299,389	34,375,733	(8,076,344)	(23)

Item \ Year	2016.12.31	2015.12.31	Difference	
			Amount	%
Customers' equity accounts-futures	36,066,932	30,698,500	5,368,432	17
Other financial liabilities	387,509	400,851	(13,342)	(3)
Deferred tax liabilities	1,487,885	1,460,166	27,719	2
Other liabilities	15,552,208	13,116,729	2,435,479	19
Total liabilities	725,100,471	697,948,437	27,152,034	4
Equity attributable to owners of parent				
Common stock	149,744,213	151,125,441	(1,381,228)	(1)
Capital surplus	1,104,521	654,803	449,718	69
Retained earnings	16,798,782	18,507,160	(1,708,378)	(9)
Other equity	(1,782,652)	(2,746,831)	964,179	35
Treasury shares	(2,376,747)	(2,376,747)	0	0
Non-controlling interests	3,608,921	3,606,912	2,009	0
Total equity	167,097,038	168,770,738	(1,673,700)	(1)

Analysis of changes in financial ratios:

1. The increase of available-for-sale financial assets was due mainly to the increase of government bonds and corporate bonds as of December 31, 2016.
2. The decrease of securities purchased under resell agreements was due mainly to asset allocation.
3. The decrease of net held-to-maturity financial assets was due mainly to the maturity of bonds.
4. The decrease of other assets was due mainly to the decrease of security borrowing deposits and collected for underwriting payment of shares as of December 31, 2016.
5. The increase of deposits from the Central Bank and banks was due mainly to the increase of call loans from banks as of December 31, 2016.
6. The increase of financial liabilities at fair value through profit or loss was due mainly to the increase of financial bonds and interest rate exchange contracts payable as of December 31, 2016.
7. The increase of commercial paper payable was due mainly to asset allocation as of December 31, 2016.
8. The decrease of principal received on structured notes was due mainly to the decrease of the transactions of structured notes as of December 31, 2016.
9. The increase of capital surplus was due mainly to the cancellation of treasury shares as of December 31, 2016.
10. The increase of other equity was due mainly to the decrease of unrealized losses on available-for-sale financial assets as of December 31, 2016.

7.2 Analysis of Financial Performance

Unit: NT\$'000

Item \ Year	2016	2015	Difference	
			Amount	%
Interest profit, net	7,059,502	9,107,813	(2,048,311)	(22)
Noninterest profits and gains, net				
Service fee, net	7,507,892	8,966,809	(1,458,917)	(16)
Gain on financial assets or liabilities measured at fair value through profit or loss, net	4,915,778	4,508,034	407,744	9
Realized gain on available-for-sale financial assets, net	2,114,743	3,769,306	(1,654,563)	(44)
Foreign exchange gain, net	624,713	(1,109,121)	1,733,834	(156)
Impairment loss on assets, net	(1,221,155)	(983,978)	(237,177)	24
Share of the profit of associates	378,606	439,558	(60,952)	(14)
Gain on financial assets measured at cost, net	2,407,290	2,462,248	(54,958)	(2)
Consulting service revenue	1,189,120	1,092,892	96,228	9
Others	2,151,239	1,455,050	696,189	48
Total net revenues	27,127,728	29,708,611	(2,580,883)	(9)
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(751,478)	329,789	(1,081,267)	(328)
Operating expenses	(19,265,421)	(21,595,413)	1,329,992	(6)
Net profit before income tax	7,110,829	9,442,987	(2,332,158)	(25)
Income tax expense	(1,123,925)	(827,812)	(296,113)	36
Net profit for the year	5,986,904	8,615,175	(2,628,271)	(31)
<p>Analysis of changes in financial ratios:</p> <ol style="list-style-type: none"> 1. The decrease of net interest profit was due mainly to the decrease of interest incomes in securities financing and refinancing, trade financing, and loans and discounts of 2016. 2. The decrease of realized gain on available-for-sale financial assets net was due mainly to the decrease of gain on stock disposal of 2016. 3. The increase of foreign exchange gain mainly due to exchange rate fluctuations in 2016. 4. The increase of impairment loss on assets net was due mainly to the increase of the recognition of the impairment loss of 2016. 5. The increase of noninterest profits and gains-others was due mainly to the increase of underwriting business income of 2015. 6. The increase of reversal of allowance for bad debts and losses on guarantees net was due mainly to the increase of bad debts 7. Income tax expense increased mainly due to the increase in the amount of taxable income in of 2016. 				

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2016	2015	Variance (%)
Cash Flow Ratio (%)	(12.73)	(16.86)	4.13
Cash Flow Content Ratio (%)	(3,706.61)	(33.11)	(3,673.50)

Analysis of financial ratio change:
The decrease of cash flow ratio was due mainly to the decrease of cash flows generated from investing activities of 2016.

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	
				Investment Plans	Financing Plans
①	②	③	① + ② + ③		
1,357,441	2,188,886	20,719,849	24,266,176	—	—

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

In 2016, the world economy began a slow recovery, with markets consolidating in an effort to stabilize. Among major economies, the US realized decent gains, achieving solid growth in the job and housing markets and steadily increased private spending, which provided a foundation for the Federal Reserve's roadmap for interest rate hikes. With a more relaxed policy environment, the Eurozone was resilient amid post-Brexit political and market turmoil. China continued rolling out stimulus programs in an effort to expedite industry transformation and economic structural reform. In 2016, Taiwan's GDP growth advanced to 1.5% amid a global recovery. According to Taiwan Securities Association, aggregate TWSE and TPEX daily turnover averaged NT\$98.7 billion in 2016, representing a 14.5% decrease over 2015. The Taiex opened at 8,338 last year and closed at 9,253, representing a yearly gain of 10.98%.

CDF continues to focus on its three core businesses, including commercial banking (KGI Bank), securities (KGI Securities) and private equity/venture capital investment (CDIB Capital Group) with the most completed lineup of financial services and products. However, due to ongoing international political and economic upheaval and market uncertainty, financial markets experienced varying levels of volatility in 2016, which created a challenging environment for trade across markets. Under these circumstances, shrinking turnover in a FINI-dominated Taiex dampened local brokerage performance and hindered asset monetization plans of principal investment. Meanwhile, the commercial banking unit yielded lower net profit due to intensifying pricing competition among peers on lending margins, and due to pressure to adjust credit mix catering to China's structural economic slowdown.

Outline of 2016 highlights and strategies for the Company's core business units: (1) KGI Bank - In response to the financial world's changing landscape and to leverage resources within the Company, KGI Bank established the Retail Banking Group that specializes in

providing clients with a customized experience. As for Corporate Banking business, the bank continually delivers each customer with its cash management, trade finance along with trading products and ensures each client's needs are itemized and assigned to the appropriate people that specialize in appropriate solutions. For Global Market segment, KGI Bank strives to optimize asset allocation and deliver consistent returns to clients. Moreover, it maintains close relations with multiple channels to access corporate clients, entrepreneurs, and professional investors to market financial products and offer wealth and asset management services. (2) KGI Securities: With retail investors increasingly stranded on the sidelines and FINI growing in dominance over the last few years, the liquidity structure of the Taiex has fundamentally changed. In a challenging marketplace characterized by sluggish daily trading and declining margin loan balance, KGI Securities has managed to maintain its leading position and competitive edge across the board, including underwriting, bonds and warrants. KGI Securities also remains active in wealth management, providing customers with more competitive financial services through identification of investment needs, risk profiling and a diversified product mix. With regard to KGI Securities' overseas deployment, the Singapore subsidiaries have delivered steady business growth, with the futures unit continuing to gain new clients and the brokerage house greatly enhancing average margin loan balance. (3) CDIB Capital Group: Despite overall gains across local and foreign stock markets, performances among sectors were a mixed bag in 2016 due to volatility. A number of postponed IPOs also undermined portfolio returns and valuations of the principal investment business. On the other hand, the fundraising and management business saw visible progress. As for fundraising progress for newly launched funds, Alibaba Taiwan Entrepreneurs, a commitment of US\$100 million, was established in 2Q16 with Alibaba Group. In addition, the establishment of CDIB Capital Innovation Accelerator Co. Ltd. with fund size of NT\$750 million has been completed in March 2017. Total assets under management reached NT\$30 billion.

In 2017, the new US administration's trade policy has increased global uncertainties, though its pro-growth sentiment is deemed a catalyst of domestic hiring, spending and capex, which would be a major boost to global supply chain growth. We project Taiwan's economic growth rate to advance to 2% in 2017, buoyed by foreign demand and stimulus packages. Some key risks to monitor include the rate of slowdown in China and a shift to protectionism by the US. In response to the challenges thrown up by a changing market landscape, KGI Bank will strengthen its IT infrastructure to tap into FinTech opportunities. It is seeking to expand its customer base through perfection of its product scope. Leveraging an e-commerce platform, it is committed to scaling up operations with a niche Asia-Pacific commercial-banking business model. KGI Securities, meanwhile, will focus on implementing cost control mechanisms as it fully transforms into a wealth management-oriented business, pursuing overseas profit growth. By optimizing resource efficiencies, KGI Securities will strive to become the most competitive investment bank

in Taiwan. Formerly known as CDIB, the venture capital entity has transformed its business under guidelines of CDF's strategic roadmap and national policy, and reincorporated as CDIB Capital Group on March 15, 2017, realigning its core business with capital sourcing and management of private equity (PE) and venture capital (VC) funds. It aspires to become a distinguished PE/VC manager within the Asia-Pacific by leveraging the team efforts of the group's talents.

7.5.3 Investment plans for the coming year

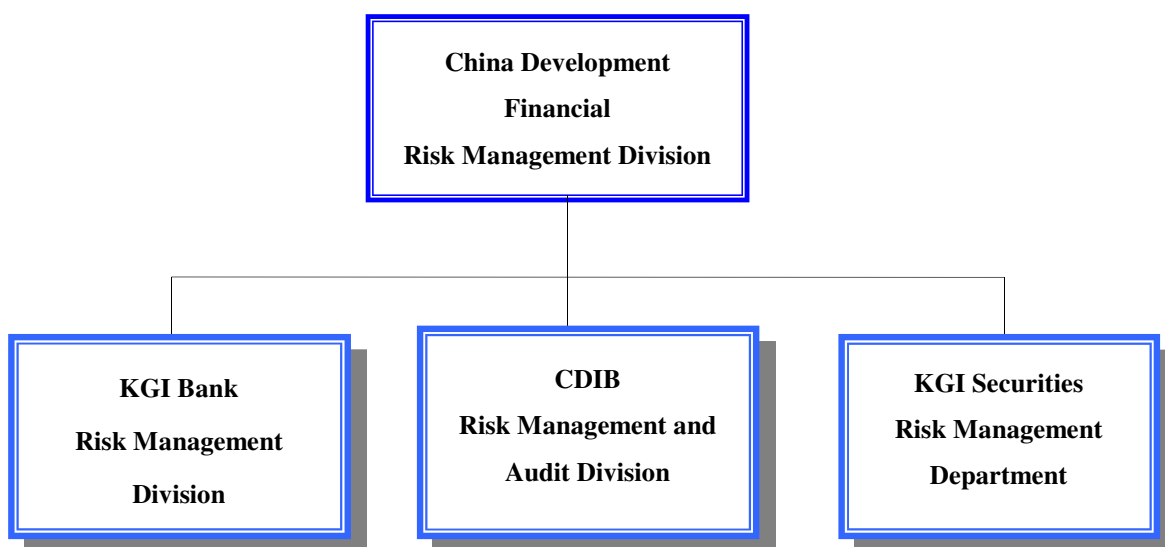
The Company will continue identifying investment/merger/acquisition prospects that can further expand businesses for KGI Bank and KGI Securities. When the timing is right, decisions will be made in accordance with laws and policies.

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.

In addition, the Company also concerns about the risk and impact of climate / social changes on financial markets and the economic environment, therefore, the Company adjusts its investment and financing policies accordingly. The Company, while pursuets to maximize shareholder's equity, also takes great consideration of corporate social responsibility.

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. Each counterparty is assigned credit limit based on 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 Capital Group (formerly CDIB)

Market risk

CDIB Capital Group had transferred all treasury businesses to KGI Bank on May 1,

2015. It 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 Capital Group had transferred all credit businesses to KGI Bank on May 1, 2015. CDIB Capital Group currently does not engage in the lending business, and any credit risk exposure it has are unrelated to lending activities. Its 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 Capital Group 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 Capital Group 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

Before transformed and renamed to CDIB Capital Group, CDIB had liquidity risk management guidelines and policies in place. It estimated future capital requirements and monitor liquidity using a variety of indicators. It also ensured 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. The 23 articles of the "Money Laundering Control Act" were revised, announced on December 28, 2016. While the FSC and Bankers Association are now drafting specific measures pertinent to the revisions, the Company's subsidiaries will revise their internal rules once they are announced.
- B. Articles 4 and 30-1 of the Financial Consumer Protection Act were revised, announced on December 28, 2016. The Company's subsidiary bank has informed relevant departments of the announcement and required qualification review for professional investors, in compliance with the Act.
- C. Article 2 of the Regulations of Investment Ceilings and Guidelines Governing Financial Holding Company's Venture Capital Subsidiaries Investing in Non-financial Enterprises Not Listed on Taiwan Stock Exchange or Taipei Exchange was revised, announced on December 15, 2016. The ceiling of investment in key emerging industries was raised for venture capital subsidiaries.
- D. The Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector were revised, announced on December 2, 2016. The Company's subsidiary bank has accordingly revised its rules for anti-money laundering and countering terrorism financing.
- E. Articles 15-1 and 19 of the Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries were revised, announced on July 5, 2016, to allow banks to apply to the supervisory authority for permission to adopt a risk-oriented internal audit system and the supervisory authority to ask a bank to apply if necessary on considerations of the bank's assets, operating risk, etc. The Company's bank subsidiary will evaluate whether it will do so.
- F. Article 6 of the Rules Concerning Cross-Selling by Financial Holding Company Subsidiaries was revised, announced on February 19, 2016, to stipulate the new cross-selling scope in other industries. The Company's cross-selling rules already comply with the revised rules and therefore need no revisions.

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"), one of the Company's subsidiaries, TISC had omitted the Company's director/supervisor votes from the election and hence made an incorrect announcement of the elected directors/supervisors. In an attempt to protect its interests, the Company filed litigation in July 2009 with the 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 elected as directors/supervisors. On June 4, 2010, the 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, the 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. On December 28, 2016, all litigants agreed to close the case.

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 was 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 for another trial. Taiwan High Court ruled on October 25, 2016 that KGI Securities should pay NT\$90,379 to Huang when he transfers the shares in contention, with his ownership rights transferred to another individual without any conditions. Both KGI Securities and Huang disagreed and appealed the decision.

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. FAT still disagreed and requested the prosecutor appeal Hu's criminal judgment, while at the same time making another civil claim.

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, the Taipei District Court ruled against FAT's, which FAT appealed. The Taiwan High Court ruled in CDIB's favor on April 14, 2016. FAT disagreed and appealed again. The Supreme Court rejected FAT's appeal on November 30, 2016, making it certain that CDIB was not liable for compensation to FAT.

(2) CDIB Capital Group previously engaged Morgan Stanley in a USD\$ 275-million Stack 2006-1 CDO Superior Swap deal, which CDIB Capital Group suspected Morgan Stanley of having been involved in miss-selling that resulted in the heavy losses endured by CDIB Capital Group. CDIB Capital Group 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. CDIB Capital Management Corporation (“CCM”, previous name: CDIB Private Equity Corporation)

On November 12, 2013, CCM (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 CCM's director representatives at PCM (two director representatives were appointed during this time). SFIPC then held CCM 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 CCM, 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

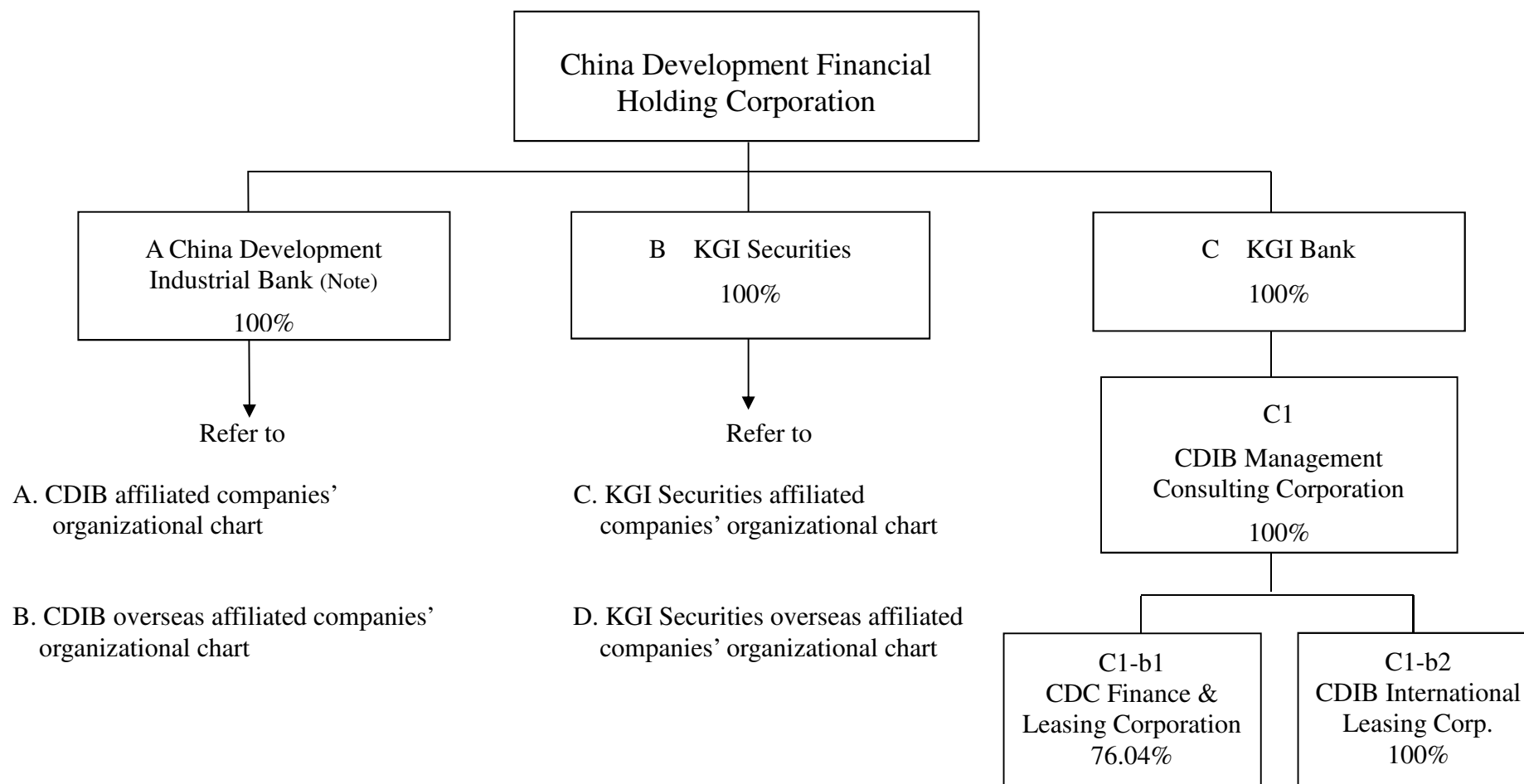
None

VIII. Special Disclosure

8.1 Summary of Affiliated Companies

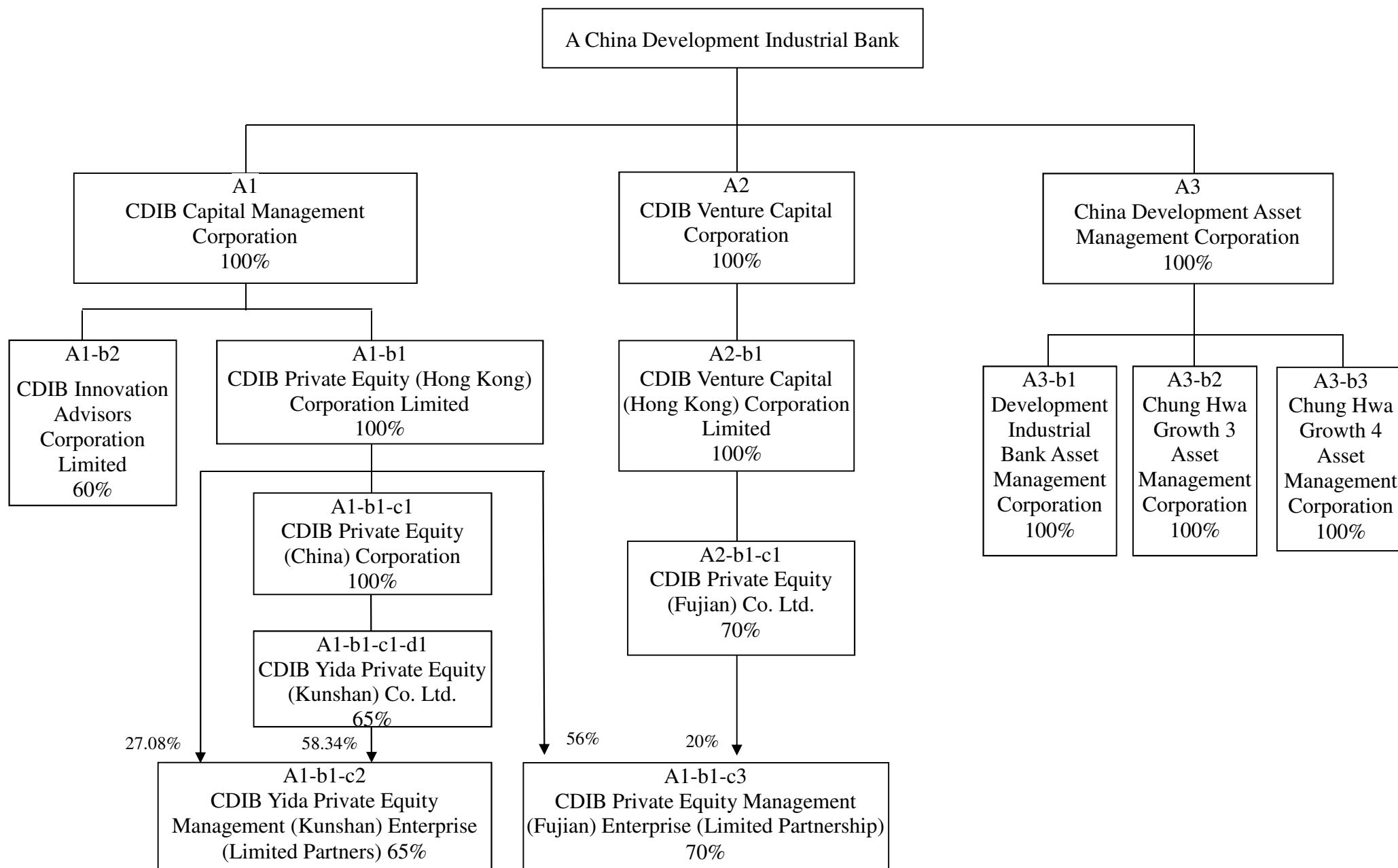
8.1.1 Organizational Chart

As of December 31, 2016

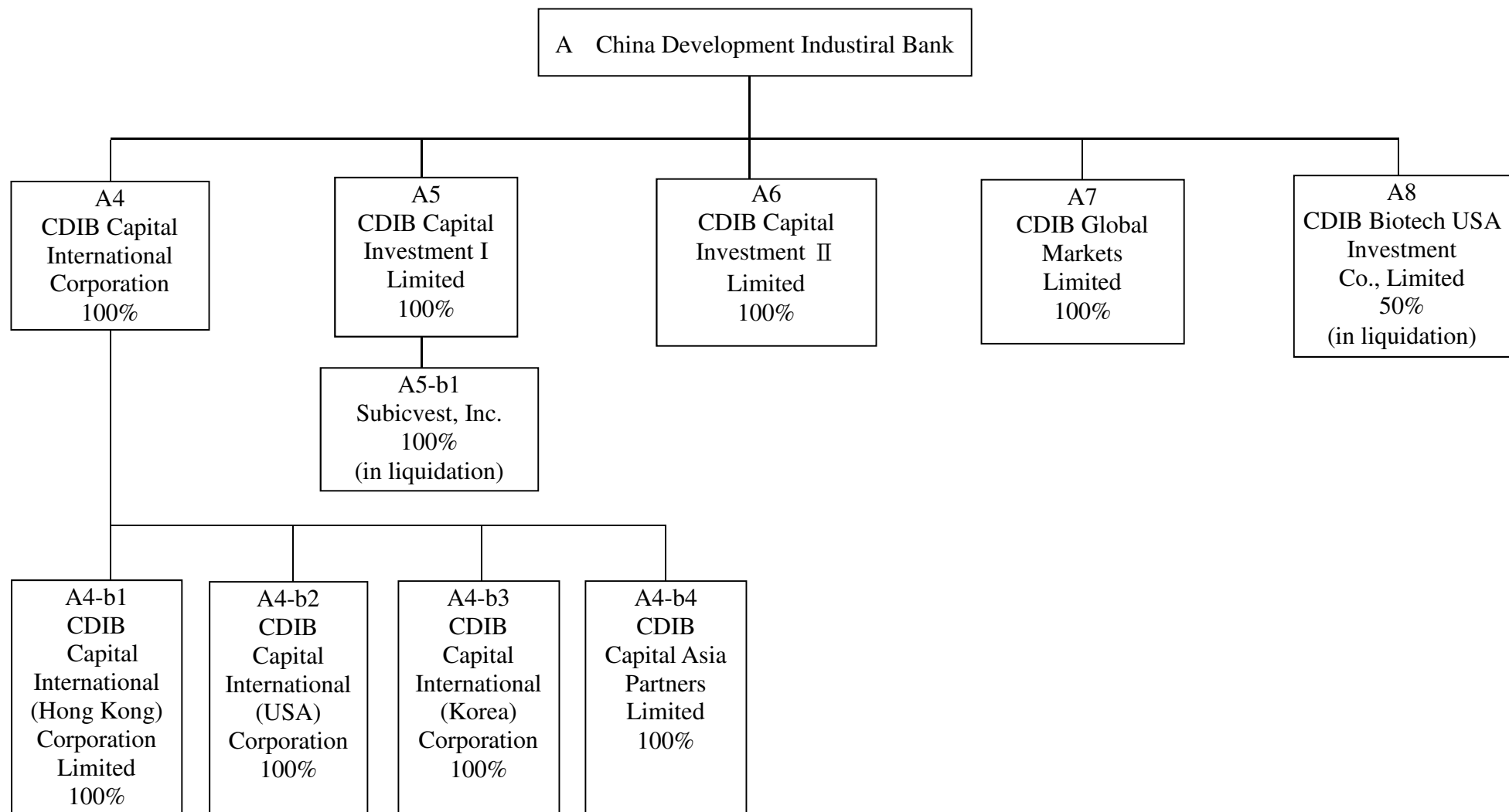


Note: Renamed to CDIB Capital Group on 15 March, 2017

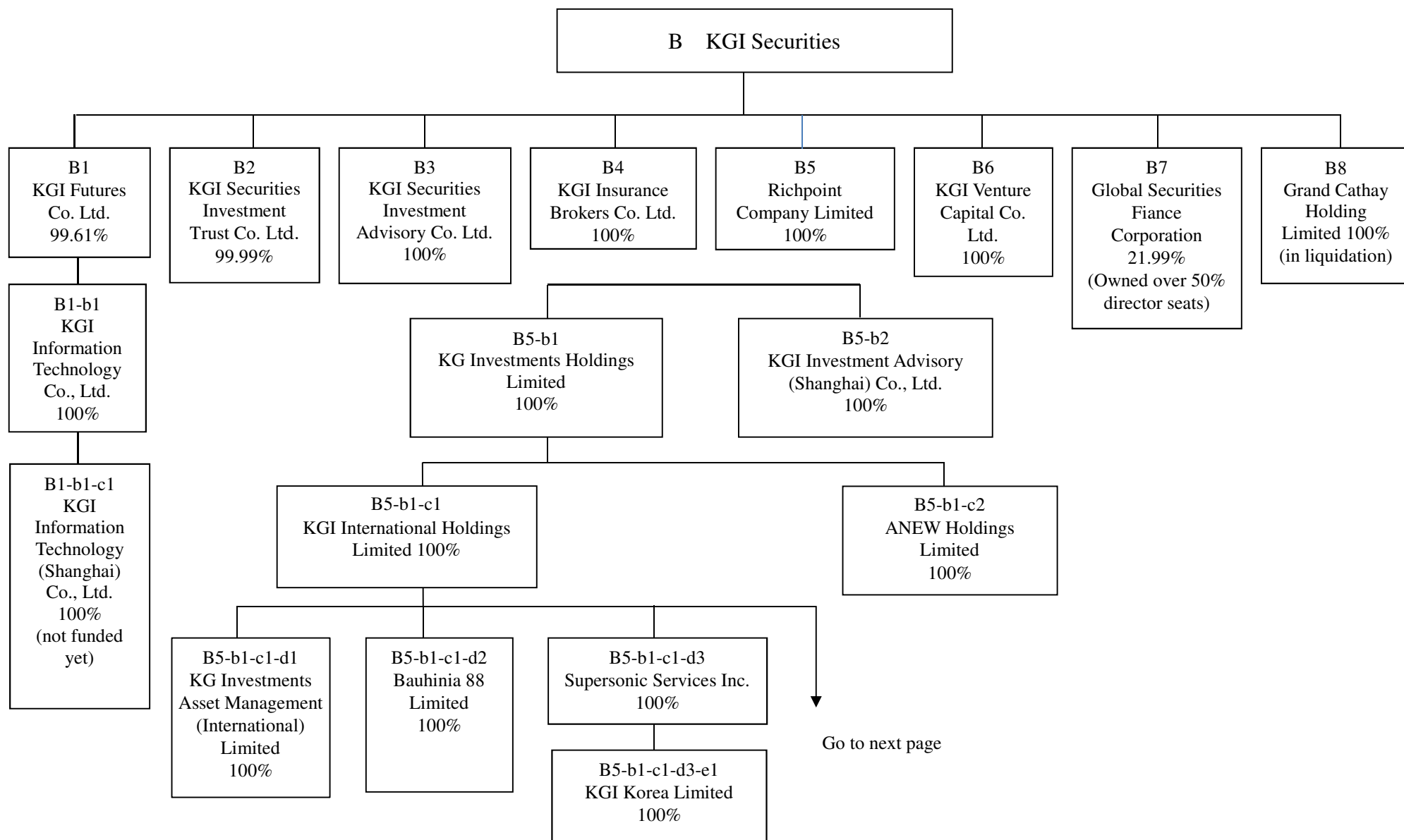
A. CDIB affiliated companies' organizational chart



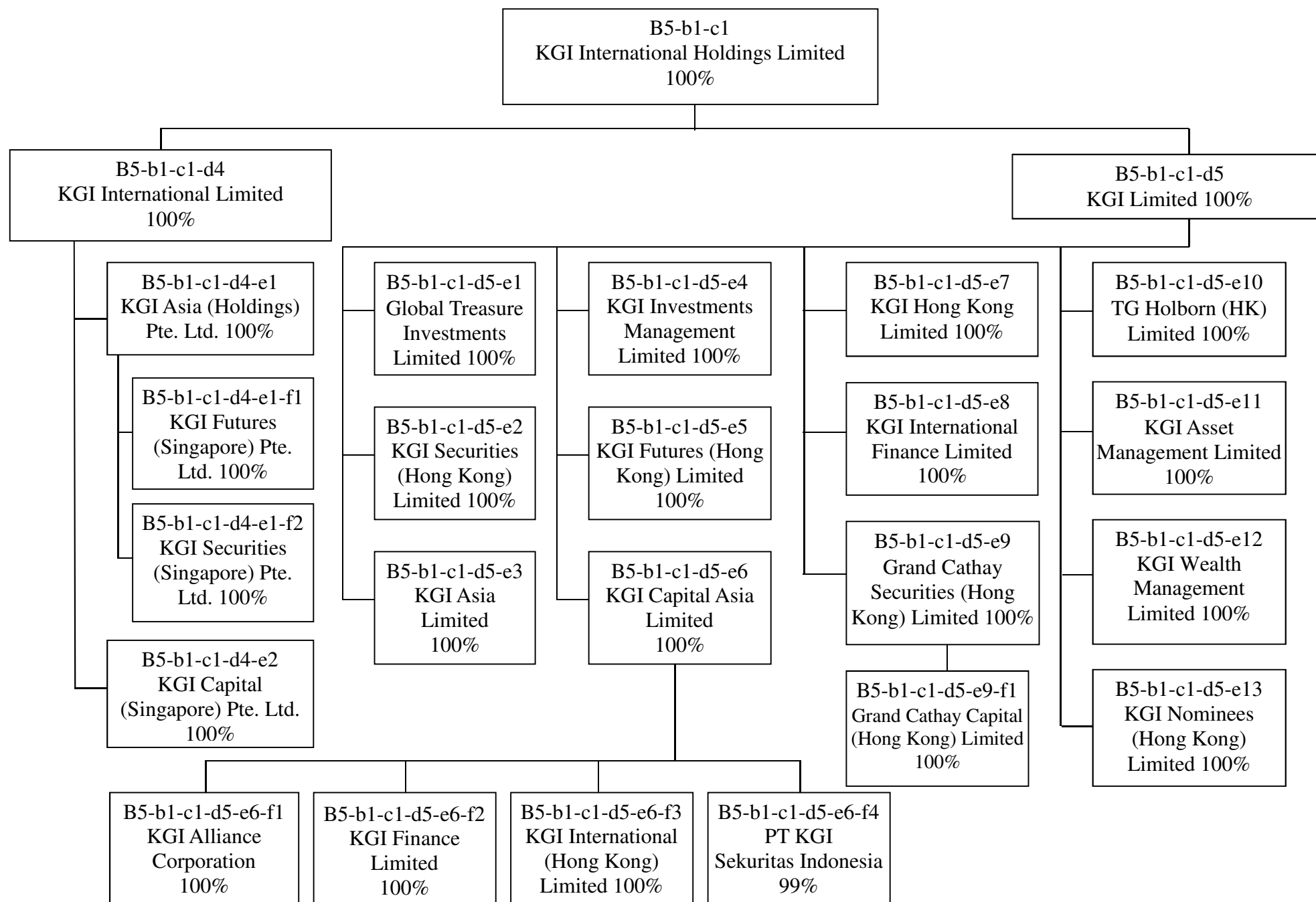
B. CDIB overseas affiliated companies' organizational chart



C. KGI Securities affiliated companies' organizational chart



D. KGI Securities overseas affiliated companies' organizational chart



8.1.2 Backgrounds of affiliated enterprises

◎ China Development Financial Holding Corporation

December 31, 2016
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, 2016
Unit : NT\$'000/US\$'000/HKDS'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	330,939	Management Consulting	note ¹
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	CDIB Private Equity (China) Corporation	2012.01.16	Room 1505C, Park Place Office Tower, No. 1601, Nanjing W. Rd., Jingan Dist., Shanghai, China	USD 7,000	Management Consulting	
A1-b1-c1-d1	CDIB Yida 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	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	2014.11.03	Room 1202, No. 1228, Qianjin E. Rd., Kunshan, China	RMB 12,000	Management Consulting	
A1-b1-c3	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	2013.07.05	6 floor, 3-5 # building, Taiwan Pioneer Park, Jinjing Wan District, Pingtan Comprehensive Experimental Plot, Fujian Province, China	RMB 12,000	Management Consulting	

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
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	9,227,909	Venture Capital	
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	2011.02.22	Suites 701-703, ICBC Tower, 3 Garden Rd., Central, Hong Kong	HKD 650,000	Management Consulting	note ²
A2-b1-c1	CDIB Private Equity (Fujian) Co., Ltd.	2013.05.31	6 floor, 3-5 # building, Taiwan Pioneer Park, Jinjing Wan District, Pingtan Comprehensive Experimental Plot, Fujian Province, China	RMB 10,000	Fund Management	
A3	China Development Asset Management Corporation	2001.09.11	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	2,000,000	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	20,000	Financial Institution Creditor's Right(Money) Purchase & Management	note ³
A3-b2	Chung Hwa Growth 3 Asset Management Corporation	2003.11.05	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	2,260,000	Financial Institution Creditor's Right(Money) Purchase & Management	note ³
A3-b3	Chung Hwa Growth 4 Asset Management Corporation	2003.11.21	7F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	190,000	Financial Institution Creditor's Right(Money) Purchase & Management	note ³

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, 2016

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 1
A4-b2	CDIB Capital International (USA) Corporation	1997.07.14	California, USA	USD 0.8	Venture Capital	Note 1
A4-b3	CDIB Capital International (Korea) Corporation	1997.01.29	Seoul, Korea	KRW 9,240,000	Venture Capital	Note 1
A4-b4	CDIB Capital Asia Partners Limited	2014.03.21	Cayman Islands	USD 0.001	Fund Management	Note 1
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 2
A6	CDIB Capital Investment II Limited	2002.09.03	British Virgin Islands	USD 80,000	Investment	
A7	CDIB Global Markets II Limited	1999.07.06	Malaysia	USD 175,282	Investment	
A8	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
B1-b1-c1	KGI Information Technology (Shanghai) Co., Ltd.	2016.05.30	Shanghai	0	Information 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	50,000	Securities Investment Advisory, Discretionary Investment Business
B4	KGI Insurance Brokers Co. Ltd.	2003.03.13	7F, No. 700, Mingshui Rd., Taipei City, Taiwan	5,000	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

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
B5-b1-c1-d3	Supersonic Services Inc.	1999.03.29	British Virgin Islands	USD 0.1	Holding Company
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 81,512	Holding Company
B5-b1-c1-d4-e1	KGI Asia (Holdings) Pte. Ltd.	1997.09.25	Singapore	USD 75,749	Holding Company
B5-b1-c1-d4-e1-f1	KGI Futures (Singapore) Pte. Ltd.	2014.04.29	Singapore	SGD 14,500	Future and Forex
B5-b1-c1-d4-e1-f2	KGI Securities (Singapore) Pte. Ltd.	2015.01.30	Singapore	SGD 137,528	Securities
B5-b1-c1-d4-e2	KGI Capital (Singapore) Pte. Ltd. (Note)	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-e6-f4	PT KGI Sekuritas Indonesia	2016.08.31	Indonesia	USD 3,770	Securities

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
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
B5-b1-c1-d5-e9	Grand Cathay Securities (Hong Kong) Limited	2013.06.20	Hong Kong	HKD 487,252	Securities
B5-b1-c1-d5-e9-f1	Grand Cathay Capital (Hong Kong) Limited	2013.06.20	Hong Kong	HKD 287,663	Investment
B5-b1-c1-d5-e10	TG Holborn(HK) Limited	2014.12.22	Hong Kong	HKD 171	Insurance Brokerage
B5-b1-c1-d5-e11	KGI Asset Management Limited	2014.12.22	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	1996.10.23	British Virgin Islands	USD 55,924	Holding Company
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	2013.11.25	Shanghai, China	USD 4,000	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

Note: KGI Capital (Singapore) Pte. Ltd. operation closed currently.

© KGI Bank (Note)

December 31, 2015
Unit : NT\$'000

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
C1	CDIB Management Consulting Corporation	2011.7.22	3F, No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	1,531,719	Management Consulting
C1-b1	CDC Finance & Leasing Corporation	1996.05.01	5-6F, No. 224, Sec.3, Nanjing E. Rd., Taipei City, Taiwan	767,048	Leasing
C1-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, 2016

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A	China Development Industrial Bank	Director / CDFH Independent Director President	Chia-Juch Chang Shin Chen Paul Yang Yung-Pang Hsu Shao-Tung Chang Chun-Huei Ho Ching-Yen Tsay Gilbert T.C. Bao Tyzz-Jiun Duh Paul Yang	2,060,399,410	100
B	KGI Securities	Director / CDFH Independent Director President	Daw-Yi Hsu William Fang Albert Ding Chin-Lung Tseng Shirley Wang Julian Yen Len-Kuo Hu Cheng-Erh Lin James Tai William Fang	3,498,812,320	100
C	KGI Bank	Director / CDFH Independent Director President	Mark Wei Eddie Wang Richard Chang Long-I Liao Hsiao-Ling Shen Jane Lai Hsiou-Wei Lin Hsien-Lang Lin Wen-Yeu Wang Richard Chang	4,606,162,291	100

© China Development Industrial Bank (CDIB)

A. Domestic

December 31, 2016

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	Shin Chen Sherie Chiu Paul Yang Lawrence Liu Kathy Young Julian Yen Melanie Nan Frances Tsai Cathy Han Kathy Young	33,093,889	100
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	Director	Shin Chen Paul Yang Daw-Yi Hsu Kathy Young Jenny Chiang Frances Tsai Michael Chang	51,900,000	100
A1-b1-c1	CDIB Private Equity (China) Corporation	Director / CDIB Private Equity (Hong Kong) Supervisor / CDIB Private Equity (Hong Kong) President	Shin Chen Paul Yang Lawrence Liu Kathy Young Melanie Nan Cathy Han Jhen-Yu Wang Michael Chang Kathy Young	None	100
A1-b1-c1-d 1	CDIB Yida Private Equity (Kunshan) Co. Ltd.	Director Supervisor President	Shin Chen Daw-Yi Hsu Kathy Young Ying Wen Lu Dong Liang Julian Yen Yen Lu		65 35
A1-b1-c2	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	None	None	None	65 (Comprehensive shareholding ratio)
A2-b1-c3	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	None	None	None	70 (Comprehensive shareholding ratio)

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A1-b2	CDIB Innovation Advisors Corporation Limited	Director / CDIB Capital Management Corporation	Sherie Chiu Kathy Young Melanie Nan	1,200,000	60
		Director / Meet Digital Innovation Co., Ltd.	Huang-Tze Jan Shu-Lan Chen	800,000	40
		Supervisor President	Cathy Han Ryan Kuo	0	0
A2	CDIB Venture Capital Corporation	Director / CDIB Supervisor / CDIB President	Lawrence Liu Paul Yang Shin Chen Sherie Chiu Eddy Chang Kathy Young Frances Tsai Michael Chang Kathy Young	922,790,915	100
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	Director President	Shin Chen Paul Yang Jane Lai Eddy Chang Kathy Young Lawrence Liu Frances Tsai Michael Chang Kathy Young	650,000,000	100
A2-b1-c1	CDIB Private Equity (Fujian) Co., Ltd.	Director / CDIB Venture Capital (Hong Kong)	Shin Chen Daw-Yi Hsu Kathy Young	None	70
		Director / Fujian Electronics & Information (Group) Co., Ltd. Supervisor : CDIB Venture Capital (Hong Kong) President	Wen-Sheng Lu Zuo Wang Julian Yen Hans Weng		30
A3	China Development Asset Management Corporation	Director / CDIB Supervisor / CDIB President	Daniel Wu T.H. Liu Tien-Sung Lee Kiki Shih LC Sun Lawrence Liu T.H. Liu	200,000,000	100

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A3-b1	Development Industrial Bank Asset Management Corporation	Director / China Development Asset Management Corporation Supervisor / China Development Asset Management Corporation	Daniel Wu T.H. Liu Tien-Sung Lee Adrienne Ciou Eddy Chang Marisol Wang	2,000,000	100
A3-b2	Chung Hwa Growth 3 Asset Management Corporation	Director / China Development Asset Management Corporation Supervisor / China Development Asset Management Corporation	Daniel Wu T.H. Liu Tien-Sung Lee Adrienne Ciou Eddy Chang	226,000,000	100
A3-b3	Chung Hwa Growth 4 Asset Management Corporation	Director / China Development Asset Management Corporation Supervisor / China Development Asset Management Corporation	Daniel Wu T.H. Liu Tien-Sung Lee Adrienne Ciou Eddy Chang	19,000,000	100

Note : All representatives do not have any personal shareholding.

B. Overseas

December 31, 2016

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 Frances Tsai 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 Frances Tsai 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 Frances Tsai 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 Frances Tsai 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. (in Liquidation)	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 Limited	Director	Paul Yang Christy Lin Jason Sass Kathy Young Frances Tsai Lionel De Saint-Exupery	339,392	100
A8	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.

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December 31, 2016

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B1	KGI Futures Co. Ltd.	Director 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
B1-b1-c1	KGI Information Technology (Shanghai) Co., Ltd.	Director / KGI Information Technology Co., Ltd Supervisor / KGI Futures	Jui-Chueh Chen Pin-Cheng Chen David Chi Yao-Min Chou	-	-
B2	KGI Securities Investment Trust Co. Ltd.	Director Supervisor President	Ching-Ching Lee Yi-Jiao Yuan Yu-Chuan Lin David Miao 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	5,000,000	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	500,000	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	81,511,716	100
B5-b1-c1-d4-e1	KGI Asia (Holdings) Pte. Ltd.	Director	Foong Hock Meng Wong Hoe Choon Reddy Wong Chak Wai	75,749,305	100
B5-b1-c1-d4-e1-f1	KGI Futures (Singapore) Pte. Ltd.	Director	Foong Hock Meng I-Yung Mai Wong Chak Wai Wong Hoe Choon Reddy Teo Cheng Hoe Christopher	14,500,000	100
B5-b1-c1-d4-e1-f2	KGI Securities (Singapore) Pte. Ltd.	Director	Foong Hock Meng Wong Chak Wai Wong Hoe Choon Reddy Julian 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	Wong Chak Wai	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 Wu Chiang Li 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	Julian 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-e6-f4	PT. KGI Sekuritas Indonesia	Director	Winndo Robby Supit Sam Sahiry Rumambi Albert Ding Pun Kin Wa	49,500	99
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 Wu Chiang Li Wong Hoe Choon Reddy	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	Wong Chak Wai Chan Hin Geung Mark Wu Chiang Li	170,670	100
B5-b1-c1-d5-e11	KGI Asset Management Limited	Director	Wong Chak Wai Wong Hoe Choon Reddy Julian Yen Wu Chiang Li Chan Hin Geung Mark	25,000	100
B5-b1-c2-d5-e12	KGI Wealth Management Limited	Director	Kwong Man Bun Wong Chak Wai Wong Hoe Choon Reddy Wu Chiang Li Julian Yen	113,450	100
B5-b1-c2-d5-e13	KGI Nominees (Hong Kong) Limited	Director	Chu Kuan Hsun Wu Chiang Li Wong Chak Wai	3	100
B5-b1-c2	ANEW Holdings Limited	Director	Chin-Lung Tseng David Chi	55,924,236	100
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	Director Supervisor	Daw-Yi Hsu Yi-Jyun Wu David Chi Yao-Min Chou	4,000,000	100
B6	KGI Venture Capital Co. Ltd.	Director / KGI Securities	Daw-Yi Hsu Chin-Lung Tseng Chang-Huan Chou	60,000,000	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
		Supervisor / KGI Securities President	David Chi Tung-Chi Li		
B7	Global Securities Finance Corporation	Director / KGI Securities Director / Tuntex Petrochemicals, Inc. Supervisor Supervisor / CDIB & Partners Investment Holding Corporation President	Chin-Lung Tseng Julian Yen Kuo-Pin Kao Adrienne Ciou Chih-Chang Cheng Chi-Yu Li Mu-Hsien Chen Chao-Chiu Lin Chih-Chang Cheng	87,958,558	21.99
B8	Grand Cathay Holding Limited (in Liquidation)	Director	Ping-Cheng Chen	-	-

December 31, 2016

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
C1	CDIB Management Consulting Corporation	Director / KGI Bank Supervisor / KGI Bank President	Eddie Wang J.M. Meng Andy Lin Chih-Chin Wang Wen-Yan Hsu Kiki Shih Hans Tzou Jhen-Yu Wang	153,171,873	100
C1-b1	CDC Finance & Leasing Corporation	Director / CDIB Management Consulting Corporation Director Director Director / Pacific Resource Co. Ltd. Supervisor Supervisor President	J.M. Meng Andy Lin Jane Lai Tony Lin Stanley Liu Jack Hung Jenny Huang Wen-Yan Hsu J.M. Meng	58,328,460 0 17,179,987 0 0	76.04 0 22.40 0 0
C1-b2	CDIB International Leasing Corp.	Director / CDIB Management Consulting Corporation Supervisor President	Eddie Wang Jhen-Yu Wang Andy Lin Chih-Chin Wang Wen-Yan Hsu Kiki Shih Hans Tzou Jhen-Yu Wang	none	100

8.1.5 Performance of affiliated enterprises:

◎China Development Financial Holding Corporation

December 31, 2016
Unit: NT\$ thousands

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A	CDIB Capital Group(formerly China Development Industrial Bank)*	20,603,994	71,618,933	1,585,791	70,033,142	2,111,429*	2,111,429*	1,467,895	0.71
B	KGI Securities Co., Ltd.	34,988,123	175,224,230	114,980,183	60,244,047	9,825,639	2,002,642	2,483,546	0.68
C	KGI Bank	46,061,623	565,808,240	507,082,951	58,725,289	10,245,026*	10,245,026*	3,827,023	0.83

Note*: "Net revenue"

◎CDIB Capital Group (Formerly China Development Industrial Bank)

A. Domestic

December 31, 2016
Unit: NT\$ thousands

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 Corporation	330,939	760,157	158,229	601,928	219,651	65,074	57,646	1.20
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	216,018	242,541	495	242,046	0	19,980	19,992	3.85
A1-b2	CDIB Innovation Advisors Corporation Limited	20,000	18,650	140	18,510	49	(1,488)	(1,488)	(0.74)
A1-b1-c1	CDIB Private Equity Management Corporation	210,940	211,143	41,873	169,270	37,956	18,364	16,352	—
A1-b1-c2	CPEC Huachung Private Equity (Kunshan) Enterprise (Limited Partnership)	55,463	54,789	286	54,503	0	(166)	(100)	—
A1-b1-c3	CPEC Huachuang Private Equity Management (Fujian) Enterprise (Limited Partnership)	55,463	57,147	291	56,856	0	1,932	1,932	—
A1-b1-c1	CPEC Huachung Private Equity (Kunshan) Co., Ltd.	32,353	82,989	32,617	50,372	71,415	21,914	14,737	—
A2	CDIB Venture Capital Corporation	9,227,909	8,881,769	17,074	8,864,695	256,937	152,568	145,723	0.16
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	2,705,430	2,451,817	591	2,451,226	0	60,246	61,321	0.94
A2-b1-c1	CPEC Huakai Private Equity (Fujian) Co., Ltd.	46,219	149,610	45,919	103,691	94,637	28,611	19,312	—
A3	China Development Asset Management Corporation	2,000,000	3,222,385	825,430	2,396,955	69,649	(4,489)	83,570	0.42

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A3-b1	Development Industrial Bank Asset Management Corporation	20,000	125,717	13,120	112,597	0	(2,966)	4,147	2.07
A3-b2	Chung Hwa Growth 3 Asset Management Corporation	2,260,000	2,594,817	64,758	2,530,059	53,455	28,821	89,817	0.40
A3-b3	Chung Hwa Growth 4 Asset Management Corporation	190,000	206,066	7,537	198,529	27,002	2,763	(714)	(0.04)

B. Overseas

December 31, 2016

Unit: NT\$ thousands

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	151,711	969,823	225,084	744,739	623,532	164,782	166,470	—
A4-b1	CDIB Capital International (Hong Kong) Corporation Limited	64,098	253,541	55,006	198,535	244,699	27,913	22,860	—
A4-b2	CDIB Capital International (USA) Corporation	26	67,769	16,752	51,017	48,854	2,742	2,742	—
A4-b3	CDIB Capital International (Korea) Corporation	247,826	200,471	27,318	173,153	53,307	3,967	9,705	—
A4-b4	CDIB Capital Asia Partners Limited	0	0	1,465	(1,465)	0	(488)	(488)	—
A5	CDIB Capital Investment I Limited	4,286,651	6,168,867	858	6,168,009	4,145	(118,465)	(69,536)	—
A5-b1	Subinvest, Inc. (Liquidated)	1,472	2,587	163	2,424	0	(42)	(42)	—
A6	CDIB Capital Investment II Limited	2,582,320	2,699,107	116,693	2,582,414	501,982	309,971	322,757	—
A7	CDIB Global Markets Limited	5,657,917	7,831,977	3,514	7,828,463	478,167	262,895	332,957	—
A8	CDIB Biotech USA Investment Co., Limited (Liquidated)	197,547	98,286	341	97,945	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)
B1	KGI Futures Co. Ltd.	860,800	23,477,904	20,742,743	2,735,161	1,836,269	289,357	436,618	5.07
B1-b1	KGI Information Technology Co., Ltd.	50,000	49,464	97	49,367	0	(717)	(605)	(0.12)
B2	KGI Securities Investment Trust Co. Ltd.	300,000	328,939	19,177	309,762	135,850	(684)	610	0.02
B3	KGI Securities Investment Advisory Co. Ltd.	50,000	133,136	67,400	65,736	162,260	10,225	9,235	1.62
B4	KGI Insurance Brokers Co. Ltd.	5,000	201,721	78,639	123,082	475,201	124,463	103,992	207.98
B5	Richpoint Company Limited	7,416,133	15,997,650	1,461,173	14,536,477	0	(15,268)	(717,687)	—
B5-b1	KG Investments Holdings Limited	5,063,413	17,669,285	5,897,373	11,771,912	129	(44,125)	(744,902)	—
B5-b1-c1	KGI International Holdings Limited	6,754,316	19,785,090	4,192,440	15,592,650	26,533	(121,950)	(700,325)	—
B5-b1-c1-d1	KG Investments Asset Management (International) Limited	323	0	0	0	0	0	549	—
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	323	2,356	0	2,356	0	0	0	—
B5-b1-c1-d4	KGI International Limited	2,631,126	2,348,104	34,248	2,313,856	0	0	50,743	—
B5-b1-c1-d4-e1	KGI Asia (Holdings) Pte.Ltd.	2,445,102	6,203,959	3,880,646	2,323,313	968	(33,344)	75,727	—
B5-b1-c1-d4-e1-f1	KGI Futures (Singapore) Pte. Ltd.	323,495	14,152,714	13,318,380	834,334	941,933	945,161	52,712	—
B5-b1-c1-d4-e1-f2	KGI Securities (Singapore) Pte. Ltd.	3,068,250	3,534,874	1,899,781	1,635,093	244,836	361,525	(473,791)	—
B5-b1-c1-d4-e2	KGI Capital (Singapore) Pte. Ltd.	185,217	111,879	290	111,589	0	(1,937)	(4,196)	—
B5-b1-c1-d5	KGI Limited	9,952,939	11,708,723	2,633,934	9,074,789	0	0	32	—
B5-b1-c1-d5-e1	Global Treasure Investments Limited	0	0	0	0	0	0	0	—
B5-b1-c1-d5-e2	KGI Securities (Hong Kong) Limited	371,209	2,191,454	511,138	1,680,316	675,761	676,729	33,925	—
B5-b1-c1-d5-e3	KGI Asia Limited	3,066,505	33,220,966	26,949,350	6,271,616	1,878,380	2,023,732	154,584	—

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-e4	KGI Investments Management Limited	109,258	37,476	2,195	35,281	46,966	46,966	10,491	—
B5-b1-c1-d5-e5	KGI Futures (Hong Kong) Limited	1,452,555	6,900,766	4,685,975	2,214,791	321,402	334,153	27,857	—
B5-b1-c1-d5-e6	KGI Capital Asia Limited	3,807,728	3,864,216	20,400	3,843,816	180,020	193,642	36,572	—
B5-b1-c1-d5-e6-f1	KGI Alliance Corporation	3,228	527,697	534,508	(6,811)	0	(18,367)	(18,334)	—
B5-b1-c1-d5-e6-f2	KGI Finance Limited	1,385,221	2,606,949	1,689,225	917,724	0	(150,130)	(204,939)	—
B5-b1-c1-d5-e6-f3	KGI International (Hong Kong) Limited	3,227,900	17,397,638	14,522,354	2,875,284	266,140	399,646	(204,165)	—
B5-b1-c1-d5-e6-f4	PT KGI Sekuritas Indonesia	121,692	320,627	199,807	120,820	19,206	18,948	355	—
B5-b1-c1-d5-e7	KGI Hong Kong Limited	484	277,148	1,002,328	(725,180)	2,474,347	34,248	15,881	—
B5-b1-c1-d5-e8	KGI International Finance Limited	322,790	952,521	760,719	191,802	39,832	109,684	(35,120)	—
B5-b1-c1-d5-e9	Grand Cathay Securities (Hong Kong) Limited	2,028,040	1,553,814	73,273	1,480,541	32	32	(2,034)	—
B5-b1-c1-d5-e10	TG Holborn (HK) Limited	712	13,654	0	13,654	3,131	3,163	(1,259)	—
B5-b1-c1-d5-e11	KGI Asset Management Limited	20,811	20,691	97	20,594	1,743	1,743	323	—
B5-b1-c1-d5-e12	KGI Wealth Management Limited	472,202	6,428,588	5,755,087	673,501	240,640	247,128	6,456	—
B5-b1-c1-d5-e13	KGI Nominees (Hong Kong) Limited	0	0	0	0	0	0	0	—
B5-b1-c2	ANEW Holdings Limited	1,805,171	2,012,305	0	2,012,305	0	0	(710)	—
B5-b2	KGI Investment Advisory (Shanghai) Co Ltd	129,116	75,866	807	75,059	20,820	(6,617)	(2,581)	—
B6	KGI Venture Capital Co. Ltd.	600,000	781,392	14,192	767,200	113,066	108,703	104,690	1.74
B7	Global Securities Finance Corporation	4,000,000	10,671,185	6,435,094	4,236,091	238,336	68,637	63,722	0.16
B8	Grand Cathay Holding Limited (Liquidated)	0	0	0	0	0	0	0	—

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December 31, 2016
Unit: NT\$ thousands

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
C1	CDIB Management Consulting Corporation	1,531,719	1,097,863	7,555	1,090,308	(233,872)	(243,796)	(243,849)	(1.59)
C1-b1	CDC Finance & Leasing Corporation	767,048	4,599,907	3,784,758	815,149	293,393	(9,765)	6,614	0.09
C1-b2	CDIB International Leasing Corp.	867,759	2,824,860	2,398,339	426,521	176,512	(282,639)	(233,948)	—

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	34,988,123	—	100%	—	—	—	—	302,585,796 shares NT\$3,283,056,000	—
				As of the date of publication of this report				302,585,796 shares NT\$3,283,056,000	No impact (note 4)
CDIB Capital Group (formerly CDIB)	20,603,994	—	100%	—	—	—	—	20,646,142 shares NT\$164,963,000	—
				As of the date of publication of this report				20,646,142 shares NT\$164,963,000	No impact (note 4)

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.

Note4: Explain its impact on the financial holding company's financial performance and financial status.

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 Chia-Juch Chang