



中華開發金控
CHINA DEVELOPMENT FINANCIAL

Stock Code : 2883

China Development Financial

2017 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/enhtml/index>

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Spokesperson

Name : Eddy Chang
Title : Executive Vice President
Tel : (02)2763-8800
Web : www.cdibh.com/enhtml/index

Deputy Spokesperson

Name : Janet Sheng
Title : Executive Vice President
Tel : (02)2763-8800
Web : www.cdibh.com/enhtml/index

Headquarters, Branches and Plant**China Development Financial**

Address : No. 125, Sec. 5, Nanjing E. Rd., Taipei 10504, Taiwan
Tel : (02)2753-2201
Web : www.cdibh.com/enhtml/index

Subsidiaries**CDIB Capital Group**

Address : 11 & 12F, No. 125, Sec. 5, Nanjing E. Rd., Taipei 10504, Taiwan
Tel : (02)2763-8800
Web : www.cdibcapitalgroup.com/cdibenhtml/index

KGI Bank

Address : No. 125, Sec. 5, Nanjing E. Rd., Taipei 10504, Taiwan
Tel : (02)2171-1088
Web : www.kgibank.com/about_us/english/index.html

KGI Securities

Address : No. 700, Mingshui Rd., Taipei 10462, Taiwan
Tel : (02)2181-8888
Web : www.kgi.com/kgienhtml/index

China Life Insurance Co., Ltd.

Address : 5F, No.122, Dunhua N. Rd., Taipei 105, Taiwan
Tel : (02)2719-6678
Web : www.chinalife.com.tw

Stock Transfer Agent

Name : The Transfer Agency Department of KGI Securities
Address : 5F, No. 2, Sec. 1, Chongqing South Rd., Taipei 10044, Taiwan
Tel : (02)2389-2999
Web : www.kgi.com

Credit Rating Agency

Name : Taiwan Ratings
Address : 49F, No. 7, Sec. 5, XingYi Rd., Taipei 11049, Taiwan
Tel : (02)8722-5800
Web : www.taiwanratings.com

Auditors

Auditors : Mei-Hui Wu, Cheng-Hung Kuo
Accounting Firm : Deloitte & Touche
Address : 12F, No. 156, Sec. 3, Ming Sheng E. Rd., Taipei 10596, Taiwan
Tel : (02)2545-9988
Web : www.deloitte.com.tw

Overseas Securities Exchange : None**Shareholder Hotline : 0800-212-791**

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I. Letter to Shareholders

The pace of global economic recovery picked up in 2017, with commodity prices up substantially and financial markets performing strongly. Monetary policies were on pace to return to normalcy as global inflation and interest rates gradually trended up. The US, in particular, saw a relatively robust economy, with continued expansion in job and housing markets as well as a steady rebound in consumption and inflation, which prompted the Fed to begin policy normalization. In the eurozone, overall political/ economic systemic risk eased, driven by growing consumption and foreign trade, while quantitative easing was expected to phase out amid improving employment and economic recovery. In China, stabilizing economic growth coincided with industrial transitions and economic structural adjustments, while Taiwan, benefitting from the global economic recovery, saw economic growth increase to 2.84% in 2017. With investors returning to the market, the Taiex saw both trading volume and prices rise. According to Taiwan Securities Association, the combined average daily turnover of the Taiex and the OTC reached NT\$138bn in 2017, up 39% YoY, and the Taiex climbed from 9,253 points to close at 10,643 points, up around 15%.

In September last year, CDF successfully purchased 25.33% of China Life Insurance Company to become the largest shareholder, formally extending its reach into four areas of business: life insurance, commercial banking, securities, and venture capital/ private equity. Driven by the robust performance of global financial markets and growing business in terms of volume and momentum, CDF registered consolidated net profit of NT\$12.365bn in 2017 (including non-controlling interests of NT\$670mn), for EPS of NT\$0.80, with consolidated ROE of 5.94%. Highlights of the company's core businesses are outlined below:

1. Commercial banking

In 2017, KGI Bank continued to derive operating growth from three major drivers: Corporate Banking, Consumer Banking and the Financial Market, complemented by a digital banking platform which facilitates professional development of financial technology (FinTech) platforms and big data applications to expand its client base. KGI Bank also leveraged group resources to increase product penetration and enhance business synergies. In addition, the bank implemented business mix adjustments, operations process improvement and IT systems optimization in an effort to enhance existing business strength, while actively promoting cooperation opportunities in innovative technology and pursuing growth

opportunities in new channels. Below are highlights of key KGI Bank businesses:

(1) Corporate Banking. The bank continued to provide well-tailored project financing services to corporate clients, strengthen CDF's cultivation of local and overseas markets and actively cross-sell financial planning services to business owners and companies to help put idle capital to use. The bank plans to expand credit asset size as well as optimize profit structure through participating in syndicated loans, attracts corporate customers with supply chain trade and cash management business and works to keep abreast of overseas private equity funds as well as global investment banks' sponsorship for leverage buy-out transactions. (2) Consumer Banking. The bank actively expanded sales channels and product types, optimized service flows and built a client base with sustainably robust growth through more meticulous customer relationship management and leveraging the group's cross-selling resources. The wealth management business launched a new membership system in 2017 to focus on enhancing service quality and establishing a closer client relationship through customer segmentation and upgrade of customer rights and interests. (3) The Financial Market. The bank continued to expand its bond and equity investments locally and globally and pursue stable gains while diversifying market volatility risks by adhering to strict risk management controls and hedging strategies. It also underwrites bonds for local and foreign companies as well as financial institutions and gradually increases its visibility. Moreover, it cooperates with international investment and commercial banks to exchange development trends of various new financial products and provide clients with more comprehensive services covering note and bond underwriting, financial products marketing, private banking and asset management to meet needs for credit and investment products.

2. Securities

Thanks to speedier global economic recovery and enhanced trading momentum in capital markets, the overall environment favored the securities business, helping maintain KGI Securities' leadership in brokerage, investment banking, warrant trading and bond underwriting. In response to the structural change of Taiex investors and the wealth management needs of new-generation investors, securities brokers were advised to transition to financial consultants. In addition, customer relationship management and digital technology were incorporated in the introduction of new products to stimulate demand for trading services and wealth management planning. In the future, KGI Securities will continue to incorporate FinTech and use big data analysis to conduct targeted marketing, providing

differentiated services with customer segmentation techniques. Regarding overseas development, Hong Kong serves as the center of overseas deployment, linking Greater China and the ASEAN. Platforms of international financial products were established to grab demand for wealth management and opportunities from market volatility in the Asia-Pacific. Through close cooperation in various businesses across platforms, offering diverse product lines domestically and globally and with the support of IT systems, the goal of developing a regional wealth management business is being achieved.

3. Venture capital/ private equity

The continued rally in capital markets has boosted the value of our investment positions and favored our divestment plans. In 2017, two third-party funds — the Innovation Fund and Growth Fund — were established. Combining the six existing funds — the Creative Fund, Healthcare Fund, Hua Nan Fund, Hua Dong Fund, US dollar-denominated Asia Partners Fund and Ali Fund — total assets under management reached NT\$31.9bn as of the end of 2017, of which NT\$18.6bn have been deployed. In addition to these eight funds, a new renminbi-denominated fund is scheduled for launch this year (2018), while another US dollar-denominated fund is in the pipeline.

In terms of credit ratings, Taiwan Ratings gave CDF a long-term rating of “twA+,” a short-term rating of “twA-1,” and a “Stable” outlook in November 2017. These ratings were in recognition of the group’s strong capitalization relative to its risk profile, established franchise in Taiwan’s corporate banking business and securities industry and adequate business diversification compared with other financial groups’ in Taiwan.

Looking into 2018, the economies of Europe and the US are expected to extend solid recovery, while China will exercise cautious controls amid reforms and stable economic growth. Taiwan’s economy also appears healthy, as emerging markets benefit from warming demand and rising commodity prices, both positives for global economic performance. However, potential volatility in financial markets as well as global political and economic risks can’t be ignored. In response to the ever-changing landscape of financial markets, KGI Bank will continue to strengthen cross-selling activities by leveraging group resources to expand its customer base, maintain solid growth momentum in lending, enhance its syndicated loan/ mortgage/ SME lending business, actively develop digital banking and build quality service platforms to expand business through overseas deployment and horizontal alliances. KGI Securities will expand its wealth management business by integrating digital technology to optimize services, actively utilize cross-selling

synergies and product innovation capability of group companies, continue to diversify trading strategies to expand profit sources and upgrade its trading systems to gain a competitive edge in the market, and capitalize on Asia-Pacific regional platform to gain presence in the international investment banking market. And last but not least, the private equity /venture capital entity will strive to diversify its assets, strengthen the asset management business, actively promote financial advisory business and offer customized investment consulting services for institutional investors to create diversified and stable sources of returns.

In the realm of corporate social responsibility, CDF has incorporated the concept into all subsidiaries. KGI Bank offers environmental, social and governance (ESG) programs with its Flexible Card, extending fee discounts and preferential interest rates to vocational license holders, entrepreneurs raising funds through crowdfunding websites and low-income families. In an effort to support the government's promotion of green finance policies, KGI Securities was the lead underwriter of all three domestic corporate green bonds issued last year, with an amount of NT\$14.1bn. In recent years, it has committed to promoting green finance initiatives to help alleviate global warming and to increasing capital market support for a greater number of companies promoting environmental sustainability. All of CDIB Capital Group's investments conform to the six UN Principles for Responsible Investment (PRI) as it strives to fulfill the company's stewardship as an institutional investor with a continued focus on ESG investing. Moving ahead, CDF will strive to improve ESG performance and further strengthen corporate governance, making information transparent and readily available with equitable access. CDF will also, as always, adhere to a corporate culture of good faith management in order to enhance shareholder returns and to reach its goal of corporate sustainability management.

In closing, we'd like to wish our shareholders good health and all possible success.

Chairman Chia-Juch Chang

President & CEO Alan Wang

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

- (4) China Development Asset Management Corp. (AMC)

Established on 11 September, 2001 and started operation on 12 February, 1992

- (5) China Life Insurance Co., Ltd. (China Life):

Founded on 25 April, 1963

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.

China Development Asset Management Corp. (AMC), a subsidiary of CDF, was incorporated in 2001, an era in which domestic financial reforms had left massive amounts of non-performing assets, and a group of professionals teamed up seeking potential NPL disposal opportunities. Since its establishment, AMC has continued to tender offer for investment in financial institution debt, with equal focus on private deals and open tenders. In addition, AMC also participated in purchasing non-performing syndicated loans. AMC was the subsidiary of CDIB Capital Group and became the subsidiary of CDF since March 16, 2017. In order to prepare for the ever increasing competition in the finance industry, AMC will actively work to transform underperforming assets into those bringing in steady returns. IT will take advantage of a variety of existing properties by packaging those already leased and providing stable income into investment products, while renovating the others for lease or sale. Both options result in attractive investment targets. For the non-performing loans purchased, our job is to single out ones with recoverable real estate with development potential and future economic prospects, which, following review and planning processes by AMC, can become an investment target or co-developed into a JV.

China Life was incorporated in Taiwan in 1963, and was originally known as Overseas Life before it was renamed China Life Insurance in March 1981. It became the third large life insurance company in Taiwan and listed on the TWSE on February 8, 1995. In August 2005, China Life inaugurated its representative office in Beijing, marking the first step in its expansion

into mainland China. In October 2007, China Life completed the acquisition of Winterthur Taiwan from AXA. In June 2009, it acquired PCA Life's major assets and liabilities from UK-based Prudential Life and gave the company a well-regarded marketing channel and portfolio and meaningfully boosted its assets and premiums. China Life offers a broad variety of insurance, pension and wealth management solutions and excellent service to its clients. CDF publicly acquired a 25.33% stake in China Life on September 13, 2017, making it the single largest shareholder of China Life.

“We Share, We Link” is the core spirit of the China Life, built on a strong connection between policyholders, shareholders, employees and communities. In the future, China Life will operate with forward-looking thinking, strong financial solvency, prudent corporate governance and risk management mechanisms and aspire to become a model enterprise in the life insurance sector.

Accolades 2017

CDF

Securities and Futures Institute, ranked top 20% in the Fourth Corporate Governance Evaluation Award

KGI Bank

The Intellectual Property Office, Ministry of Economic Affairs, first utility model patent for the bank's "Trust Monetary Flow Processing System"

The Commercial Times, 2017 Best Service in Taiwan Award, ranked #3 best domestic Banks

Taiwan Futures Exchange, Futures Trading Diamond Awards, Trading Volume for Banks (ranked #3).

Taiwan Clearing House, ranked #2 Business Growth Award for ACH (Automated Clearing House)

Financial Information Service, Best Virtual Cash Flow Business Innovation

MTN-I, Editor's Award on the Green Bond Initiative

The Intellectual Property Office, Ministry of Economic Affairs, granted a utility model patent for for the bank's Decreasing Interest Rate Product

KGI Securities

Business Today, Wealth Management Award, Best Sales

Excellence Magazine, Best Digital Service Award in the 2017 Brokerage Evaluation

Taiwan Future Exchange, Futures Trading Diamond Awards, #1 RHO Market Maker; #1 XEF Market Maker, #2 Trading Volume for Future Broker and #1 Outstanding Contribution by Introducing Brokers

Taipei Exchange, #1 Recommending TPEX- and Emerging Stock IPO; #2 Recommending TPEX- and Emerging Stock Market-listed Companies

Taipei Exchange, Best Government Bond Market Maker

Taipei Exchange, #2 Best Warrants Trading; #2 Best Warrants Sales

Taipei Exchange, #1 Best ETF Award

The Asset Benchmark Research Awards, #1 top banks in the secondary market in Asian Currency bonds-government bonds; #1 for top banks in the secondary market in Asian currency bonds-corporate bonds; Top bank arrangers-investors' choice for primary issues in Asian currency bonds-corporate bonds

TWSE, #1 Stock Float, #1 IPO Fund-Raising and #2 IPO Market Value
TWSE, Securities Dealers ETF Trading Contest, Distinguished Contribution Award
(Ranked #1 & #2)
Taiwan Stock Exchange, #4 Best Trading Volume for Warrant issuer & Securities, #2
Best Warrants Weights
Taiwan Stock Exchange, #2 Best Electronic Trading for API Promoting (Application
Programming Interface) Award
Securities and Futures Institute, Golden Goblet Award, Outstanding Securities
Professional
Wealth Magazine, Wealth Management Award, Best Digital Brokerage Services

China Life

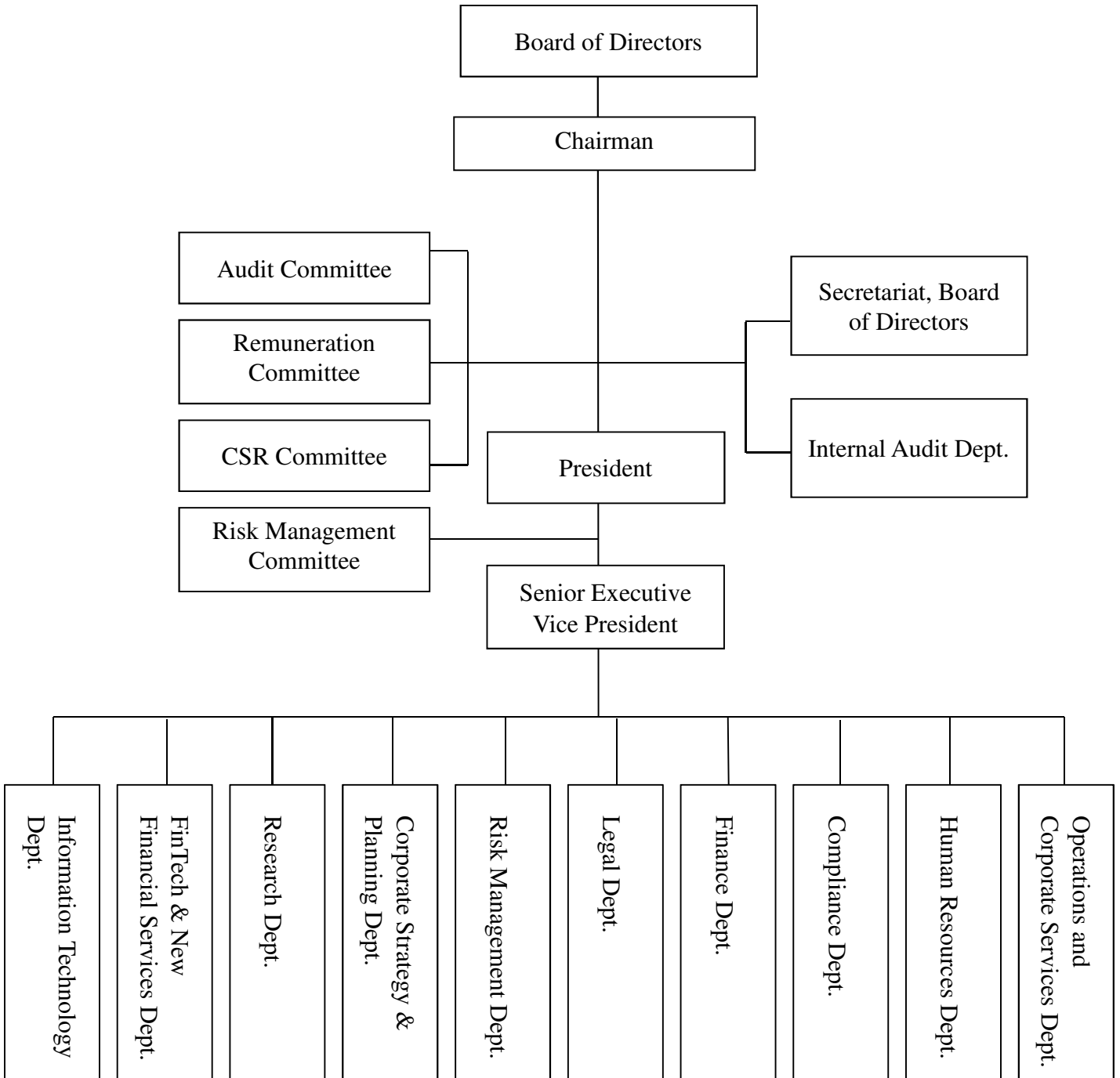
Securities and Futures Institute, ranked top 5% in the Fourth Corporate Governance
Evaluation Award
Forbes Magazine, “Forbes Global 2000 Companies”
A series of videos titled “Thanks to Teachers - The Hope of All Rural Areas” was selected
as a video for the “Teacher’s Month” campaign by the Ministry of Education. It was
selected as a “2017 Get Better Together” National Day Video. It was broadcast on
National Day at Ketagalan Boulevard and received great recognition.
Taiwan Academy of Corporate Sustainability, Taiwan TOP 50 Corporate Sustainability
Report Award - Financial and Insurance Gold Award, Corporate Comprehensive
Performance - TOP 50 Corporate Sustainability Award, and The Best Itemized
Performance Award - Social Inclusion Award
Taiwan Insurance Institute, 7th Taiwan Insurance Excellence Award, “Micro Insurance
Promotion Excellence Award” silver medal
China Credit Information Service Ltd, ranked #24 in among top 5,000 largest Taiwanese
companies by revenue
Department of Environmental Protection, Taipei City Government, Private Sector Green
Procurement Award
The Small and Medium Enterprise Administration, MOEA, Buying Power - The New
Product and Service of Social Innovation Purchase Award
BSI, 2017 Sustainable Practice Award

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
Information Technology Department	Managing information development strategies and security policies; coordinate information management and other related affairs
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 Corporate Services Department	General affairs 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

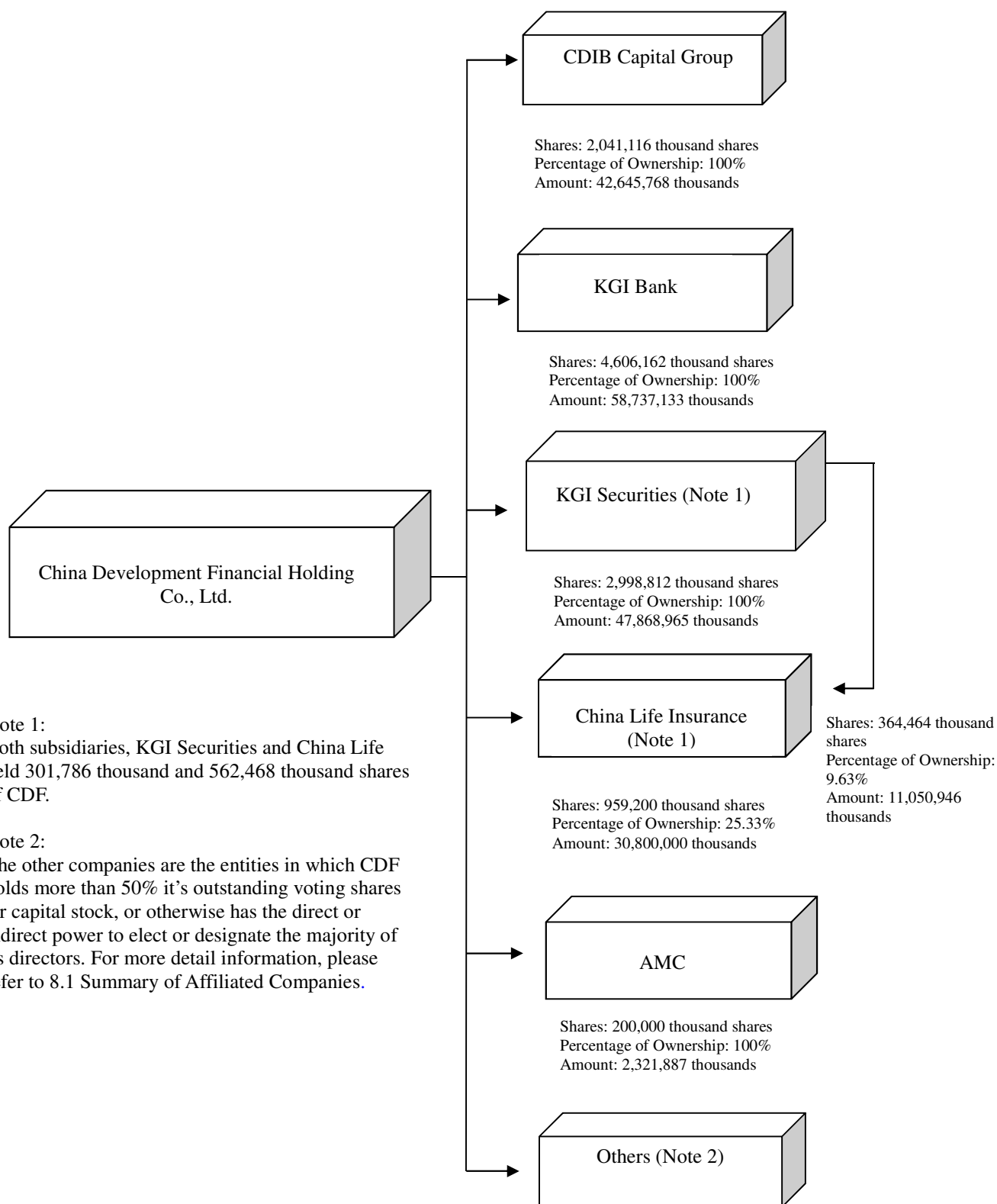
(4) Risk Management Committee

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
- Quarterly 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 case of a major risk event, the Committee shall ensure that all subsidiaries adopt appropriate measures and report to the Board of Directors of CDF quarterly.

3.1.2 Organizational Chart

Date: December 31, 2017



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

3.2.1 Directors

March 31, 2018

Title	Nationality / Country of Registration	Name	Gender	Date Elected	Term (Years) (Note1)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors or Supervisors who are spouses or within second 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
		Representative Chia-Juch Chang	M	05/16/2016	3	07/01/2006 (Note2)	403,992	0.00	833,992	0.00	0	0.00	0	0.00					
Standing Committee 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	0.00	0	0.00	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	0.00	0	0.00	0	0.00	0	0.00					
Standing Committee Director (Independent Director)	R.O.C	Ching-Yen Tsay	M	05/16/2016	3	06/15/2007	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., University of Utah, U.S.A.; Chairman, Industrial Technology Research Institute	Standing Committee Director / Independent Director /, CDIB Capital Group	None	None	None
Director	R.O.C	GPPC Chemical Corp.	-	05/16/2016	3	04/05/2004	12,109,973	0.08	12,109,973	0.08	0	0.00	0	0.00	Master of Science in Management and Administrative Sciences, University of Texas at Dallas; President, China Life Insurance Co., Ltd.	President & CEO, China Development Financial Holding Corp; Chairman, China Life Insurance Co., Ltd.	None	None	None
		Representative Alan Wang	M	12/22/2017	3	04/19/2004 (Note3)	0	0.00	0	0.00	0	0.00	0	0.00					
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	0.00	0	0.00	M.B.A., Harvard University; MS, Massachusetts Institute of Technology; President and Director, China Development Financial Holdings Corp.; President and Director, China Development Industrial Bank (renamed CDIB Capital Group)	Director, CDIB Capital Group; Partner & CEO of Greater China, KKR Asia Limited	None	None	None
		Representative Paul Yang	M	05/16/2016	3	05/04/2009	17,133,454	0.11	23,382,976	0.16	0	0.00	0	0.00					
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	0.00	0	0.00	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 (Note4)	1,969,234	0.01	1,969,234	0.01	0	0.00	0	0.00					

Title	Nationality / Country of Registration	Name	Gender	Date Elected	Term (Years) (Note1)	Date First Elected	Shareholding when Elected		Current Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education)	Other Positions	Executives, Directors or Supervisors who are spouses or within second degrees of kinship		
							Shares	(%)	Shares	(%)	Shares	(%)	Shares	(%)			Title	Name	Relation
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	0.00	0	0.00	Ph.D. in Economics, Georgia State University, U.S.A.; SVP & General Manager, Department of Credit Analysis, Bank of Taiwan ; SVP & General Manager, Department of Auditing, Bank of Taiwan	EVP & General Manager, Department of Economic Research, Bank of Taiwan.	None	None	None
		Representative Shing-Shiang Ou	M	05/16/2016	3	12/28/2001 (Note6)	0	0.00	0	0.00	0	0.00	0	0.00					
Independent Director	R.O.C	Gilbert T.C. Bao	M	05/16/2016	3	04/05/2004	0	0.00	0	0.00	0	0.00	0	0.00	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	0.00	0	0.00	26,000	0.00	0	0.00	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	None	None	None

Note1 : Duration for the 6th term of the Board: from 16 May, 2016 to 15 May, 2019

Note 2 : Not served as director between February 17, 2013 and October 26, 2014

Note 3 : Not served as director between June 15, 2007, and December 21, 2017

Note 4 : Not served as director between June 25 2011- July 24 2011

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

Note 6 : Not served as director between April 6 2004 - April 19 2004, July 2nd 2007 - December 17 2008, August 1st · 2011 - March 1st 2015

Chart 1: Major shareholders of the institutional shareholders

March 31, 2018

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, 2018

Name of Institutional Shareholders	Major Shareholders	Percentage (%)
Grand Pacific Petrochemical Corp.(Note)	KGI Securities Co., Ltd.	6.78
	Cathay Life Insurance Co., Ltd.	5.04
	HSBC Direct Custody-Morgan Stanley & Co. International Plc	4.34
	Fubon Life Insurance Co., Ltd.	3.61
	Chung Kwan Investment Co., Ltd.	3.05
	Citigroup (Taiwan) Custody-Norges Bank	2.72
	Jing Kwan Investment Co., Ltd.	2.19
	China Life Insurance Co., Ltd.	1.87
	Labor Pension Fund (the New Fund)	1.65
	Standard Chartered Bank Custody-Vanguard Emerging Markets Stock Index Fund, a Series of Vanguard International Equity Index Funds	1.61
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 17, 2018

Professional qualifications and independence analysis of directors and supervisors

March 31, 2018

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

3.2.2 Skill Matrix of 6th term Board of Directors

Directors & Independent Directors		Key Areas of Knowledge, Skills, and Experience											
Name	Tenure (years)	Execution & Strategic Planning	Government & Public Policy	Corporate Governance	Investment	Business & Marketing Leadership	Human Resources	Risk Management	Financial Services	Securities / Insurance	Commercial Banking	Information Technology	International Experience
Kai Tung Investment Co., Ltd. Representative: Chia-Juch Chang	8-11	√	√	√	√	√	√	√				√	√
GPPC Chemical Co., Ltd. Representative: Alan Wang	0-4	√		√	√	√	√	√	√	√	√	√	√
Shin Wen Investment Co., Ltd. Representative: Long-I Liao	8-11	√		√	√	√	√	√	√		√		√
Chi Jie Investment Co., Ltd. Representative: Paul Yang	8-11	√		√	√	√	√	√	√	√	√		√
Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	5-7	√		√	√	√			√				√
Bank of Taiwan Co. Ltd. Representative: Shing-Shiang Ou	8-11	√	√	√	√				√		√		√
Independent Director Ching-Yen Tsay	8-11	√	√	√	√	√	√	√	√			√	√
Independent Director Gilbert T.C. Bao	12-14	√		√	√		√	√	√				√
Independent Director Hsiou-Wei Lin	0-4	√		√	√			√	√	√	√		

**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: 68

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%*

2017

*Board: 16 of 16, 100%
CSR Committee: 3 of 3,
100%*

Education

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

Key Areas of Expertise/Experience

Execution & Strategic Planning (Senior Executive & Strategic Leadership)
Government & Public Policy
Corporate Governance
Investment
Business & Marketing Leadership
Human Resources
Risk Management
Info Technology
International Experience

Professional Background

Oct 2014 - Present	Chairman, China Development Industrial Bank (renamed CDIB Capital Group)
Feb 2013 - Aug 2014	Minister, Ministry of Economic Affairs, R.O.C.
Dec 2010 - Feb 2013	Chairman & CEO, China Airlines Corporation
Aug 2008 - Jun 2010	Chairman & CEO, China Steel Corporation
Jul 2006 - Feb 2013	Supervisor / Standing Committee Director, China Development Financial Holding Corporation & China Development Industrial Bank (renamed CDIB Capital Group)
Aug 2005 - Aug 2008	President & Distinguished Chair Professor, Chung Hua University, Hsinchu, Taiwan
Dec 2002	Chairman, Chunghwa Post Co., Ltd.
Oct 1987 - Jun 2005	Director-General, Institute of Transportation / Vice Minister, Ministry of Transportation and Communications, R.O.C.
Aug 1982 - Aug 1987	Professor & Director, Institute of Traffic and Transportation, National Chiao Tung University, Hsinchu, Taiwan

**GPPC Chemical Co., Ltd. Representative:
Mr. Alan Wang
Director**

Current Position:
President ,China
Development Financial
Holding Corp.
Chairman ,China Life



Age: 62

Director since: 2004

Attendance:

2015

Board: N/A

CSR Committee: N/A

2016

Board: N/A

CSR Committee: N/A

2017 (Since December)

Board: 1 of 1, 100%

*CSR Committee: 1 of 1,
100%*

Education

Master of Science in Management and Administrative Sciences, University of Texas at Dallas

Key Areas of Expertise/Experience

Execution & Strategic Planning
Corporate Governance
Investment
Business & Marketing Leadership
Human Resources
Risk Management
Financial Services
Securities / Insurance
Commercial Banking
Info Technology
International Experience

Professional Background

Jun 2009 - Present	Chairman, China Life
May 2004 - Dec 2009	Director, Grand Pacific Petrochemical Corporation
May 2004 - Jun 2008	Director, Videoland Television Network
Apr 2004 - Jun 2007	Standing Committee Director, China Development Financial Holding Corporation
Apr 2004 - Jun 2007	Standing Committee Director, China Development Industrial Bank (renamed CDIB Capital Group)
Feb 2003 - Jun 2009	President, China Life
Jun 2003 - Apr 2004	Director, Taipei Financial Center Corporation
Oct 2002 - Feb 2003	CIO, Ping An Insurance Group
Oct 2000 - Aug 2002	Supervisor, Central Reinsurance Corporation
Jun 1996 - Aug 2002	Director, International Commercial Bank of China Co., Ltd.
Jul 1982 - Aug 2002	SEVP, Nan Shan Life Insurance Co., Ltd.

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.



Age: 78

Director since: 2006

Attendance:

2015

Board: 18 of 18, 100%

Committee: N/A

2016

Board: 17 of 18, 94%

Committee: N/A

2017

Board: 16 of 16, 100%

Committee: N/A

Education

B.A. in Economics, National Taiwan University

Key Areas of Expertise/Experience

Execution & Strategic Planning (Senior Executive & Strategic Leadership)
Corporate Governance
Investment
Business & Marketing Leadership
Human Resources
Risk Management
Financial Services
Commercial Banking
International Experience

Professional Background

Jul 2006 - Present	Standing Committee Director / Director, China Development Financial Holding Corporation
Sep 2014 - Present	Director, KGI Bank
Mar 2012 - Present	Independent Director, TCI Co., Ltd.
Jul 2006 - Sep 2014	Director / Standing Committee, China Development Industrial Bank (renamed CDIB Capital Group)
Jun 1997 - Apr 2006	Vice President / President, First Commercial Bank
1 year	Cairman, Trust Association of R.O.C.

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

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



Age: 50

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%

2017

Board: 9 of 16, 56%

Committee: N/A

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

Execution & Strategic Planning (Strategy, Vision and Mission Planning)
Corporate Governance
Investment
Business & Marketing Leadership
Human Resources
Risk Management
Financial Services
Securities / Insurance
Commercial Banking
International Experience

Professional Background

Aug 2011 - Jan 2017	President & CEO, China Development Financial Holding Corporation
Oct 2011 - Jan 2017	President & CEO, China Development Industrial Bank (renamed CDIB Capital Group)
Feb 2012 - Jan 2017	Chairman, CDIB Capital International Corporation
2 years	Senior Executive Vice President & Chief Investment Officer, China Development Financial Holding Corporation
3.5 years	Executive Vice President & Chief Investment Officer, China Development Financial Holding Corporation
4 years	Managing Director & Head, Private Equity and Mezzanine Finance, DBS Bank

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: 62

Director since: 2011

Attendance:

2015

Board: 7 of 18 , 39%

Committee: N/A

2016

Board: 8 of 18 , 44%

Committee: N/A

2017

Board: 11 of 16 ,69%

Committee: N/A

Education

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

Key Areas of Expertise/Experience

Execution & Strategic Planning (Senior Executive & Strategic Leadership)
Corporate Governance
Investment
Business & Marketing Leadership
Financial Services
International Experience

Professional Background

Sep 1979 - Present	Director, Lee Kim Yew (Pte.) Ltd.
Jul 2011 - Present	Director, China Development Financial Holding Corporation
Jun 2010 - Jun 2011	Supervisor, China Development Financial Holding Corporation
2004 - 2012	Independent Non-Executive Director, GigaMedia Limited
1997 - 2000	Director, China Development Corporation Limited, Hong Kong
1995 - 1997	Director, Transmarco Limited, Singapore

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

Current Position:
EVP & General Manager,
Department of Economic
Research, Bank of
Taiwan



Age: 60.

Director since: 2004

Attendance:

2015 (Since March)

Board: 16 of 16, 100%

Committee: N/A

2016

Board: 18 of 18, 100%

Committee: N/A

2017

Board: 16 of 16, 100%

Committee: N/A

Education

Ph.D. in Economics, Georgia State University, Atlanta, Georgia, U.S.A.
B.A. in Economics, National Taiwan University

Key Areas of Expertise/Experience

Execution & Strategic Planning
Government & Public Policy
Corporate Governance
Investment
Financial Services
Commercial Banking
International Experience

Professional Background

Mar 2015 - Present	Director, China Development Financial Holding Corporation
Dec 2008 - Jul 2011	
Apr 2004 - Jul 2007	
Apr 2010 - May 2014	Senior Vice President & General Manager, Department of Auditing, Board of Directors, Bank of Taiwan
Sep 2008 - Apr 2010	Senior Vice President & General Manager, Department of Credit Analysis, Bank of Taiwan
Dec 2001 - Apr 2004	Supervisor, China Development Financial Holding Corporation
Feb 2001 - Sep 2008	Senior Vice President & General Manager, Department of Economic Research, Bank of Taiwan
Mar 1997 - Feb 2001	Research Economist, Department of Economic Research, The Central Bank of China
Feb 1994 - Mar 1997	Deputy Chief Representative, London Representative Office, The Central Bank of China

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: 74

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%

2017

Board: 16 of 16, 100%

Committee:

Audit: 13 of 13, 100%

Remuneration: 10 of 10, 100%

CSR: 3 of 3, 100%

Education

Postdoctoral Research Fellow, Harvard University, U.S.A.

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

B.S., Meteorology, National Taiwan University

Honors:

Doctor of Science Honoris Causa, National Central University, Taiwan

Fellow, Meteorological Society of R.O.C.

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

Key Areas of Expertise/Experience

Execution & Strategic Planning (Senior Executive & Strategic Leadership)

Government & Public Policy

Corporate Governance

Investment

Business & Marketing Leadership

Human Resources

Risk Management

Financial Services

Info Technology (Science & Technology Policy & Management)

International Experience

Professional Background

2011 - 2016 Chairman, Golden Asia Fund Taiwan Ltd.

2010 - 2016 Chairman, Industrial Technology Research Institute

2009 - 2012 National Policy Advisor to the President, R.O.C.

2008 - 2016 Chairman, Science and Technology Interchange Committee, Association of East Asia

2008 - 2012 Chairman, Association for Taiwan-Japan Cooperation on Industrial Technology, R.O.C.

2004 - 2010 Group Senior Advisor, Compal Electronics Inc.

2000 - 2004 Minister of State, Executive Yuan & Convener, Science and Technology Advisory Group, R.O.C.

1996 - 2000 Vice Chairman, National Science Council, R.O.C.

1989 - 1996 Director-General of Central Weather Bureau / Director-General, Civil Aeronautics Administration, Ministry of Transportation and Communications, R.O.C.

1974-1989 Professor & Director, Department of Atmospheric Sciences, National Taiwan University

Mr. Gilbert T.C. Bao
Independent Director



Age: 54

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%

2017

Board: 11 of 16, 69%

Committee:

Audit: 8 of 13, 62%

Remuneration: 6 of 10,
60%

Education

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

Key Areas of Expertise/Experience

Execution & Strategic Planning (Senior Executive/ Strategic Leadership)

Corporate Governance

Investment

Human Resources

Risk Management

Financial Management

International Experience

Current Positions

Nov 2007 - Present	Chairman, Chung Shing Textile Co., Ltd.
Nov 2007 - Present	Chairman, Chong Bai Department Store Co., Ltd. Director, Sunrise Department Store Co., Ltd.
Oct 2006 - Present	Director, Chung Shing Textile Marketing Co., Ltd.
Jun 2007 - Present	Independent Director, China Development Financial Holdings Corp.
Jun 2007 - Present	Independent Director, China Development Industrial Bank (renamed CDIB Capital Group)

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: 56

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%

2017

Board: 16 of 16, 100%

Committee:

Audit: 13 of 13, 100%

Remuneration: 10 of 10,
100%

Education

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

Key Areas of Expertise/Experience

Execution & Strategic Planning , Corporate Governance
Investment
Risk Management
Financial Services
Securities / Insurance , Commercial Banking

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 - Jul 2015	Associate Dean, NTU Office of Student Affairs, National Taiwan University
Aug 2010 - Jul 2013	Executive Director, Global MBA Program National Taiwan University
Aug 2005 - Jul 2009	Department and Research Institute Chairman, Department of International Business National Taiwan University
Aug 1996 - Jul 2000	Associate Professor, Department of International Business National Taiwan University
Aug 1994 - Jul 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

3.2.3 Management Team

March 31, 2018

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
President & CEO	R.O.C	Alan Wang	M	2017.12.11	0	0.00	0	0.00	0	0.00	Master of Science in Management and Administrative Sciences, University of Texas at Dallas President of China Life Insurance Co., Ltd.	Chairman & CEO of China Life Insurance Co., Ltd.	-	-	-
Senior Executive VP	R.O.C	Yu-Ling Kuo	F	2017.12.11	0	0.00	0	0.00	0	0.00	Master of Finance, National Taiwan University President of China Life Insurance Co., Ltd.	Vice Chairman of China Life Insurance Co., Ltd. Vice Chairman of KGI Bank Director of CCB Life	-	-	-
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	1,777,139	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 Supervisor of Chung Hwa Growth 3 Asset Management Corp. Supervisor of Chung Hwa Growth 4 Asset Management Corp. Director of CDIB Venture Capital Corp. Director of Development Industrial Bank Asset Management Corp. Director of CDIB & Partners Investment Holding Corp. Director of CDIB Capital International (Korea) Corporation Director of CDIB Capital International (USA) Corporation Director of CDIB Venture Capital (Hong Kong) Corporation Limited	-	-	-
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 Director of CDIB Capital Management Corp. Supervisor of CDIB Yida Private Equity (Kunshan) Co. Ltd. Supervisor of CDIB Private Equity (Fujian) Co., Ltd. Supervisor of CDIB Capital Creative Industries Ltd. Director of Global Securities Finance Corp. Director of KGI Alliance Corporation Director of KGI Asset Management Limited Director of KGI Securities (Singapore) Pte. Ltd. Director of KGI Securities (Thailand) Public Company Limited	-	-	-
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	EVP of KGI Bank	-	-	-
Compliance Dept. Executive VP	R.O.C	Te En Chan	M	2017.01.01	34,000	0.00	0	0.00	0	0.00	Ph. D. of Criminology, National Chung Cheng University Associate Professor of Ming Chuan University	-	-	-	

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
Finance Dept. Executive VP	R.O.C	Andy Lin	M	2017.07.01	83,215	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.	-	-	-
Information Technology Dept. Executive VP	R.O.C	Josephine Yang	F	2018.02.01	0	0.00	0	0.00	0	0.00	Bachelor of History, National Taiwan University EVP of CDF	-	-	-	
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 Director of CDIB Capital Management Corp. Director of CDC Finance & Leasing Corp.	-	-	-
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 (Hong Kong) Corporation Limited Director of CDIB Capital International (Korea) Corp. Director of CDIB Capital International (USA) Corp. Director of CDIB Capital International Corporation Director of CDIB Private Equity (Hong Kong) Corporation Limited	-	-	-
Operations and Corporate Services 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 KGI Bank 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	1,078,154	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	Lawrence S. Liu	M	2004.08.02	1,582,473	0.01	0	0.00	0	0.00	Doctor of Laws (J. D.), University of Chicago Partner of Lee and Li Attorneys-at-Laws	Chairman of CDIB Capital Healthcare Ventures Ltd. Director of CDIB Private Equity (China) Corp. Chairman of CDIB Venture Capital Corp. Director of CDIB Capital Management Corp. Supervisor of China Development Asset Management Corp. Director of HIM International Music Inc. Chairman of CDIB Capital Creative Industries Ltd. Director of Taiwan Stock Exchange Corp. Director of CDIB Venture Capital (Hong Kong) Corporation Limited	-	-	-
Executive VP	R.O.C	Eddie Wang	M	2008.05.16	5,442,249	0.04	0	0.00	0	0.00	Master of International Affairs, Florida State University / New York University MD of Citigroup Asia Pacific	Director of CDIB Capital International Corp. Director of CDIB Capital International (Hong Kong) Corporation Ltd.	-	-	-
Executive VP	Singapore	Reddy Wong	M	2009.3.30	2,778,026	0.02	0	0.00	0	0.00	B.B.A., National University of Singapore MD of CDIB Capital Limited	Director of Grand Cathay Capital (Hong Kong) Ltd. Director of KG Investments Holdings Ltd. Director of KGI Asia (Holdings) Pte. Ltd. Director of KGI Asia Ltd. Director of KGI Asset Management Ltd. Director of KGI Capital (Singapore) Pte. Ltd. Director of KGI Capital Asia Ltd. Director of KGI Finance Ltd. Director and MD of KGI Hong Kong Ltd. Director of KGI International (Hong Kong) Ltd. Director of KGI International Finance Ltd. Director of KGI International Holdings Ltd. Director of KGI International Ltd.	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
												Director of KGI Investments Management Ltd. Director of KGI Ltd. Director of KGI Securities (Singapore) Pte. Ltd. Director of Supersonic Services Inc. Director of Trinitus Asset Management 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	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	704,703	0.00	0	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	-	-	-
Executive VP	R.O.C	S. L. Lee	M	2017.04.01	1,991,546	0.01	197,781	0.00	0	0.00	Bachelor of Accounting, Soochow University EVP of CDIB Capital Group	EVP of CDIB Capital Group	-	-	-
Executive VP	R.O.C	Sunny Lin	F	2017.11.01	0	0.00	0	0.00	0	0.00	Master in Public Administration, University of Manila EVP of KGI Bank	EVP of KGI Bank	-	-	-
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 Healthcare Ventures Ltd. Director of CDIB Venture Capital Corp. Supervisor of CDIB Capital Management Corp. Supervisor of CDIB Capital Creative Industries Ltd. 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 Capital International Corp. Director of CDIB Capital Investment I Ltd. Director of CDIB Capital Investment II Ltd. Director of CDIB Global Markets Ltd. Director of CDIB Private Equity (Hong Kong) Corporation Limited Director of CDIB Venture Capital (Hong Kong) Corporation Limited	-	-	-
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 Life Insurance Co., Ltd. Supervisor of CDIB International Leasing Corp. Director of China Development Asset Management Corp. Supervisor of CDIB Management Consulting Corp. Director of China Sea Products Development Corp.	SVP	Steven Ching	Spouse
Executive VP	R.O.C	Hans Tzou	M	2015.05.01	340,873	0.00	0	0.00	0	0.00	Master of Laws, National Chengchi 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.	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
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	-	-	-
Executive VP	R.O.C	Marisol Wang	F	2017.07.01	0	0.00	0	0.00	0	0.00	Master of Laws, Soochow University SVP of CDF and CDIB Capital Group	EVP of CDIB Capital Group Supervisor of Development Industrial Bank Asset Management Corp.	-	-	-
Executive VP	R.O.C	Chris Sun	M	2017.09.01	194,138	0.00	0	0.00	0	0.00	Master of Accounting, National Chengchi University SVP of CDF	SVP of KGI Bank	-	-	-
SVP	R.O.C	Amy Shan	F	2008.11.01	450,435	0.00	0	0.00	0	0.00	Bachelor of Banking, National Chengchi University VP of CDF	-	-	-	-
SVP	R.O.C	Lecko Lai	F	2010.05.01	536,649	0.00	0	0.00	0	0.00	MBA, 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 Innovation Accelerator Co., Ltd. Supervisor of CDIB Venture Capital Corp. Director of CDIB Private Equity (Hong Kong) Corporation Ltd. Director of CDIB Venture Capital (Hong Kong) Corporation Ltd.	-	-	-
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 Chung Hwa Growth 3 Asset Management Corp. Director of Chung Hwa Growth 4 Asset Management Corp. Director of Development Industrial Bank Asset Management Corp. Director of Global Securities Finance Corp.	-	-	-
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	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	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	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

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
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	-	-	-
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	6,210	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 of CDIB Capital Group	-	-	-
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	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	-	-	-
SVP	R.O.C	Shelly Chang	F	2017.07.01	0	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDF, CDIB Capital Group and KGI Bank	SVP of CDIB Capital Group and KGI Bank	-	-	-
SVP	R.O.C	Jason Wang	M	2017.07.01	42,319	0.00	0	0.00	0	0.00	MBA, Bernard M. Baruch College, the City University of New York VP of CDF, CDIB Capital Group and KGI Bank	SVP of CDIB Capital Group and KGI Bank	-	-	-
SVP	R.O.C	Eddie Chiang	M	2017.12.11	0	0.00	4,985	0.00	0	0.00	MBA, National Taiwan University of Science and Technology SVP of KGI Securities	SVP of KGI Securities	-	-	-
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	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	170,867	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	300,230	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	-	-	-
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 KGI Bank	-	-	-
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	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
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	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	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	-	-	-
VP	R.O.C	Vivian Yang	F	2017.05.16	0	0.00	0	0.00	0	0.00	Bachelor of Accounting, Soochow University VP of KGI Bank	VP of KGI Bank	-	-	-
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	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	Bonnie Huang	F	2017.11.01	0	0.00	0	0.00	0	0.00	MBA, Newport University VP of KGI Securities	VP of KGI Securities	-	-	-
VP	R.O.C	Guangdi Yang	F	2018.3.13	0	0.00	0	0.00	0	0.00	Master of Arts, New York University VP of Bank SinoPac	-	-	-	-
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	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	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	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
VP	R.O.C	Ya Hui Tsai	F	2015.05.01	5,000	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	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	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	-	-	-
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 and KGI Bank	-	-	-
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 of CDIB Capital Group	-	-	-
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 of KGI 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 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	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 and KGI Bank	-	-	-
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	Tsui Huan Peng	F	2017.07.01	35,779	0.00	0	0.00	0	0.00	Master of Finance, National Taiwan University AVP of CDIB Capital Group and CDF	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Paul Yen	M	2017.07.01	0	0.00	0	0.00	0	0.00	MBA, Mercer University AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-

Title (Note 1)	Nationality	Name	Gender	Date Effective	Shareholding		Spouse & Minor Shareholding		Shareholding by Nominee Arrangement		Experience (Education) (Note 2)	Other Positions	Managers who are Spouses or Within Second Degrees of Kinship		
					shares	%	shares	%	shares	%			Title	Name	Relations
VP	R.O.C	Sophia Liou	F	2017.07.01	89,735	0.00	0	0.00	0	0.00	LLM, National Cheng Kung University AVP of CDIB Capital Group and CDF	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Ya-Chin Lee	F	2017.07.01	17,604	0.00	0	0.00	0	0.00	LLM, National Chengchi University AVP of CDIB Capital Group and CDF	VP of CDIB Capital Group	-	-	-
VP	R.O.C	Jia Cian Tai	F	2017.10.30	0	0.00	0	0.00	0	0.00	EMBA, National Chiao Tung University AVP of Fubon Financial Holdings	-	-	-	-
VP	R.O.C	Shan Yuan Hung	M	2017.12.01	0	0.00	0	0.00	0	0.00	MBA, Tamkang University VP of SinoPac Holdings	-	-	-	-
VP	R.O.C	Wendy Wei	F	2018.03.07	97,492	0.00	0	0.00	0	0.00	Master of Finance, National Taiwan University of Science and Technology VP of KGI 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.

3.2.4 Hiring retired chairman and president as advisors

None

3.3 Remuneration of Directors, President and Vice President

3.3.1 Remuneration of Directors

Unit: NT\$ thousands ; December 31, 2017

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	5,400	5,400	0	0	110,000	110,000	3,348	4,775	1.016	1.028	53,381	106,788	0	0	4,387	0	4,387	0	1.509	1.979	-		
Independent Director / Managing Director	Ching-Yen Tsay																								
Director	GPPC Chemical Corp. Representative:	Alan Wang																							
Director	Chi Jie Investment Co., Ltd. Representative:	Paul Yang																							
Director	Bank of Taiwan Representative:	Shing-Shiang Ou																							
Independent Director	Gilbert T.C. Bao																								
Independent Director	Hsiou-Wei, Lin																								
Former Director	GPPC Chemical Corp. Representative:	Mark Wei																							
Managing Director	Shin Wen Investment Co., Ltd. Representative:	Long-I Liao	0	0	0	0	0	556	2,856	0.005	0.024	0	0	0	0	0	0	0	0	0	0	0.005	0.024	-	
Director	Shin Wen Investment Co., Ltd. Representative:	Howe-Yong Lee	0	0	0	0	0	165	165	0.001	0.001	0	0	0	0	0	0	0	0	0	0	0	0.001	0.001	-

Note 1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$1,943,000; compensation for drivers was NT\$2,170,000.

Note 2: Provision expense of retirement payments was NT\$28,000.

Note 3: Employee-related remuneration for executive director is collected individually, including the distribution of new restricted employee option, which is recognized as "share-based payment" under IFRS2.

Note 4: The values of directors' and employees' remuneration as part of earnings distribution are 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	GPPC Chemical Corp. : Alan Wang	GPPC Chemical Corp. : Alan Wang	GPPC Chemical Corp. : Alan Wang	GPPC Chemical Corp. : Alan Wang
NT\$2,000,000 ~ NT\$5,000,000(exclude)	Gilbert T.C. Bao、Hsiou-Wei, Lin、GPPC Chemical Corp. : Mark Wei(Former)	Gilbert T.C. Bao、Hsiou-Wei, Lin、GPPC Chemical Corp. : Mark Wei(Former)	Gilbert T.C. Bao、Hsiou-Wei, Lin、GPPC Chemical Corp. : Mark Wei(Former)	Gilbert T.C. Bao、Hsiou-Wei, Lin
NT\$5,000,000 ~ NT\$10,000,000 (exclude)	Kai Don Investment Co., Ltd. : Chia-Juch Chang、Ching-Yen Tsay、Chi Jie Investment Co., Ltd. : Paul Yang、Bank of Taiwan: Shing-Shiang Ou	Kai Don Investment Co., Ltd. : Chia-Juch Chang、Ching-Yen Tsay、Chi Jie Investment Co., Ltd. : Paul Yang、Bank of Taiwan: Shing-Shiang Ou	Ching-Yen Tsay、Bank of Taiwan: Shing-Shiang Ou	Ching-Yen Tsay、Bank of Taiwan: Shing-Shiang Ou
NT\$10,000,000 ~ NT\$15,000,000 (exclude)	-	-	-	-
NT\$15,000,000 ~ NT\$30,000,000(exclude)	-	-	-	GPPC Chemical Corp. : Mark Wei(Former)
NT\$30,000,000~ NT\$50,000,000(exclude)	-	-	Kai Don Investment Co., Ltd. : Chia-Juch Chang、Chi Jie Investment Co., Ltd. : Paul Yang	Kai Don Investment Co., Ltd. : Chia-Juch Chang
NT\$50,000,000 ~ NT\$100,000,000(exclude)	-	-	-	Chi Jie Investment Co., Ltd. : Paul Yang
Over NT\$100,000,000	-	-	-	-
Total	8	8	8	8

* 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. The recognized "share based payment" under IFRS2 in the form of employee stock options, new restricted employee shares and subscription to newly 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 the President, Executive Vice President and Executive Vice President

Unit: NT\$ thousands ; December 31, 2017

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 & CEO	Alan Wang	76,887	125,167	0	0	97,596	170,758	65,793	0	65,793	0	2.054	3.093	-
Senior Executive VP	Yu-Ling Kuo													
Executive VP	Eddie Wang													
Executive VP	Brian Chou													
Executive VP	Andy Lin													
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	Te En Chan													
Executive VP	Lawrence S. Liu													
Executive VP	Julian Yen													
Executive VP	Marisol Wang													
Executive VP	Teresa Li													
Executive VP	S. L. Lee													
Executive VP	Ming Lin													
Executive VP	Sunny Lin													
Executive VP	James Meng													
Executive VP	Chih Yu Chou													
Executive VP	Vincent Hung													
Executive VP	Kiki Shih													
Executive VP	Jenny Chiang													
Executive VP	Chris Sun													
Executive VP	David Kuo													
Executive VP	Hans Tzou													
Executive VP	Frances Tsai													
Executive VP	Guang-Yue Yeh													
Executive VP	Jane Lai													
Executive VP	Jane Lai													
President (Former)	Paul Yang													
Acting President (Former)	Daw-Yi Hsu													
Executive VP(Former)	Brian Huang													
Executive VP(Former)	Isabel Liu													

Note 1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$5,554,000; compensation for drivers was NT\$9,085,000.

Note 2: Provision expense of retirement payments was NT\$3,180,000.

Note 3: The values of employee bonuses as part of earnings distribution are only tentative.

Note 4: Including remuneration recognized as "share based payment" under IFRS2 in the form of employee stock options and new restricted employee shares.

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	Alan Wang 、 Yu-Ling Kuo 、 Janet Sheng 、 Marisol Wang 、 S. L. Lee 、 Sunny Lin 、 Jenny Chiang 、 Chris Sun 、 David Kuo 、 Daw-Yi Hsu 、 Brian Huang 、 Isabel Liu	Alan Wang 、 Yu-Ling Kuo 、 Marisol Wang 、 Sunny Lin 、 Chris Sun
NT\$2,000,000 ~ NT\$5,000,000(exclude)	Kenneth Huang 、 Te En Chan 、 Teresa Li 、 Ming Lin 、 James Meng 、 Chih Yu Chou 、 Hans Tzou	Te En Chan 、 Teresa Li 、 S. L. Lee 、 Ming Lin 、 James Meng 、 Chih Yu Chou 、 Hans Tzou 、 Brian Huang 、 Isabel Liu
NT\$5,000,000 ~ NT\$10,000,000(exclude)	Brian Chou 、 Reddy Wong 、 Michael M. H. Peng 、 Julian Yen 、 Vincent Hung 、 Kiki Shih 、 Frances Tsai 、 Guang-Yue Yeh 、 Jane Lai 、 Jane Lai	Brian Chou 、 Janet Sheng 、 Kenneth Huang 、 Michael M. H. Peng 、 Vincent Hung 、 Kiki Shih 、 Jenny Chiang 、 Frances Tsai 、 Guang-Yue Yeh 、 Jane Lai 、 Jane Lai
NT\$10,000,000~NT\$15,000,000(exclude)	Andy Lin 、 Eddy Chang 、 Josephine Yang 、 Lawrence S. Liu	Andy Lin 、 Eddy Chang 、 Josephine Yang 、 Lawrence S. Liu 、 Julian Yen 、 David Kuo
NT\$15,000,000~NT\$30,000,000(exclude)	Eddie Wang 、 Paul Yang	Eddie Wang 、 Reddy Wong 、 Daw-Yi Hsu
NT\$30,000,000~NT\$50,000,000(exclude)	-	-
NT\$50,000,000~NT\$100,000,000(exclude)	-	Paul Yang
Over NT\$100,000,000	-	-
Total	35	35

* 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. Including remuneration recognized as “share based payment” under IFRS2 in the form of employee stock options and new restricted employee shares.

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, 2017

	Title (Note1)	Name (Note1)	Employee Bonus - in Stock (Note 2)	Employee Bonus - in Cash (Note 2)	Total	Ratio of Total Amount to Net Income (%)
Executive Officers (Note3)	President & CEO	Alan Wang	0	65,793	65,793	0.563
	Senior Executive VP	Yu-Ling Kuo				
	Executive VP	Eddie Wang 、 Brian Chou 、 Andy Lin 、 Janet Sheng 、 Reddy Wong 、 Kenneth Huang 、 Eddy Chang 、 Michael M. H. Peng 、 Josephine Yang 、 Te En Chan 、 Lawrence S. Liu 、 Julian Yen				
	Executive VP	Marisol Wang 、 Teresa Li 、 S. L. Lee 、 Ming Lin 、 Sunny Lin 、 James Meng 、 Chih Yu Chou 、 Vincent Hung 、 Kiki Shih 、 Jenny Chiang 、 Chris Sun 、 David Kuo 、 Hans Tzou 、 Frances Tsai 、 Guang-Yue Yeh 、 Jane Lai 、 Jane Lai				

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.

Note 3: 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. Remuneration for Board Directors is governed by Article 28 of the Articles of Incorporation, which specifies that, "Board of directors is authorized to determine the remuneration of directors in accordance with their involvement and contribution to the Company's operation by taking into account of the Company's performance and the market level." Based on the aforementioned regulation, the Remuneration Committee and the Board formulated the "Directive for Distribution of Remunerations to Directors (hereafter referred to as the Directive)". The Directive stipulates that the scope of director remuneration includes transportation stipends, fixed monthly salary, and attendance fees, which are to be distributed as regulated. Comply with the Articles 33 of the Article of Incorporation, "If making any profit for a fiscal year, the Company shall set aside no more than 1% of the profit for directors' remuneration". The percentage of director compensation and total amount will be proposed in consideration of the average of financial peers and the results of Board performance assessment, and then sent to the Remuneration Committee and the board for approval before they are presented at the annual shareholders' meeting. The percentage of total remuneration receivable by individual directors will be determined after the shareholders' meeting based on the participation and contribution of each director as well as their job description. Upon the approval of the Remuneration Committee and the Board, the remuneration will then be given.

3. Manager's remuneration is determined by individual's job description and work experience, with due consideration of 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 remuneration 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 16 meetings during 2017 (A); the attendance details as follows:

December 31, 2017

Title	Name (Note)	Actual Attendance (B)	Attendance by Proxy	Actual Attendance Rate (%) (B/A)	Remark
Chairman, Managing Director	Kai Don Investment Co., Ltd. Representative: Chia-Juch Chang	16	0	100	
Managing Director, Independent Director	Ching-Yen Tsay	16	0	100	
Managing Director	Shin Wen Investment Co., Ltd. Representative: Long-I Liao	16	0	100	
Director	Chi Jie Investment Co., Ltd. Representative: Paul Yang	9	7	56	
Director	GPPC Chemical Corp. Representative: Alan Wang	1	0	100	On 2017.12.22, GPPC Chemical appointed Wang to fulfill the Director duties of predecessor Mark Wei; during his tenure, Wang attended one Board meeting of one convened in total.
Director	Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	11	5	69	
Director	Bank of Taiwan Co. Ltd Representative: Shing-Shiang Ou	16	0	100	
Independent Director	Gilbert T.C. Bao	11	5	69	
Independent Director	Hsiou-Wei Lin	16	0	100	
Former Director	GPPC Chemical Corp. Representative: Mark Wei	13	2	87	On 2017.12.22, GPPC Chemical appointed Alan Wang as Wei's successor; during his tenure, Wei attended 13 Board meetings of 15 convened in total.

Note: At least one independent director personally attended each board meeting convened during 2017.

Attendance details for independent directors:

○ : Actual Attendance ; ◎ : Proxy ; ● : Absence

Term Independent Director	6th / 13	6th / 14	6th / 15	6th / 16	6th / 17	6th / 18	6th / 19	6th / 20	6th / 21	6th / 22	6th / 23	6th / 24	6th / 25	6th / 26	6th / 27	6th / 28
Ching-Yen Tsay	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○
Gilbert T.C. Bao	○	○	◎	◎	○	○	○	○	◎	○	○	◎	○	○	○	◎
Hsiou-Wei Lin	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○	○

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
January 19 6 th term 14 th meeting	Paul Yang	Waiver of non-competition restrictions for a number of directors (including corporate directors and representatives)	The interested director is a subject considered for the waiver	Recused from voting
	Chia-Juch Chang	Annual performance remuneration for the Chairman	The interested director is Chairman of the Company	Recused from voting
	Paul Yang	The proposed distribution list of the 4 th restricted employee shares (issued in 2017)	The interested director is a recipient of the subject restricted new shares	Recused from voting

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
February 20 6 th term 15 rd meeting	Long-I Liao Mark Wei Hsiou-Wei Lin	Subsidiary KGI Bank's investment in the co-founding of new mainland JV JiangSu Suyin KGI Consumer Finance Co., Ltd. (tentative name) with the Bank of Jiangsu	The interested directors are board directors of KGI Bank	Recused from voting
	Chia-Juch Chang	Job performance review of the Company's Chairman who simultaneously served as Chairman of subsidiary CDIB Capital Group (formerly CDIB)	The interested director is Chairman of the Company	Recused from voting
March 27 6 th term 16 th meeting	Long-I Liao Howe Yong Lee Shing-Shiang Ou Ching-Yen Tsay Gilbert Bao	Waiver of non-competition restrictions for a number of directors (including corporate directors and representatives)	The interested independent directors and corporate director representatives are subjects of waivers under review in this meeting	Recused from voting when examining the eligibility of their own qualifications
July 7 6 th term 20 th meeting	Long-I Liao Howe Yong Lee Mark Wei	The Company's reinvestment plan through a tender offer to purchase 880 million outstanding common shares of China Life	(1) As representatives of Shin Wen Investment Co., Ltd, whose business affiliate has a stake in China Life, Mr. Liao and Mr. Lee were advised to voluntarily recuse (2) Since GPPC's business affiliate owns China Life shares, its representative Mark Wei was advised to voluntarily recuse	Recused from voting
	Long-I Liao Howe Yong Lee Mark Wei	The Company intends to issue unsecured subordinated corporate bonds to finance a portion of the China Life acquisition deal. It intends to appoint KGI Securities as lead underwriter and KGI Bank as co-manager for the issue	(1) As representatives of Shin Wen Investment Co., Ltd, whose business affiliate Jing Guan Investment Co., Ltd, has a stake in China Life, Mr. Liao and Mr. Lee were advised to voluntarily recuse (2) Since GPPC's business affiliate Videoland TV Network owns China Life shares, its representative Mark Wei was advised to voluntarily recuse	Recused from voting

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
August 15 6 th term 22 nd meeting	Long-I Liao Howe Yong Lee Mark Wei	CDF plans to resolve the terms and conditions of the tender offer deal to acquire China Life's 880mn outstanding common shares	(1) As representatives of Shin Wen Investment Co., Ltd, whose business affiliate Jing Guan Investment Co., Ltd, has a stake in China Life, Mr. Liao and Mr. Lee were advised to voluntarily recuse (2) Since GPPC's business affiliate Videoland TV Network owns China Life shares, representative Mark Wei was advised to voluntarily recuse	Recused from voting
	Long-I Liao Howe Yong Lee Mark Wei	In coordination with the transaction of the China Life acquisition, the Company intends to apply for a standby guarantee of bank credit and short-term credit from Taishin International Bank.	(1) As representatives of Shin Wen Investment Co., Ltd, whose business affiliate Jing Guan Investment Co., Ltd, has a stake in China Life, Mr. Liao and Mr. Lee were advised to voluntarily recuse (2) Since GPPC's business affiliate Videoland TV Network owns China Life shares, representative Mark Wei was advised to voluntarily recuse	Recused from voting
September 25 6 th term 24 th meeting	Chia-Juch Chang Paul Yang Mark Wei Long-I Liao Howe Yong Lee Shing-Shiang Ou Ching-Yen Tsay Gilbert Bao Hsiou-Wei Lin	Distribution of remuneration of directors for 2016	The interested independent directors and corporate director representatives are recipients of the remuneration to be distributed	Recused from discussing and voting on the matter
December 25 6 th term 28 th meeting	Alan Wang	In light of China Life reaching a deal to purchase a portion of Allianz Taiwan Life Insurance's traditional life insurance policies and additional portfolio at a rate of NT\$1, the Company shall issue a formal letter of statement and letter of guarantee, and provide related financial documents	The interested director is Chairman of subsidiary China Life.	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 the 10th meeting of the 6th Board dated November 21, 2016. 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 2017 annual assessment are as follows. The outcome report has been presented on the 29th meeting of the 6th Board dated January 30, 2018:

“Five specific criteria were evaluated in the process of the 2017 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 2017 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.

In order to uphold corporate governance, the Company has passed an amendment to the Performance Evaluation of the Board and Directors at its 29th meeting on January 30, 2018, which stipulates additional procedures for conducting external performance reviews of the Board by demanding that one external performance evaluation on the Board be carried out by independent professional institutions, experts or scholars at least every three years, with the next review due to be completed before the end of January 2021.

3.4.2 Audit Committee

A total of thirteen Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Date: December 31, 2017

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) 【B/A】	Remark
Independent Director	Ching-Yen Tsay	13	0	100	
Independent Director	Gilbert T.C. Bao	8	4	62	
Independent Director	Hsiou-Wei Lin	13	0	100	

Other items to be stated:

- 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
2017.01.19	3rd term 9 th meeting	Surrender of CDIB's banking license and its reincorporation	Approved
		Waiver of non-competition restrictions for directors	Approved
2017.03.27	3rd term 10 th meeting	2016 Internal Control Report	Approved
		2016 Financial Statement	Approved
		2016 Appointment and remuneration of CPA	Approved
		Amendments to Procedures for Acquisition or Disposal of Assets	Approved
		Waivers of non-competition restrictions for directors	Independent directors recused from discussion and voting of their own waivers; approved the rest of the agenda

2017.04.24	3rd term 11 th meeting	2016 Business report, financial statements and consolidated financial statements	Approved
		2016 Dividend distribution	Approved
2017.06.15	3 rd term 13 th meeting	Delegation of the Project Captain evaluation taskforce to an independent expert panel in compliance with the Business Mergers and Acquisitions Act and Regulations Governing the Establishment and Related Matters of Special Committees of Public Companies for Mergers and Acquisitions	Approved
2017.07.07	3 rd term 15 th meeting	The Company's reinvestment plan through a tender offer to purchase 880 million outstanding common shares of China Life	Approved
2017.07.31	3 rd term 16 th meeting	Amendments to the internal control system and guidelines to self-evaluation practices for the Company and subsidiaries	Approved
		Amendments to the Audit Operational Guidelines	Approved
2017.08.15	3 rd term 17 th meeting	CDF plans to resolve the terms and conditions governing the tender offer deal to acquire China Life's 880 million outstanding common shares	Approved
2017.08.28	3rd term 18 th meeting	2017 Q2 consolidated financial statement	Approved
2017.09.25	3rd term 19 th meeting	Amendments to the Audit Operational Guidelines	Approved
		Amendments to the internal control system and guidelines to self-evaluation practices for the Company and subsidiaries	Approved
106.12.25	3 rd term 21 st meeting	2018 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 27, 2018 3rd term 10 th meeting	Ching-Yen Tsay Gilbert Bao	Waiver of non-competition restrictions for CDF's directors	The interested independent directors are subjects of waivers under review in this meeting	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.):
- A. 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
 - B. The Company’s internal audit reports shall be submitted to the independent directors within two months of completion
 - C. 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, key auditing items, current major IFRS issues 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
 - D. Summary of communication between independent directors and internal audit supervisors and CPA:

Date	Method	Matters	Outcome
2017.3.27	Audit Committee	2016 2H Auditing Report	Acknowledged
2017.3.27	Audit Committee	2016 Internal Control Report	Approved
2017.3.27	Audit Committee	1. 2016 Financial Statement 2. Communication on key auditing items and major IFRS issues in 1H17	1. Approved 2. Informed
2017.8.28	Audit Committee	1. 2017 1H Financial Statement 2. Communication on key auditing items and major IFRS issues in 2017, as well as personal information protection and anti-money laundering	1. Approved 2. Informed
2017.9.25	Audit Committee	2017 1H Auditing Report	Acknowledged
2017.11.30	Forum	Review internal control system deficiencies	Remarks: 1. All subsidiaries must thoroughly implement internal controls within the management framework based on three lines of defense. In addition to independence in conducting corporate compliance and risk management, as instigated by law, the following recommendations are made to address the importance of information security amid today’s developing Fintech and AI trends: (1) Work toward establishing an independent unit of cyber security affairs, presuming human resources will be sufficient; (2) for auditing PC, an effective IT-assistive program must be built over time.

			<p>2. Though CDIB Capital Group is no longer a financial institution, it should stick to keeping an annual internal audit program that aligns with FSC guidelines.</p> <p>3. The audit department shall constantly evaluate whether its staffing and training sufficiently meets the flow of demand.</p> <p>4. The audit department shall follow the recommendations.</p>
2017.12.25	Audit Committee	Meeting minutes of internal control system reviewing	Acknowledged
2017.12.25	Audit Committee	2017 Auditing performance scoring of the Company	Acknowledged
2017.12.25	Audit Committee	2017 Auditing performance scoring of subsidiaries	Acknowledged
106.12.25	Audit Committee	2018 Auditing Plan	Approved
2017.12.25	Forum	Communication on key auditing items in 2017	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

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

<p>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)?</p>	<p>V</p>		<p>I. The Company has set up a dedicated unit, Secretariat, Board of Directors, which is responsible for assisting corporate governance related matters for Board of Directors, Audit Committee and other functional committees, as well as stock affairs. Main responsibilities include providing meeting materials for Board directors, arranging training courses for the Board, assisting in law and regulation compliance, handling matters related to Board and shareholder meetings, handling corporate registration and changes of registration, and preparing Board and shareholder meeting minutes.</p> <p>II. Summary of business implementation in 2017:</p> <ol style="list-style-type: none"> 1. Provided materials required for board directors to perform their duties and arranged training courses for them. 2. Prepared agendas for Board, Audit Committee and other functional committee meetings in 2017 in accordance with the company's "Rules of Procedure for Board Meeting" and functional committees' guidelines. Reminded board directors (committee members) in advance to recuse themselves if needed and completed meeting minutes within 20 days after the meeting. 3. Completed renewals of professional liability insurance for board directors and supervisors. 4. Completed 2017 performance assessment of Board of Directors in accordance with the company's "Board of Directors Performance Evaluation Guidelines" and reported the assessment to the Board. 5. Handled the registration of shareholders' meeting schedule in advance in accordance with the law, prepared meeting notice, meeting handbook and agendas within the timeframe stipulated by law, and executed matters related to stock affairs (such as purchasing and delivering souvenirs for shareholders' meeting). 6. Handled amendment of the Articles of Incorporation, change of the executives and registration of capital change due to employee warrant execution and rights issuance. 	<p>None</p>
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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		<p>The Company has established “Stakeholder Engagement” section on its website to provides its stakeholders, such as employee, clients, vendors and investors, a easy access to communicate with the Company through letter, telephone, fax, Internet, etc.</p> <p>In addition to the dedicated units (Stock Affairs, Public Relations and Investor Relations), the Company has designated a spokesperson and a deputy Spokesperson to offer timely response to its stakeholders. Internal staff issues are handled by dedicated units of Human Resource Department.</p> <p>There are also designated contact windows for subcontractors and the competent authorities.</p>	None
5. Information Disclosure				
(1) Does the FHC set up a website to disclose both financial standings and the status of corporate governance?	V		I. 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		II. 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</p> <ol style="list-style-type: none"> 1. 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. 2. While opting for local suppliers first, the Company checks whether they are certified by the International Organization for Standardization and excludes those with major records of violating environmental regulations. On-site investigation at the supplier’s premises is also required when necessary. 	None

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>3. 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 opportunities with regard to corporate governance.</p> <p>2. From 1 January to 31 December 2017, 10 directors attended the corporate governance related training courses of various entities including Taiwan Corporate Governance Association, Chinese National Association of Industry and Commerce, Taiwan Academy of Banking and Finance, Taiwan Insurance Institute, Taipei Foundation Of Finance, and T Securities and Futures Institute.</p>	

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>VI. Implementation of Risk Management Policy and Risk Measurement Criteria</p> <ol style="list-style-type: none"> 1. The Company has instituted Risk Management Policy and established rules and guidelines to manage market risk, credit risk and operational risk. 2. 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. 3. 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. 4. 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>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>	

Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons																																				
	Yes	No	Summary																																					
			<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 has drawn up a Guideline for Donation Management. The donations made by the company and its subsidiaries in the previous year are compiled and presented to the board as required.</p> <p>2. The company and its subsidiaries made 68 donations in 2017, all in line with the purposes of donations, for a total value of NT\$102,734,586. Below is a chart showing the donation values for each individual company:</p> <table border="1"> <thead> <tr> <th>Company</th> <th>No. of donations</th> <th>Gross amount (NT\$)</th> <th>As a % of total donations in 2017</th> </tr> </thead> <tbody> <tr> <td>China Development Financial Holding</td> <td>3</td> <td>3,500,000</td> <td>3%</td> </tr> <tr> <td>CDIB Capital Group</td> <td>5</td> <td>38,758,843</td> <td>38%</td> </tr> <tr> <td>CDIB Capital Management Corporation</td> <td>1</td> <td>3,798,875</td> <td>4%</td> </tr> <tr> <td>CDIB Capital International Corp.*</td> <td>1</td> <td>2,984,800</td> <td>3%</td> </tr> <tr> <td>KGI Bank</td> <td>3</td> <td>39,279,768</td> <td>38%</td> </tr> <tr> <td>KGI Securities</td> <td>6</td> <td>10,475,600</td> <td>10%</td> </tr> <tr> <td>China Life Insurance</td> <td>49</td> <td>3,936,700</td> <td>4%</td> </tr> <tr> <td>Total</td> <td>68</td> <td>102,734,586</td> <td>100%</td> </tr> </tbody> </table> <p>Note: The subsidiary CDIB Capital International Corp. had one</p>	Company	No. of donations	Gross amount (NT\$)	As a % of total donations in 2017	China Development Financial Holding	3	3,500,000	3%	CDIB Capital Group	5	38,758,843	38%	CDIB Capital Management Corporation	1	3,798,875	4%	CDIB Capital International Corp.*	1	2,984,800	3%	KGI Bank	3	39,279,768	38%	KGI Securities	6	10,475,600	10%	China Life Insurance	49	3,936,700	4%	Total	68	102,734,586	100%	
Company	No. of donations	Gross amount (NT\$)	As a % of total donations in 2017																																					
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Evaluation Item	Implementation Status ¹			Deviation from “the Corporate Governance Best-Practice Principles for Financial Holding Companies” and Reasons
	Yes	No	Summary	
			<p>outstanding donation in 2017. The subsidiary promised to donate US\$100,000 to the University of Pennsylvania, and the funds are scheduled to be transferred in 3Q18. Based on the exchange rate on December 29, 2017, the donation amount should be NT\$2,984,800.</p> <p>3. No donation to political parties by the Company and its subsidiaries.</p>	
<p>7. Updates on the actual improvement and improvement plan following up on TWSE Corporate Governance Center’s most recent Corporate Governance Evaluation.</p> <p>The Company ranked among the top5% companies in the 3rd Corporate Governance Evaluation in 2017.</p> <p>In everyday operations, the Company is committed to delivering fundamental corporate governance values, such as safeguarding shareholders’ interests. The Company also keeps itself up to date with emerging governance indicators issued by the authorities and the TWSE to uphold our decent performance as well as advance sustainable corporate developments.</p>				

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		
Independent Director	Ching-Yen Tsay	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Gilbert T.C. Bao			✓	✓	✓	✓	✓	✓	✓	✓	✓	0	
Independent Director	Hsiou-Wei Lin	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	

Note1: 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 2017, a total of ten meetings were convened, with attendance detailed below.

Title	Name	Actual attendance	Attendance by proxy	Actual attendance ratio (%)	Note
Chief	Ching-Yen Tsay	10	0	100	
Member	Gilbert T.C. Bao	6	4	60	
Member	Hsiou-Wei Lin	10	0	100	

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.
- (4) 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 - 2017

December 31, 2017

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
How to communicate with the market effectively: Using information disclosure for strategic competition	2017/3/17	2017/3/17	Taiwan Corporate Governance Association	Hsing-Hsiang Ou	3
Reminders Before Attending the 2017 AGM and Board Meeting	2017/3/28	2017/3/28	The Chinese National Association of Industry and Commerce(CNAIC)	Mark Wei	3
Ethical Corporate Management of Listed Companies	2017/4/25	2017/4/25	Taiwan Corporate Governance Association	Chia-Juch Chang	3
Ethical Corporate Management of Listed Companies	2017/4/25	2017/4/25	Taiwan Corporate Governance Association	Paul Yang	3
Ethical Corporate Management of Listed Companies	2017/4/25	2017/4/25	Taiwan Corporate Governance Association	Ching-Yen Tsay	3
Ethical Corporate Management of Listed Companies	2017/4/25	2017/4/25	Taiwan Corporate Governance Association	How Yong Lee	3
Ethical Corporate Management of Listed Companies	2017/4/25	2017/4/25	Taiwan Corporate Governance Association	Long-I Liao	3
Seminar on Corporate Governance	2017/5/16	2017/5/16	Taiwan Academy of Banking and Finance	Hsing-Hsiang Ou	3
M&A Strategy and Planning	2017/8/7	2017/8/7	Taiwan Corporate Governance Association	Long-I Liao	3
How to Measure and Report on Corporate Values	2017/8/7	2017/8/7	Taiwan Corporate Governance Association	Long-I Liao	3
Seminar for (Independent) Directors and Supervisors – Corporate Governance	2017/9/8	2017/9/8	Taiwan Insurance Institute	Mark Wei	3
Corporate Governance – Countermeasures against Insider Trading	2017/10/2	2017/10/2	Taipei Foundation of Finance	Hsiou-Wei Lin	3
Corporate Governance – Big Data and Prevention Measures Against Corporate Fraud	2017/10/3	2017/10/3	Taipei Foundation of Finance	Hsiou-Wei Lin	3
Board Operation and Corporate Governance Workshop – Anti-Money Laundering Case Study	2017/10/31	2017/10/31	Taiwan Academy of Banking and Finance	Chia-Juch Chang	3
Board Operation and Corporate Governance Workshop – Anti-Money Laundering Case Study	2017/10/31	2017/10/31	Taiwan Academy of Banking and Finance	Paul Yang	3
Board Operation and Corporate Governance Workshop – Anti-Money Laundering Case Study	2017/10/31	2017/10/31	Taiwan Academy of Banking and Finance	Ching-Yen Tsay	3
Board Operation and Corporate Governance Workshop – Anti-Money Laundering Case Study	2017/10/31	2017/10/31	Taiwan Academy of Banking and Finance	How Yong Lee	3

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
Board Operation and Corporate Governance Workshop – Anti-Money Laundering Case Study	2017/10/31	2017/10/31	Taiwan Academy of Banking and Finance	Hsiou-Wei Lin	3
Board Operation and Corporate Governance Workshop – Anti-Money Laundering Case Study	2017/10/31	2017/10/31	Taiwan Academy of Banking and Finance	Gilbert Bao	3
Board Operation and Corporate Governance Workshop – Anti-Money Laundering Case Study	2017/10/31	2017/10/31	Taiwan Academy of Banking and Finance	Long-I Liao	3
Seminar for (Independent) Directors and Supervisors on Advanced Pragmatics – On Integration of Human Resources during M&A Consolidation Process	2017/11/1	2017/11/1	Securities and Futures Institute	Alan Wang	3
Seminar for (Independent) Directors and Supervisors on Advanced Pragmatics – Trends of Corporate Corruption and Countermeasures from a Governance Perspective	2017/12/5	2017/12/5	Securities and Futures Institute	Alan Wang	3
How do Directors Fulfill Their Fiduciary Duties? – Decision Analysis and Best Practices	2017/12/15	2017/12/15	Taiwan Corporate Governance Association	Gilbert Bao	3

Table 2 Managers' Corporate Governance Training - 2017

December 31, 2017

Title	Name	Training date	Organizer	Course name	Hours
Chairman	Chia-Juch Chang	2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/5/25	CDF	Money Laundering Control Act & Other Applicable Laws & Regulations	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/7/6	CDF	Case Studies of Financial Statement Fraud & Criminal Liability of Directors, Supervisors & Managers	3
		2017/7/11	CDF	Red Flags for Insider Trading	3
		2017/7/13	CDF	Non-Arm's-Length Transactions & Special Breach of Trust	3
		2017/7/20	CDF	Insider Trading	3
		2017/10/31	Taiwan Academy of Banking and Finance	Training Sessions for Directors & Supervisors – Anti-Money Laundering	3
Acting President	Daw-Yi Hsu	2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/10/31	Taiwan Academy of Banking and Finance	Training Sessions for Directors & Supervisors – Anti-Money Laundering	3
Senior Executive Vice President	Yu-Ling Kuo	2017/12/12	Securities and Futures Institute	Civil Liability of Insider Trading under Corporate Governance & Securities and Exchange Act	3
Executive Vice President	Lawrence S. Liu	2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
Executive Vice President	Eddy Chang	2017/1/6	CDF	2017 Global Economic & Financial Market Outlook	2
		2017/1/23	CDF	Introduction to Corporate Social Responsibility (CSR) & Preparation of CSR Reports	3.5
		2017/2/10	CDF	Presentation of 2017 Industry Themes, Economy & Finance	3.5
		2017/6/12	CDF	Red Flags for Insider Trading	3
		2017/9/22	CDF	Presentation of 2017 Industry Themes, Economy & Finance	3.5
		2017/10/17	CDF	Training Course of Social Return on Investment (SROI) Analysis	2.5
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/11/15	CDF	New Impacts of Adopting Revised IFRS in 2018 – Analysis of Financial Statements	2.5
Executive Vice President	Julian Yan	2017/5/25	CDF	Money Laundering Control Act & Other Applicable Laws & Regulations	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/10/31	Taiwan Academy of Banking and Finance	Training Sessions for Directors & Supervisors – Anti-Money Laundering	3
Executive Vice President	Kenneth Huang	2017/5/25	CDF	Money Laundering Control Act & Other Applicable Laws & Regulations	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/6/20 ~2017/6/21	Taiwan Academy of Banking and Finance	Audit Manager Training Course	13.5

Title	Name	Training date	Organizer	Course name	Hours
		2017/7/6	CDF	Case Studies of Financial Statement Fraud & Criminal Liability of Directors, Supervisors & Managers	3
		2017/7/20	CDF	Insider Trading	3
		2017/8/19	CDF	2017 Internal Auditor Training	7
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
Executive Vice President	Andy Lin	2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/7/6	CDF	Case Studies of Financial Statement Fraud & Criminal Liability of Directors, Supervisors & Managers	3
		2017/7/11	CDF	Red Flags for Insider Trading	3
		2017/9/11	CDF	Types of Operation of China's Internet Finance & Anti-fraud Management	3
		2017/9/6, 2017/9/22	Taiwan Academy of Banking and Finance	Advanced Course in Strategic Financial Planning	12
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/11/15	CDF	New Impacts of Adopting Revised IFRS in 2018 – Analysis of Financial Statements	2.5
		2017/11/7	CDF	Introduction to IFRS 9 Financial Instruments & Impacts on Internal Management	2.5
Executive Vice President	Te En Chan	2017/1/16	Taiwan Academy of Banking and Finance	Presentation of Regulations for Anti-Money Laundering & Countering Terrorism Financing	3
		2017/3/16	Taiwan Academy of Banking and Finance	Conference on Financial Institutions' Anti-Money Laundering, Strengthening Internal Controls & Risk Management Capability	3
		2017/3/20 ~2017/6/30	Association of Certified Anti-Money Laundering Specialists	Certification Course & Exam for Certified Anti-Money Laundering Specialists	43.5
		2017/4/21	Securities and Futures Institute	Workshop on 2017 Insider Trading & Corporate Social Responsibility	3
		2017/5/11	Taiwan Academy of Banking and Finance	Compliance with International Law Series I: Challenges from Part 504 of NYDFS & Responsive Measures	3
		2017/5/16	Taiwan Academy of Banking and Finance	Training Seminar on Cases & Analysis of Penalties Imposed by Competent Authorities (12 th Term)	3
		2017/5/25	CDF	Money Laundering Control Act & Other Applicable Laws & Regulations	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/7/6	CDF	Case Studies of Financial Statement Fraud & Criminal Liability of Directors, Supervisors & Managers	3
		2017/7/7 ~2017/7/26	Taiwan Academy of Banking and Finance	Pre-Professional Training for Compliance Personnel (51 st Term)	30
		2017/9/28	CDF	General Safety & Health Education & Training under Occupational Safety & Health Act	1
Executive Vice President	Josephine Yang	2017/6/12	CDF	Red Flags for Insider Trading	3
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2

Title	Name	Training date	Organizer	Course name	Hours
Executive Vice President	Michael M.H. Peng	2017/2/10	CDF	Presentation of 2017 Industry Themes, Economy & Finance	3.5
		2017/7/14	Taiwan Corporate Governance Association	Trade Secrets Protection: Attack & Defense	3
		2017/8/18	Taiwan Corporate Governance Association	Board of Directors' Focus Issues on Strategies, Competitiveness, Risks & Crises	3
		2017/9/29	CDF	2017 TEJ Key Industries Outlook & Case Analysis	2.5
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
Executive Vice President	Jane Lai	2017/1/6	CDF	2017 Global Economic & Financial Market Outlook	2
		2017/1/23	CDF	Introduction to Corporate Social Responsibility (CSR) & Preparation of CSR Reports	3.5
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/10/31	Taiwan Academy of Banking and Finance	Training Sessions for Directors & Supervisors – Anti-Money Laundering	3
Executive Vice President	S. L. Lee	2017/2/10	CDF	Presentation of 2017 Industry Themes, Economy & Finance	3.5
		2017/2/17	CDF	AI Trends & Market Leaders' Deployment	1
		2017/2/17	CDF	Automotive Photonics Trends	1
		2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/9/22	CDF	Presentation of 2017 Industry Themes, Economy & Finance	3.5
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/10/31	Taiwan Academy of Banking and Finance	Training Sessions for Directors & Supervisors – Anti-Money Laundering	3
		2017/11/15	CDF	New Impacts of Adopting Revised IFRS in 2018 – Analysis of Financial Statements	2.5
Executive Vice President	James Meng	2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
Executive Vice President	Jenny Chiang	2017/1/23	CDF	Introduction to Corporate Social Responsibility (CSR) & Preparation of CSR Reports	3.5
		2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/7/6	CDF	Case Studies of Financial Statement Fraud & Criminal Liability of Directors, Supervisors & Managers	3
		2017/7/11	CDF	Red Flags for Insider Trading	3
		2017/7/13	CDF	Non-Arm's-Length Transactions & Special Breach of Trust	3
		2017/7/20	CDF	Insider Trading	3
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
Executive Vice President	Vincent Hung	2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
Executive Vice President	Jane Lai	2017/1/23	CDF	Introduction to Corporate Social Responsibility (CSR) & Preparing CSR Reports	3.5

Title	Name	Training date	Organizer	Course name	Hours
		2017/3/8	CDF	Seminar on Digital Finance Laws & Regulations	2
		2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/5/25	CDF	Money Laundering Control Act & Other Applicable Laws & Regulations	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/11/14	CDF	2017 Seminar on Preparing CSR Reports	3
Executive Vice President	Kiki Shih	2017/1/16	Accounting Research and Development Foundation	Analysis of Content, Impact & Recommendations for Response for Communication of Key Audit Matters in Audit Report	3
		2017/3/28	CDF	Seminar on Limited Partnership Act	3
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/11/23 ~2017/11/24	Accounting Research and Development Foundation	Continuing Education Course for Principal Accounting Officer	3
		2017/11/28	Deloitte & Touche	Global Transfer Pricing All the Rage; New Strategies for Full Disclosure	3.5
Executive Vice President	Frances Tsai	2017/1/6	CDF	2017 Global Economic & Financial Market Outlook	2
		2017/1/17	CDF	Key Points of 2016 Regulatory Amendments Regarding Anti-Money Laundering & Countering Terrorism Financing	2
		2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/6/12	CDF	Red Flags for Insider Trading	3
		2017/9/11	CDF	Types of Operation of China's Internet Finance & Anti-fraud Management	3
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/11/21	CDF	IFRS 7 Financial Instruments: Disclosure	2
		2017/11/7	CDF	Introduction to IFRS 9 Financial Instruments & Impacts on Internal Management	2.5
Executive Vice President	Chih Yu Chou	2017/1/23	CDF	Introduction to Corporate Social Responsibility (CSR) & Preparation of CSR Reports	3.5
		2017/3/28	CDF	Seminar on Limited Partnership Act	3
		2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/9/28	Taiwan Stock Exchange Corporation	2017 Mr. Y. D. Hsu Memorial Economic & Financial Forum	6
		2017/9/29	CDF	2017 TEJ Key Industries Outlook & Case Analysis	2.5
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/11/28	CDF	Regulations Regarding Material Information & Information Reporting Operation	2

Title	Name	Training date	Organizer	Course name	Hours
		2017/11/7	CDF	Introduction to IFRS 9 Financial Instruments & Impacts on Internal Management	2.5
Executive Vice President	Marisol Wang	2017/1/14	Taipei Bar Association	Constituent Elements of Criminal Liability for Financial Statement Fraud under Securities & Exchange Act & Analysis of Related Judgments	3
		2017/1/17	CDF	Key Points of 2016 Regulatory Amendments Regarding Anti-Money Laundering & Countering Terrorism Financing	2
		2017/1/23	CDF	Introduction to Corporate Social Responsibility (CSR) & Preparation of CSR Reports	3.5
		2017/2/10, 2017/2/17	Deloitte & Touche Tax Consulting Co., Ltd	Legal Training Camp	17
		2017/2/11	Taipei Bar Association	Analysis of Legal Liability of Listed Companies' Directors & Supervisors: from Routine Operation to Business M&A	3
		2017/3/15	Taipei Bar Association	Response Practices Regarding Company Act & Shareholders' Meeting	3
		2017/3/23	Taiwan Law Society	Investment Protection & Taiwan's Future: Starting with Dispute over Management Control of Chang Hwa Bank	3.5
		2017/4/25	Taiwan Corporate Governance Association	Ethical Corporate Management of Listed Companies	3
		2017/4/25	Taipei Bar Association	New Company Act: Key Amendments & Suggestions	3
		2017/4/28	Intellectual Property Office of Ministry of Economic Affairs	2017 Workshop Series on Cultural & Creative Industries & Copyright Protection: Copyright Protection & Remedies for Cultural & Creative Industries	3.5
		2017/5/4	Taipei Bar Association	Seminar on Amendments to Company Act & Compliance	3
		2017/5/6	Taipei Bar Association	Analysis of Issues Regarding Latest Amendments to Labor Standards Act	3
		2017/5/16	Department of Labor, Taipei City Government	Course on Amendments to Labor Standards Act & Promotion of Harmonious Labor-Management Relationship	5
		2017/5/19	CDF	Basic Course on Technical Analysis: Chart Patterns Illustration	3
		2017/5/25	CDF	Money Laundering Control Act & Other Applicable Laws & Regulations	3
		2017/6/9	CDF	Money Laundering Case Studies	3
		2017/6/12	CDF	Red Flags for Insider Trading	3
		2017/7/6	CDF	Case Studies of Financial Statement Fraud & Criminal Liability of Directors, Supervisors & Managers	3
		2017/7/7 ~2017/7/26	Taiwan Academy of Banking and Finance	Pre-Professional Training for Compliance Personnel (51st Term)	31
		2017/7/13	CDF	Non-Arm's-Length Transactions & Special Breach of Trust	3
		2017/7/20	CDF	Insider Trading	3
		2017/8/18	Intellectual Property Office of Ministry of Economic	2017 Workshop Series on Cultural & Creative Industries & Copyright	4

Title	Name	Training date	Organizer	Course name	Hours
			Affairs	Protection: Copyright Protection & Remedies for Cultural & Creative Industries	
		2017/9/20	CDF	Introduction to Financial Consumer Protection Act & Discussions of Appeal Cases	2
		2017/9/29	CDF	2017 TEJ Key Industries Outlook & Case Analysis	2.5
		2017/10/17	CDF	Training Course of Social Return on Investment (SROI) Analysis	2.5
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/11/23	Corporate Operation Association	Introduction to Latest Revisions to Business Mergers & Acquisitions Act & M&A Cases Analysis	3
		2017/11/28	CDF	Regulations Regarding Material Information & Information Reporting Operation	2
		2017/12/6	Corporate Operation Association	Seminar on Investment Practices by Overseas Chinese, Foreign Nationals & People of the Mainland China	3
		2017/12/14	Corporate Operation Association	Corporate Governance & Financial Law	3
		2017/12/20	Corporate Operation Association	Legal Risks in Enterprise Operations Management	3
Executive Vice President	Hans Tzou	2017/1/23	CDF	Introduction to Corporate Social Responsibility (CSR) & Preparation of CSR Reports	3.5
		2017/2/16	CDF	Seminar on Digital Finance Laws & Regulations	2
		2017/3/12 ~2017/6/30	Association of Certified Anti-Money Laundering Specialists	Certification Course & Exam for Certified Anti-Money Laundering Specialists	43.5
		2017/3/28	CDF	Seminar on Limited Partnership Act	3
		2017/8/19	CDF	2017 Internal Auditor Training	7
		2017/10/19	CDF	Trends in Sustainable Finance & CDF's Implementation	2
		2017/12/12 ~2017/12/13	Taiwan Academy of Banking and Finance	Training Course in Financial Operations for Internal Auditors (327 th Term)	15

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. 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. There is no relevant statistics of other greenhouse gas emissions, such as	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)	
	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: Our 2016 CSR Report was prepared in accordance with the core criteria listed in GRI G4 issued by Global Reporting Initiative (GRI). In addition, we commissioned KPMG to conduct Limited Assurance for specific indicators in the report in accordance with the Standard on Assurance Engagements No.1- “Assurance Engagements Other than Audits or Reviews of Historical Financial Information “ issued by the Accounting Research and Development Foundation (stipulated with reference to ISAE3000).				

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 Compliance 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 Human Resource Department has conducted an "Ethical Corporate Governance Online Education Program" in 2017, 6,054 employees have completed the courses (completion rate 100%).	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 or written statement 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
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

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. 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	

3.4.8 Corporate Governance Guidelines and Regulations

Please view the “Corporate Governance Best-Practice Principles”, “Ethical Corporate Management Best Practice Principles”, “Codes of Ethical Conduct”, “Code of Conduct for Employees” and “Principles for the Performance Evaluation of the Board of Directors” section, under “Corporate Governance” on the home page of the Company’s website. (<http://www.cdibh.com/enhtml/content/24>) , and on the Market Observation Post System (MOPs).

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, 2017 to December 31, 2017, 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: Alan Wang

General Auditor: Kenneth Huang

Legal Compliance Officer: Brian Huang

Dated: March 26, 2018

Plan for improving internal controls as of end-2017

Area for improvement	Details	Estimated time of completion
China Development Financial		
<p>FSC Letter Jin-Guan-Yin-Kong-Zi 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 was issued an order 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>	<p>Completed.</p>
KGI Bank (subsidiary)		
<p>1. FSC Letter Jin-Guan-Yin-Kong-Zi No.1066000222G on June 1, 2017</p> <p>KGI Bank failed to thoroughly inspect the board meeting minutes of a corporate client when engaging in financial derivatives business with the client, along with other malpractice in document management, causing risks to the healthy operations of CDF.</p> <p>Pursuant to Paragraph 1, Article 61-1 of the Banking Act, the Company was issued an order of correction.</p>	<p>KGI Bank revised its "Regulations for the Request and Management of Financial Derivatives Deeds" by adding a template for meeting minutes and a letter of authorization by the board for the reference of corporate clients.</p>	<p>Completed.</p>
<p>2. FSC Letter Jin-Guan-Yin-Kong-Zi No.10600015640 on June 8, 2017</p> <p>The ID verification policy, procedure and control mechanisms of KGI Bank for anti-money laundering were found to be flawed or improperly implemented. The bank also failed to keep records of inspections and verifications on suspicious transactions as requested, causing risks to the healthy operations of CDF.</p> <p>Pursuant to Paragraph 1, Article 61-1 of the Banking Act, the Company was issued an order of correction.</p>	<p>KGI Bank revised its "Guidelines for Anti-Money Laundering and Countering Terrorism Financing" and "Forex Operating Manual", and has strengthened its monitoring of suspicious transactions.</p>	<p>Completed.</p>

Area for improvement	Details	Estimated time of completion
<p>3. KGI Bank shall cooperate in the following matters, pursuant to related regulations promulgated and amended by the Bankers Association:</p> <p>(1) Perform risk assessment on money laundering and terrorism financing, and establish plans to prevent money laundering and counter terrorism financing;</p> <p>(2) Adjust risk assessment indicators for customers establishing a business relationship with the bank;</p> <p>(3) Enhance the filing mechanism of beneficial owners and senior managerial personnel.</p>	<p>(1) Risk assessment on money laundering and terrorism financing, and plans to prevent money laundering and counter terrorism financing will be completed by the end of March 2018;</p> <p>(2) indicators of “geographical location”, “products and services” and “trading or payment channels” are incorporated when assessing customers’ establishment of a business relationship with the bank;</p> <p>(3) add a “name” column in the system.</p>	<p>Scheduled for completion on March 31, 2018.</p> <p>Completed on February 22, 2018.</p> <p>Completed on February 8, 2018.</p>
<p>4. Control mechanisms for reporting operations by the bank’s statutory responsible person</p>	<p>Reporting operations have been strengthened; noted and stated in relevant documents.</p>	<p>Completed</p>
KGI Securities (subsidiary)		
<p>1. FSC Letter Jin-Guan-Zheng-Chuan-Zi No.1060019248 on May 19, 2017 During examination of the day-to-day operations of subsidiary KGI Securities (HK), the FSC found representatives of KGI Wealth Management (HK) have regularly visited Taiwan to verify the ID of new customers. KGI Securities Asia failed to check the ID of customers engaging in trading of Taix derivatives, indicating KGI Securities has not fulfilled its duty to supervise subsidiaries, which constituted a violation of securities-related laws and regulations. Pursuant to Paragraph 1, Article 61 of the Securities and Exchange Act, the Company was issued a warning.</p>	<p>1. For Taiwanese customers who are unable to visit Hong Kong to open the account in person, KGI Wealth Management will commission an impartial third party (either a practicing lawyer, accountant or notary) to perform ID verification on its behalf starting April 18, 2017.</p> <p>2. The Hong Kong subsidiary formulated relevant directions on August 1, 2017 to ensure ID inspection and subsequent trading controls are duly performed.</p>	<p>Completed</p>
<p>2. FSC Letter Jin-Guan-Zheng-Chuan-Zi No.1060036778 on September 22, 2017 Wu, a former broker at the Banqiao Branch of KGI Securities, was found to have violated securities-related laws and regulations by promising gains for customers, trading securities on customers’ accounts, providing safekeeping of customers’ seals and passbooks, embezzling securities and proceeds owned by customers, engaging in money borrowing and lending with customers, failing to execute trading as ordered, opening</p>	<p>1. Branch managers are required again to:</p> <p>(1) look into the daily operations of employees to prevent ethical risks;</p> <p>(2) understand the nature of orders from customers that have made huge trades or major losses in a given period to make sure the brokerage trade and related operations are appropriate; and</p> <p>(3) provide ethical and legal education and training to traders so that conflict of interest and trade disputes can be prevented.</p> <p>2. Required branch companies to perform internal</p>	<p>Completed</p>

Area for improvement	Details	Estimated time of completion
new accounts, and trading, delivering or subscribing to securities on behalf of others. An order to release Wu from duty was issued for these violations.	auditing of the brokerage unit. 3. Wu was dismissed from position on March 9, 2017.	
China Life (subsidiary)		
1. FSC Letter Jin-Guan-Bao-Shou-Zi No.10502548912 on January 6, 2017 China Life failed to compensate some policy buyers in accordance with policy terms or the values of compensations were calculated erroneously. Pursuant to Paragraph 5, Article 171-1 & Paragraph 1, Article 149 of the Insurance Act, the Company was imposed with fines totaling NT\$600,000 and issued an order of correction, respectively.	A thorough inspection has been carried out on its claim processing operations, including automatic compensation calculation functions and integration of the claim system.	Completed
2. FSC Letter Jin-Guan-Bao-Shou-Zi No.10602544662 on August 9, 2017 China Life failed to inform the competent authorities of the progress of its superficies investment plans within ten days after substantive details of the plans had become available. Pursuant to Subparagraph 3, Paragraph 5, Article 168 & Paragraph 1, Article 149 of the Insurance Act, the Company was imposed with fines totaling NT\$900,000 and issued an order of correction, respectively.	The latest development schedule of new buildings has been compiled and submitted to the FSC.	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 Letter No. Jin-Guan-Bao-Shou-10502548912 dated January 6, 2017 The subsidiary China Life failed to compensate some policy buyers in accordance with policy terms or the values of compensations were calculated erroneously. Fines totaling NT\$600,000 were imposed.</p>	<p>China Life carried out a thorough inspection on its claim processing operations, including automatic compensation calculation functions and integration of the claim system.</p>
<p>FSC Letter No. Jin-Guan-Bao-Shou-10602544662 dated August 9, 2017 China Life failed to inform the competent authorities of the progress of its superficies investment plans in ten days after substantive details of the plans had become available. Fines totaling NT\$900,000 were imposed.</p>	<p>China Life compiled and submitted the latest development schedule of new buildings to the FSC.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Qi-Fa-1060035427 dated September 6, 2017 The Hsinchu Branch of KGI Futures failed to collect full margin from customers before accepting trading orders, constituting a breach of the firm's internal control system and violating Paragraph 2 Article 2 and Paragraph 1 Article 43 of Regulations Governing Futures Commission Merchants. Fines totaling NT\$120,000 were imposed.</p>	<p>KGI Futures has revised the margin reviewing standards for acceptance of market orders for index options trading. The new standards became effective on November 27, 2017.</p>

3. Deficiencies reprimanded by the FSC

Nature of case	Status of the Improvement
<p>FSC Letter No. Jin-Guan-Zheng-Tou-105001657 dated May 12, 2016</p> <p>FSC made the following discoveries when conducting its general inspection on subsidiary - KGI Securities Investment Trust:</p> <ol style="list-style-type: none"> 1. The investment analysis reports, based on which the company made decisions to buy attention securities, failed to discuss short-term upside and liquidity risks. 2. Trust funds failed to fully disclose in the investment analysis reports the highly relevant securities or portfolios traded for hedging purposes. <p>An order of correction was issued.</p>	<p>KGI Securities Investment Trust made the following improvements:</p> <ol style="list-style-type: none"> 1. The subsidiary has demanded analyses of near-term rally and liquidity risks for recommendations of buying attention securities. 2. Internal announcements have been made that trust funds engaging in trading for hedging purposes should always specify the highly relevant securities in the investment analysis reports.
<p>FSC Letter No. Jin-Guan-Bao-Shou-1050030972 dated June 14, 2016</p> <p>FSC made the following discoveries when conducting its general inspection on subsidiary – China Life:</p> <ol style="list-style-type: none"> 1. Stakeholders’ profiles were not fully documented. 2. The subsidiary failed to inform customers of overdue receivable payments when customers applied for contract changes or made claims. The finding implied poor communication between relevant departments, which could undermine the interest of policy buyers. 3. Regarding stock investments of the subsidiary, some of the entry prices were above the target prices advised in the investment decision reports. Such practice was detrimental to CDF’s risk management. <p>An order of correction was issued.</p>	<p>China Life had made the following improvements:</p> <ol style="list-style-type: none"> 1. The overlooked profiles had been added. The firm also provided legal compliance education to relevant employees. 2. A horizontal communication mechanism has been put in place to ensure that customers are always informed of their rights and benefits in a timely manner. 3. Stock trading procedure has been improved.
<p>FSC Letter No. Jin-Guan-Yin-Kong-10560001090 dated June 23, 2016</p> <p>The subsidiary KGI Bank failed to follow the procedure of savings account opening. While the bank may directly adopt the internal control system of its parent company, the reviewing of such arrangement by the board of directors was incomplete, causing risks to the healthy operations of CDF.</p> <p>An order of correction was issued.</p>	<p>KGI Bank made the following improvements:</p> <ol style="list-style-type: none"> 1. The bank reviewed the procedure for account opening, and added mechanisms of joint visiting and phone notification, which will be recorded. 2. The bank formulated its own internal control rules, which have been approved by the board.
<p>FSC Letter No. Jin-Guan-Zheng-Tou-1050029805 dated August 4, 2016</p> <p>FSC made the following discoveries when conducting its general inspection on subsidiary – Global Securities Finance Corporation:</p> <ol style="list-style-type: none"> 1. The subsidiary performed a capital reduction and financed share repurchases by issuing commercial papers. 2. The subsidiary failed to assess customers’ credit limits for margin trading as required by the internal rules, indicating a deficiency in internal control. <p>An order of correction was issued.</p>	<p>Global Securities Finance Corporation made the following improvements:</p> <ol style="list-style-type: none"> 1. The subsidiary makes sure the funding and use of proceeds are always in line with government regulations. 2. Customers who wish to open new accounts or renew contracts for margin trading or secured loans are now required to fill in a credit limit form, which allows the subsidiary to calculate the total credit granted to a customer, consequently facilitating overall credit risk management.
<p>FSC Letter No. Jin-Guan-Yin-Kong-10500185210 dated December 14, 2016</p> <p>The subsidiary KGI Bank failed to follow the Self-disciplinary Directions for Banks Engaging in Derivatives Business formulated by the Bankers Association, as the bank sold financial derivatives to</p>	<p>KGI Bank revised relevant internal rules according to the latest version of the FSC’s Regulations Governing Internal Operating Systems and Procedures for Banks Conducting Financial Derivatives Business</p>

Nature of case	Status of the Improvement
<p>customers before knowing them, along with negligence in product sales and risk management, causing risks to the healthy operations of CDF.</p> <p>An order of correction was issued.</p>	
<p>FSC Letter No. Jin-Guan-Bao-Shou-10502548912 dated January 6, 2017</p> <p>FSC made the following discoveries when conducting a special inspection on the claim service unit of the subsidiary – China Life:</p> <ol style="list-style-type: none"> 1. Remedial measures for outstanding payments to policy buyers were not applicable to all cases. 2. China Life failed to keep track of the requests for and provision of supportive materials for claims that had been left unsettled due to incomplete documents. 3. When China Life cancelled a policy, the underwriting department was not informed immediately, as requested by internal rules, upon receipt of documents from a hospital. 4. Benefits stated in the proposal were inconsistent with policy terms. <p>An order of correction was issued.</p>	<p>China Life made the following improvements:</p> <ol style="list-style-type: none"> 1. A thorough review on the overdue cases was performed, followed by the establishment of a mechanism to cross-exam and notify customers proactively to ensure the rights of customers are well-protected. 2. The subsidiary revised its claim assessment and notification procedures. 3. Internal announcements and training on proper work flows were provided. 4. Individual misprints were corrected.
<p>FSC Letter Jin-Guan-Zheng-Chuan-1060019248 dated May 19, 2017</p> <p>FSC examined the day-to-day operations of subsidiary KGI Securities (HK) and formed the following opinions: Representatives of KGI Wealth Management (HK) have regularly visited Taiwan to verify the identification of new customers as part of the account opening procedure. KGI Securities Asia failed to check the identification of customers engaging in trading of Taix derivatives, indicating KGI Securities has not fulfilled its duty to supervise subsidiaries, which constituted a violation of securities-related laws and regulations.</p> <p>A warning was issued for these violations.</p>	<p>KGI Securities (HK) made the following improvements:</p> <ol style="list-style-type: none"> 1. For Taiwanese customers who are unable to visit Hong Kong to open the account in person, KGI Wealth Management will commission an impartial third party (either a practicing lawyer, accountant or notary) to perform ID verification on its behalf starting April 18, 2017. 2. The Hong Kong subsidiary formulated relevant directions on August 1, 2017 to ensure ID inspection and subsequent trading controls are duly performed.
<p>FSC Letter Jin-Guan-Yin-Kong-1066000222G dated June 1, 2017</p> <p>KGI Bank failed to thoroughly inspect the board meeting minutes of a corporate client when engaging in financial derivatives business with the client, along with other malpractice in document management, causing risks to the healthy operations of CDF.</p> <p>An order of correction was issued.</p>	<p>KGI Bank revised its Regulations for the Request and Management of Financial Derivatives Deeds by adding a template for meeting minute and letter of authorization by the board for the reference of corporate clients.</p>
<p>FSC Letter Jin-Guan-Yin-Kong-10600015640 dated June 8, 2017</p> <p>The ID verification policy, procedure and control mechanisms of KGI Bank for anti-money laundering were found to be flawed or improperly implemented. The bank also failed to keep records of inspections and verifications on suspicious transactions as requested, causing risks to the healthy operations of CDF.</p> <p>An order of correction was issued.</p>	<p>KGI Bank revised its Money-laundering and Terrorist Funding Prevention Guideline and Forex Operating Manual, and has strengthened its monitoring of suspicious transactions.</p>

Nature of case	Status of the Improvement
<p>FSC Letter Jin-Guan-Bao-Shou-10602544662 dated August 9, 2017</p> <p>FSC conducted a special inspection on the risk management unit of China Life and noted that: The unrealized Taiex investment losses have long exceeded the stop loss limits, and the control mechanism for stocks that have cause major losses was flawed.</p> <p>An order of correction was issued.</p>	<p>China Life set forth a risk management mechanism for Taiex stocks with high carrying costs or unrealized losses.</p>
<p>FSC Letter Jin-Guan-Zheng-Chuan-1060036778 dated September 22, 2017</p> <p>Wu, a former broker at the Banqiao Branch of KGI Securities was found to have violated securities-related laws and regulations by promising gains for customers, trading securities on customers' accounts, providing safekeeping of customers' seals and passbooks, embezzling securities and proceeds owned by customers, engaging in money borrowing and lending with customers, failing to execute trading as ordered, opening new accounts, and trading, delivering or subscribing to securities on behalf of others.</p> <p>An order to release Wu from duty was issued for these violations.</p>	<p>KGI Securities made the following improvements:</p> <ol style="list-style-type: none"> 1. Enhanced education for branch managers to: <ol style="list-style-type: none"> (1) look into the daily operations of employees to prevent ethical risks; (2) understand the nature of orders from customers that have made huge trade or major losses in a given period to make sure the brokerage trade and related operations are appropriate; and (3) Provide ethical and legal education and training to traders so that a conflict of interest and trade disputes can be prevented. 2. Required branch companies to perform internal auditing of the brokerage unit. 3. Wu was dismissed from position on March 9, 2017.
<p>FSC Letter Jin-Guan-Zheng-Tou-10600338311 dated September 27, 2017</p> <p>Subsidiary Global Securities Finance Corporation was found to have funded margin loans in part by issuing commercial papers in May and June 2017, violating Paragraph 2 Article 56 of Regulations Governing Securities Finance Enterprises.</p> <p>An order of correction was issued for this violation.</p>	<p>Global Securities Finance Corporation made the following improvements:</p> <ol style="list-style-type: none"> 1. The firm switched to use bank loans instead of issuing commercial papers to raise funds for margin loans in late July 2017. 2. FSC amended Paragraph 2 Article 56 of Regulations Governing Securities Finance Enterprises on February 12, 2018, by issuing an order (Order Jin-Guan-Zheng-Tou-1070302972) that allows financial institutions to fund margin loans with CP issuance.
<p>FSC Letter Jin-Guan-Zheng-Tou-1070301780 dated March 6, 2018</p> <p>FSC conducted a special inspection on the anti-money laundering and anti-terrorist financing businesses of subsidiary Global Securities Finance Corporation, and found the following practices to be flawed:</p> <ol style="list-style-type: none"> 1. The subsidiary failed to perform an assessment on risks of money laundering before launching a new business. 2. The results of client assessments on money laundering risks are not backed by solid evidence or are erroneously stated. 3. The inspection on customers that have been doing business with the company before April 5, 2017 and have not appointed a real beneficiary, or surveys on whether or not an institutional client has issued bearer stocks and served as politically exposed persons (PEP), as well as the subsequent remedies were not duly performed. 4. The subsidiary failed to verify the identification of customers as required when opening new accounts for customers. 5. In the case that a client's margin trading contract is expiring, the subsidiary sends a contract renewal letter to the client, which the client should fill in and send back in 	<p>Global Securities Finance Corporation made the following improvements:</p> <ol style="list-style-type: none"> 1. Risk assessments are duly performed before the launch of a new business. 2. Employees are required to duly fill in a client information form in order to assess risks in a reasonable fashion. 3. Inspections on institutional customers that have been doing business with the subsidiary before April 5, 2017, and have appointed a real beneficiary, or whether or not they have issued bear stocks and served as PEP, have been carried out along with subsequent remedial measures. 4. A new column for real beneficiary has been added to the IT system to ensure that client IDs are fully verified. 5. Employees are required to know their customers, and update client information when a contract is to be renewed. In case any information on the paper form is overlooked, the staff is required to call customers to update such information so that a reassessment of risks can be performed and the company can regularly update client status as required.

Nature of case	Status of the Improvement
<p>order to renew the contract. However, Global Securities Finance Corporation failed to provide updated client information, nor enquired about the latest client status on phone when the contract was still valid, and when a renewal was requested, indicating the subsidiary had failed to review client status on a regular basis as required.</p> <p>6. The subsidiary failed to reassess money laundering risks of certain customers even after media reports on a major event related to those customers.</p> <p>An order of correction was issued.</p>	<p>6. Upon confirmation that the company's clients are involved in a major or negative event as reported by the media, the company will put such clients on a caution list, inform related units to carry out a reassessment on the status of such clients, and report if any trading activities are found to be suspicious.</p>
<p>FSC Letter Jin-Guan-Zheng-Chuan-1070301714 dated March 7, 2018</p> <p>FSC conducted a special inspection on the anti-money laundering and anti-terrorist financing businesses of subsidiary KGI Securities, and found the following practices to be flawed:</p> <ol style="list-style-type: none"> 1. The internal rules that KGI Securities set forth for anti-money laundering and anti-terrorist financing were not revised according to government regulations. 2. In the "Anti-money laundering and terrorist financing risk assessment form," the subsidiary directly saw offshore institutional clients as financial institutions supervised by the competent authorities of Taiwan or investment tools managed by such institutions. 3. The brokerage system failed to show the real beneficiary of a customer on the main page, leaving the real beneficiary overlooked in the subsequent inspection or continuous monitoring. 4. Domestic politically exposed persons (PEP) or PEPs related to international organizations were not marked and compiled in the system, and thus a reassessment of risks was not performed annually as required. 5. The subsidiary failed to reassess money laundering risks of certain customers even after media reports on a major event related to those customers, nor identified and reported suspicious trading to competent authorities afterwards. <p>An order of correction was issued.</p>	<p>KGI Securities made the following improvements:</p> <ol style="list-style-type: none"> 1. An updated version of "Anti-money laundering and terrorist financing directives" and "Guidelines for risk assessment against money laundering and terrorist financing," revised on December 29, 2017, were sent to FSC for reference. 2. All operating units were informed on December 22, 2017, that offshore institutional clients that have opened accounts via a custody bank may not be regarded as financial institutions supervised by the competent authorities of Taiwan or investment tools managed by such institutions. Employees may not directly rate the risk level of such clients for engaging in money laundering as "low" and bypass the process of identifying their real beneficiaries. KGI Securities has also made disclosure of the real beneficiary a required part of client ID verification. 3. A column showing the real beneficiary was added to the main page of the brokerage system in 1Q18. 4. A new column was added to the background information of clients for registration of caution and/or PEP list. A cross examination on the changes of caution and PEP lists will be carried out regularly at the end of a quarter. 5. For clients that are put on the caution list, KGI Securities will close some of their accounts, while others have to undergo another risk assessment to keep their accounts active.

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

Trader at KGI Bank executed unapproved transactions and failed to follow normal procedures, resulting in loss of NT\$238.799 million

6. Other disclosures mandated by FSC

None

3.4.12 Important resolutions of shareholder meeting(s) and board meeting(s) during the most recent year and up to the date of publication of this annual report

1. Important resolutions of 2017 Shareholders' Meeting (June 16, 2017) and their implementation:

Important resolution	Implementation
1. Acceptance of 2016 Business Report, financial statements and consolidated financial statements as proposed	Reported the resolution to competent authorities (pursuant to the Company Act, the Financial Holding Company Act and other relevant laws and regulations) and announced publicly.
2. Acceptance of 2016 earnings distribution plan as proposed	The cash dividends were allocated on August 4, 2017
3. Approval of amendments to several articles of the "Articles of Incorporation" as proposed	The amended Articles of Incorporation was implemented on June 16, 2017, and the registration to the Ministry of Economic Affairs was completed within 15 days in compliance with the law.
4. Approval of amendments to several articles of the procedures for the acquisition or disposal of assets as proposed	The amended procedures for the acquisition or disposal of assets were implemented on June 16, 2017.
5. Approval of removal of non-compete restrictions on directors (including corporate directors and their representatives) as proposed	The resolution entered into force upon passage in the shareholders' meeting.

2. Important resolutions of board meetings

(1) 13th directors' meeting of the 6th board on January 19, 2017

- resolution for adding the number of directors for subsidiary China Development Industrial Bank

(2) 14th directors' meeting of the 6th board on January 19, 2017

- the date, time and venue of the 2017 general shareholders' meeting, the book closure period and acceptance of shareholders' proposals
- resolution for subsidiary China Development Industrial Bank's return of the banking license and the reorganization proposal
- resolution for removal of non-compete restrictions on the Company's directors
- resolution for the Company's proxy President
- resolution for subsidiary China Development Industrial Bank's proxy President
- resolution for assigning of subsidiary China Development Industrial Bank's President, effective from April 1, 2017

(3) 15th directors' meeting of the 6th board on February 20, 2017

- approval for issuing unsecured common corporate bonds

- approval for appointing subsidiary CDIB Asset Management's 6th board directors and supervisors
- (4) **16th directors' meeting of the 6th board on March 27, 2017**
- resolution for the 2016 employees' compensation and directors' remuneration distribution plans
 - resolution for amendments to procedures for the acquisition or disposal of assets
 - resolution for removal of non-compete restrictions on directors
- (5) **17th directors' meeting of the 6th board on April 24, 2017**
- resolution for amendments to the "Articles of Incorporation"
 - resolution for 2016 Business Report, financial statements, consolidated financial statements and relevant books and reports
 - resolution for 2016 earnings distribution plan
 - resolution for 2016 general shareholders' meeting agenda
 - resolution for adding the number of directors for subsidiary CDIB Capital Group (formerly China Development Industrial Bank)
- (6) **20th directors' meeting of the 6th board on July 7, 2017**
- resolution for acquiring 880,000,000 common shares of China Life through tender offer
- (7) **21st directors' meeting of the 6th board on July 31, 2017**
- resolution for amendment on the Codes of Ethical Conduct
- (8) **22nd directors' meeting of the 6th board on August 15, 2017**
- resolution for prescribing conditions for acquiring 880,000,000 common shares of China Life through tender offer
- (9) **24th directors' meeting of the 6th board on September 25, 2017**
- reporting of the first issuance of NT\$10bn unsecured subordinated common corporate bonds in 2017
 - resolution for renewing liability insurance for the 2017 directors and supervisors (term from September 2, 2017 to September 2, 2018)
 - resolution for the 2016 directors' remuneration distribution & payment plans
- (10) **27th directors' meeting of the 6th board on December 11, 2017**
- resolution for subsidiary China Life's chairman serving concurrently as the Company's President
 - resolution for discharging the Company's proxy President of his proxy position, effective from December 11, 2017
- (11) **28th directors' meeting of the 6th board on December 25, 2017**
- reporting of reassigning the representative of the Company's corporate director
 - resolution for reassigning subsidiary KGI Bank's directors
 - resolution for 2018 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, 2018

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
President	Paul Yang	2011/9/29	2017/1/21	Resigned
Acting President	Daw-Yi Hsu	2017/2/16	2017/12/11	Proxy period ended

3.5 Information Regarding the Company's Audit Fee and Independence

Audit Fee

Accounting Firm	Name of CPA		Period Covered by CPA's Audit	Remarks
Deloitte & Touche	Wu, Mei-Hui	Kuo, Cheng-Hung	2017.01.01~ 2017.12.31	

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		-	1,514	1,514
2	NT\$2,000,001 ~ NT\$4,000,000		-	-	-
3	NT\$4,000,001 ~ NT\$6,000,000		5,900	-	5,900
4	NT\$6,000,001 ~ NT\$8,000,000		-	-	-
5	NT\$8,000,001 ~ NT\$10,000,000		-	-	-
6	Over NT\$100,000,000		-	-	-

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

Unit: NT\$ thousands

Accounting Firm	Name of CPA		Audit Fee	Non-audit Fee					Period Covered by CPA's Audit	Remarks
				System of Design	Company Registration	Human Resource	Others (Note2)	Subtotal		
Deloitte & Touche	Wu, Mei-Hui	Kuo, Cheng-Hung	5,900	-	-	-	1,514	1,514	2017.01.01 ~ 2017.12.31	(Note)

Note: Non-audit fees include fees for new shares issuance reviewing, capital verification and tax administration relief services, etc

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

None

3.7 Audit Independence

The Company's Chairman, Chief Executive Officer, Chief Financial Officer, and managers in charge of its finance and accounting operations did not hold any positions in the Company's independent auditing firm or its affiliates during 2017:

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	2017		As of March 31, 2018	
		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	0	0	100,000	0
Standing Committee Director	Shin Wen Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	0	(25,366,812)	0	0
	Representative Long-I Liao	0	0	0	0
Standing Committee Director / Independent Director	Ching-Yen Tsay	0	0	0	0
Director	GPPC Chemical Corp.	0	0	0	0
	Representative Alan Wang	0	0	0	0
Director	Chi Jie Investment Co., Ltd.	0	0	0	0
	Representative Paul Yang	3,358,025	0	2,421,020	0
Director	Shin Wen Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	0	(25,366,812)	0	0
	Representative How Yong Lee	0	0	0	0
Director	Bank of Taiwan (Major shareholders with over 1% shareholding.)	48,211,577	0	0	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
President & CEO	Alan Wang	0	0	0	0
Senior Executive VP	Yu-Ling Kuo	0	0	0	0
Chief Auditor	Kenneth Huang	0	0	0	0

Title	Name	2017		As of March 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive VP	Eddy Chang	77,890	0	64,925	0
Executive VP	Julian Yan	0	0	0	0
Executive VP	Brian Chou	0	0	0	0
Executive VP	Te En Chan	23,000	0	9,000	0
Executive VP	Andy Lin	25,317	0	44,019	0
Executive VP	Josephine Yang	0	0	0	0
Executive VP	Jane Lai	0	0	0	0
Executive VP	Jenny Chiang	0	0	0	0
Executive VP	Jane Lai	0	0	0	0
Executive VP	Chih Yu Chou	(30,000)	0	(10,000)	0
Executive VP	Lawrence S. Liu	(758,133)	0	(72,025)	0
Executive VP	Eddie Wang	880,113	0	373,353	0
Executive VP	Reddy Wong	(244,868)	500,000	284,244	0
Executive VP	Janet Sheng	8,945	0	0	0
Executive VP	Vincent Hung	0	0	0	0
Executive VP	Ming Lin	(260,000)	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	S. L. Lee	0	0	0	0
Executive VP	Sunny Lin	0	0	0	0
Executive VP	Frances Tsai	0	0	0	0
Executive VP	Kiki Shih	0	0	0	0
Executive VP	Hans Tzou	0	0	0	0
Executive VP	Teresa Li	0	0	0	0
Executive VP	Marisol Wang	0	0	0	0
Executive VP	Chris Sun	0	0	0	0
SVP	Amy Shan	0	0	166,604	0

Title	Name	2017		As of March 31, 2018	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
SVP	Lecko Lai	0	0	0	0
SVP	Michael Chang	0	0	0	0
SVP	Ellen Chang	0	0	0	0
SVP	Adrienne Chiu	0	0	0	0
SVP	Vincent Hsiao	0	0	0	0
SVP	Alex Hung	0	0	0	0
SVP	Lian Yin Li	0	0	0	0
SVP	Sharol Lin	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	(27,000)	0	0	0
SVP	Thomas Wu	0	0	0	0
SVP	Floyd Wang	0	0	0	0
SVP	Patrick Huang	0	0	0	0
SVP	Marian Fu	0	0	0	0
SVP	Shelly Chang	0	0	0	0
SVP	Jason Wang	0	0	0	0
SVP	Eddie Chiang	0	0	0	0

3.8.2 Shares Trading with Related Parties

None

3.8.3 Shares Pledge with Related Parties

None

3.9 Relationship among the Top Ten Shareholders

April 24, 2018

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	286,941,073	1.92	0	0.00	0	0.00	None	None	
Representative : Jye-Cherng, Lyu	0	0.00	0	0.00	0	0.00	None	None	
KGI Securities Co., Ltd.	282,585,796	1.89	0	0.00	0	0.00	China Life Insurance Co., Ltd.	subsidiary of CDFH	
Representative : Daw-Yi Hsu	511,091	0.00	5,600,000	0.04	0	0.00	None	None	
Government of Singapore	228,302,426	1.52	0	0.00	0	0.00	None	None	
China Life Insurance Co., Ltd.	562,468,259	3.76	0	0.00	0	0.00	KGI Securities	Wholly owned by CDFH	
Representative : Alan Wang	0	0.00	0	0.00	0	0.00	None	None	
Cathay Life Insurance Co., Ltd.	431,392,500	2.88	0	0.00	0	0.00	None	None	
Representative : Tiao-Kuei, Huang	0	0.00	0	0.00	0	0.00	None	None	
Norges Bank - internal - NBIM PF EQ INTERNAL CFD	191,205,959	1.28	0	0.00	0	0.00	None	None	
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	241,192,413	1.61	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	1,767,654	0.01	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	1,767,654	0.01	0	0.00	0	0.00			
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	189,646,856	1.27	0	0.00	0	0.00	None	None	

3.10 Ownership of Shares in Affiliated Enterprises

December 31, 2017

Unit: shares/ %

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
CDIB Capital Group	2,041,115,913	100.00	0	0.00	2,041,115,913	100.00
KGI Securities Co., Ltd.	2,998,812,320	100.00	0	0.00	2,998,812,320	100.00
KGI Bank	4,606,162,291	100.00	0	0.00	4,606,162,291	100.00
China Development Asset Management Corporation	200,000,000	100.00	0	0.00	200,000,000	100.00
China Life Insurance Co., Ltd.	959,200,000	25.33	368,032,768	9.72	1,327,232,768	35.05
Capital Securities Corporation	115,940,510	5.35	0	0.00	115,940,510	5.35
CDIB Venture Capital Corporation	0	0.00	1,022,790,915	100.00	1,022,790,915	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	45,000,000	100.00	45,000,000	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
Development Industrial Bank Asset Management Corporation	0	0.00	2,000,000	100.00	2,000,000	100.00
Chung Hwa Growth 3 Asset Management Corporation	0	0.00	226,000,000	100.00	226,000,000	100.00
Chung Hwa Growth 4 Asset Management Corporation	0	0.00	19,000,000	100.00	19,000,000	100.00
Richpoint Company Limited	0	0.00	147,043,557	100.00	147,043,557	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
CDIB CME Fund Ltd.	0	0.00	69,500,000	46.33	69,500,000	46.33

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
CDIB Biomedical Venture Capital Corporation	0	0.00	75,000,000	42.86	75,000,000	42.86
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	30.00	112,500	30.00
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	5,105,747	21.20	5,105,747	21.20

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

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

IV. Capital Overview

4.1 Capital and Shares

4.1.1 Source of Capital

A. Issued Shares

April 24, 2018

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. 104003216 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
November 2017	10	20,000,000,000	200,000,000,000	14,976,303,362	149,763,033,620	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010 Decree No. 1020052073 issued by FSC dated December 26th, 2013
March 2018	10	20,000,000,000	200,000,000,000	14,977,040,329	149,770,403,290 (Note)	Change employee stock option issuance to common shares.	None	Decree No. 0990042795 issued by FSC dated September 2nd, 2010 Decree No. 1020052073 issued by FSC dated December 26th, 2013

Note: Registration change approved by Ministry of Economic Affairs on 26 April, 2018

B. Type of Stock

April 24, 2018

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	14,977,040,329(Note)	5,022,959,671	20,000,000,000	Listed Stocks
Preferred Shares	0	0	0	

Note: Registration change approved by Ministry of Economic Affairs on 26 April, 2018

4.1.2 Status of Shareholders

April 24, 2018

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	9	21	948	540,911	1,260	543,419
Shareholding (shares)	1,189	1,587,154,168	2,857,624,372	6,500,023,571	4,033,137,728	14,977,941,028 (Note)
Percentage	0.00	10.60	19.08	43.39	26.93	100.00

Note: Total shares pending for change registration (included new shares issued by exercised employee stock options): 900,699 shares

4.1.3 Shareholding Distribution Status

A. Common Shares

April 24, 2018

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	186,893	35,526,019	0.24
1,000 ~ 5,000	176,972	429,413,172	2.87
5,001 ~ 10,000	64,504	476,870,373	3.18
10,001 ~ 15,000	34,141	410,832,866	2.74
15,001 ~ 20,000	17,690	314,637,847	2.10
20,001 ~ 30,000	21,831	534,074,056	3.57
30,001 ~ 50,000	17,955	694,870,018	4.64
50,001 ~ 100,000	13,123	915,997,710	6.12
100,001 ~ 200,000	5,847	796,425,649	5.32
200,001 ~ 400,000	2,396	656,119,634	4.38
400,001 ~ 600,000	648	316,325,282	2.11
600,001 ~ 800,000	254	175,473,528	1.17
800,001 ~ 1,000,000	173	157,330,911	1.05
1,000,001 or over	722	9,064,043,963	60.51
Total	543,149	14,977,941,028(Note)	100.00

Note: Total shares pending for change registration (included new shares issued by exercised employee stock options): 900,699 shares

B. Preferred Shares

April 24, 2018

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

4.1.4 List of Major Shareholders

April 24, 2018

Shareholder's Name	Shareholding	
	Shares	Percentage
Bank of Taiwan	286,941,073	1.92
KGI Securities Co., Ltd.	282,585,796	1.89
Government of Singapore	228,302,426	1.52
China Life Insurance Co., Ltd.	562,468,259	3.76
Cathay Life Insurance Co., Ltd.	431,392,500	2.88
Norges Bank - internal -	191,205,959	1.28
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	241,192,413	1.61
Shin Wen Investment Co., Ltd.	650,252,192	4.34
Jing Kwan Investment Co., Ltd.	416,881,377	2.78
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	189,646,856	1.27

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

Unit: NT\$

Items		2016	2017	Year to date (as of March 31, 2018) (Note 8)	
Market Price per Share (Note 1)	Highest	8.65	10.30	10.95	
	Lowest	6.94	7.89	9.81	
	Average	7.95	8.78	10.45	
Net Worth per Share (Note 2)	Before Distribution	11.17	11.60	-	
	After Distribution	10.65	(Note 9)	-	
Earnings per Share	Weighted Average number of Shares		14,662,151,423	14,583,551,086	14,462,838,089
	EPS (Note 3)	Before Adjustment	0.40	0.80	-
		After Adjustment	0.40	0.80	-
Dividends per Share	Cash Dividends		0.50	0.60(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)		19.88	10.98	-
	Price / Dividend Ratio (Note 6)		15.90	14.63(Note 9)	-
	Cash Dividend Yield Rate (Note 7)		6.29%	6.83%(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 2017 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. In comply with the Article of Incorporation, the dividends shall first distributed to the preferred special shares and 30% to 100% of the residual can then be distributed to common stock 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\$8,974,376,932 (NT\$0.6 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\$116,000,000 in cash compensation to employees and NT\$110,000,000 in remuneration to directors, both identical to the figures stated in the 2017 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 2016 as approved by the shareholders' meeting did not differ from the financial statement in 2016; NT\$59,000,000 was distributed as employee compensation and NT\$58,000,000 as remuneration to directors.

4.1.9 Buyback of Treasury Stock

March 31, 2018

Treasury stocks: Batch Order	14 th Batch	15 th Batch
Purpose of buyback	To maintain the Company's credit and shareholders' equity and the shares so purchased are cancelled.	To maintain the Company's credit and shareholders' equity and the shares so purchased are cancelled.
Buyback period	August 25, 2015 – October 23, 2015	January 26, 2016 – March 25, 2016
Price range	8.16~10.00	7.27~10.00
Number of shares bought back	53,677,000 common shares	143,010,000 common shares
Total value of shares bought back (NT\$'000)	488,138	1,150,440
Capital adequacy ratio prior buyback	Record Date : June 30, 2015 CAR : 149.17%	Record Date : December 31, 2015 CAR : 165.38%
Capital adequacy ratio after buyback	Record Date : June 30, 2015 CAR : 147.96%	Record Date : December 31, 2015 CAR : 162.53%
Number of shares transferred/cancelled	53,677,000 common shares	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		2011 Unsecured Corporate Bonds, Phase I	2013 Unsecured Corporate Bonds, Phase I	2014 Unsecured Corporate Bonds, Phase I	2015 Unsecured Corporate Bonds, Phase I
Issue date		March 7, 2012	May 23, 2013	March 30, 2015	September 15, 2015
Denomination		NT\$1,000,000	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location		N/A	N/A	N/A	N/A
Issue price		Issue by denomination	Issue by denomination	Issue by denomination	Issue by denomination
Total price		NT\$1,000,000,000	NT\$3,000,000,000	NT\$6,000,000,000	NT\$2,000,000,000
Coupon rate		1.42%, fixed	1.37%, fixed	1.42%, fixed	1.37%, fixed
Tenor		7 years Maturity: March 7, 2019	5 years Maturity: May 23, 2018	5 year Maturity: March 30, 2020	5 years Maturity: Sep 15, 2020
Guarantee agency		None	None	None	None
Consignee		Trust Department, Taipei Fubon Bank	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank
Underwriting institution		N/A	N/A	N/A	N/A
Certified lawyer		Rich Lin, LCS & Partners	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 Kuo Cheng-Hung	Deloitte & Touche Wu, Mei-Hui and Kuo Cheng-Hung	Deloitte & Touche 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	Repayment in lump sum upon maturity
Outstanding principal		NT\$1,000,000,000	NT\$3,000,000,000	NT\$6,000,000,000	NT\$2,000,000,000
Terms of redemption or advance repayment		None	None	None	None
Restrictive clause		None	None	None	None
Whether included as eligible capital		No	No	No	No
Name of credit rating agency, rating date, rating of corporate bonds		Rating agency: Taiwan Rating Co., Ltd. Rating date: December 06, 2011 Credit rating: twA+	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	N/A	N/A
	Issuance and conversion (exchange or subscription) method	N/A	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	None
Transfer agent		None	None	None	None

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, 2018

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, 2016 – 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, 2018

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	
Executive Vice President & General Auditor	Eddie Wang Andy Lin Eddy Chang Janet Sheng Reddy Wong Lawrence S. Liu Jhih-Jian Yan Kenneth Huang Marisol Wang S.L.Lee Chih Yu Chou James Meng Ming Lin Jenny Chiang Kiki Shih Vincent Hung Chris Sun David Kuo Guang-Yue Yeh Hans Tzou Frances Tsai Jane Lai Jane Lai											
Senior Vice President	Floyd Wang Eddie Chiang Christy Lin Sharol Lin Adrienne Chiu Sandra Yao Alex Hung Ellen Chang Michael Chang Amy Shan Patrick Huang Steven Ching Pi Fa Yang Shu-Ling Yang Milly Liu Lian-Yin Li Vincent Hsiao Lecko Lai	15,951	0.11	384	8.47 7.96	3,053	0.02	15,567	8.33 7.96 6.58	123,614	0.83	
Vice President	Amy Wang Justin Wu Fanny Lin Chien-Ping Lin Wen-Jung Chen Bonnie Huang Wendy Wei											
Top Ten Employees	Daniel Wu Sherie Chiu Melanie Nan 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, 2018

Type of New Restricted Employee Shares	3 rd Tranche (2016)	4 th Tranche (2017)
Date of Effective Registration	August 31, 2015	July 5, 2016
Issue date	February 4, 2016	January 25, 2017
Number of New Restricted Employee Shares Issued (000 shares)	4,478	1,322
Issued Price (NT\$)	0	0
New Restricted Employee Shares as a Percentage of Shares Issued	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>
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 issued for cash injection from existing shareholders, the right shall be deemed to be equivalent of the Company's common stock shareholders' rights (including but not restricted to cash dividend, stock dividend, capital deduction, additional paid-in capital in cash and stocks, and the rights granted as a result of merger, split, share transfer, which in short are classified as "equities allotment." Equities allotment shall be held and managed under trust custodian before all the vesting conditions are met.</p>	<p>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 issued for cash injection from existing shareholders, the right shall be deemed to be equivalent of the Company's common stock shareholders' rights (including but not restricted to cash dividend, stock dividend, capital deduction, additional paid-in capital in cash and stocks, and the rights granted as a result of merger, split, share transfer, which in short are classified as "equities allotment." Equities allotment shall be held and managed under trust custodian before all the vesting conditions are met.</p>
Custody Status of New Restricted Employee Shares	Shares are managed in the form of trust.	Shares are managed in the form of trust.

Type of New Restricted Employee Shares	3 rd Tranche (2016)	4 th Tranche (2017)
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.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back (000 shares)	0	0
Number of Released New Restricted Employee Shares (000 shares)	3,135	529
Number of Unreleased New Restricted Shares (000 shares)	1,343	793
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.01	0.01
Impact on possible dilution of shareholdings	The new issuance of restricted employee shares only account for 0.03% of total outstanding shares, thus there is no material impact on shareholding dilution.	The new issuance of restricted employee shares only account for 0.01% 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, 2018

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											
Executive Vice President	Eddie Wang	5,800	0.04	3,664	0	0	0.02	2,136	0	0	0.02	
	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

1. 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.
2. 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.
3. 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.)
4. 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.

5. The Company made a tender offer to acquire China Life in order to strengthen its deployment in the financial industry, enhance operational capabilities and expand the asset base, ultimately improving ROE. The acquisition proposal was approved by the Financial Supervisory Commission under Letters No. Jin-Guan-Yin-Kong-10600185690 and Jin-Guan-Bao-Shou-10602545450, dated August 9 and 15, 2017, respectively. On September 5, the terms of the tender offer had been fulfilled, one day before the tender offer expired. The Company reported the progress of the case to the FSC on September 6 and 7, and completed the settlement on September 13. With a 25.33% holding in China Life, the Company officially became the parent company of the insurer on September 13 in accordance with Article 4 of the Financial Holding Company Act.

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

Unit ; NT\$ thousands

Company Name		CHINA LIFE INSURANCE COMPANY, LTD.
Company address		5F, 122, Tung Hwa North Road, Taipei, Taiwan, R.O.C.
Chairman		Alan Wang
Paid-in capital		37,863,984
Main business		Personal Insurance
Major product		China Life is engaged in the business of personal insurance, including personal life insurance, personal accident insurance, personal health insurance, group insurance, annuity insurance, and Investment-link insurance; also, application of funds in accordance with the law and regulations, including securities investment, real estate investment, foreign investment, and loans.
Financial data of the latest year	Total assets	1,465,734,184
	Total liabilities	1,370,396,437
	Total shareholders' equity	95,337,747
	Operating revenue	225,328,334
	Gross profit	NA
	Operating income (loss)	8,740,181
	Net income (loss)	9,083,972
	Earnings per share	2.40

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 companies;
- trust companies;
- insurance companies;
- securities companies;
- futures companies;
- venture capital firms;
- foreign financial institutions approved for investment by the competent authority;
- and
- other enterprises permitted 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;
- making loans;
- discounting bills and notes;
- investing in marketable securities;
- remitting funds;
- a banker's acceptance;
- issuing Letters of Credit;

- issuing corporate bonds and providing guarantee;
- providing bank guarantee;
- acting as collecting and paying agent;
- acting as agent to sell government bonds, treasury securities, corporate bonds and stocks;
- conducting custody and warehousing services;
- handling safety box rental services;
- conducting agency services for operations stated in the bank's business license and other operations approved by the competent authority;
- engaging in credit cards business;
- selling gold bars/coins and silver coins;
- providing export/import remittance, forex deposits/loans and foreign-currency bank guarantee;
- offering derivatives products approved by the competent authority;
- engaging in the business operations which are specified by the Trust Enterprise Act;
- handling proprietary trading of government bonds;
- conducting brokerage, proprietary trading, certification and underwriting of short-term notes;
- issuing smart cards;
- providing financial advisory to corporations;
- providing wealth management service;
- issuing bank debentures;
- underwriting marketable securities;
- financial planning, consulting and counseling for government agencies and corporations;
- providing personal insurance brokerage service;
- providing property and casualty insurance brokerage service; and
- processing other businesses which are permitted by the competent authority

© **KGI Securities**

The brokerage is permitted to engage in:

- brokerage of listed marketable securities;
- proprietary trading of listed marketable securities;
- brokerage of over-the-counter marketable securities;
- proprietary trading of over-the-counter marketable securities;
- securities underwriting;
- securities transfer service;
- margin trading and stock loan
- introducing brokerage of futures trading;

- operating offshore securities units (OSU);
- sub-brokerage of foreign securities;
- proprietary trading of futures;
- wealth management services through trust;
- securities investment advisory and discretionary investment; and
- other operations approved by the competent authority

◎ **CDIB Capital Group**

The bank is permitted to engage in:

- venture capital investment;
- investment;
- investment consultancy;
- management consultancy;
- other consultancy;
- real estate investment;
- real estate transaction and leasing; and
- other operations approved by the competent authority

◎ **China Life Insurance**

- life insurance

◎ **CDIB Asset Management**

- purchase of monetary liabilities from financial institutions;
- evaluation or auction of monetary liabilities of financial institutions;
- management of monetary liabilities of financial institutions;
- purchase of accounts receivable;
- management of overdue accounts receivable;
- credit information services;
- data processing service;
- rental;
- advertisement;
- corporate operations and management advisory;
- international trade; and
- others operations approved the competent authority

B. Revenue Distribution

◎ CDF

Unit : NT\$ '000

Item \ Year	2015		2016		2017	
	Revenues	%	Revenues	%	Revenues	%
Investment income recognized by the equity method	9,590,588	99	6,787,470	99	12,687,096	100
Others	79,871	1	68,441	1	51,725	0
Total	9,670,459	100	6,855,911	100	12,738,821	100

Source: 2015-2017 audit financial report.

◎ KGIB (note 1)

Unit : NT\$ '000

Item \ Year	2015 (note 1)		2016		2017	
	Net revenues	%	Net revenues	%	Net revenues	%
Interest profit, net	7,003,369	67	5,523,379	54	6,244,130	57
Noninterest profit and gains, net	3,440,193	33	4,721,647	46	4,729,434	43
Total	10,443,562	100	10,245,026	100	10,973,564	100

Source: 2015-2017 audit financial report.

Note 1: It included a part of China Development Industrial Bank's business operations from Jan. 1 to May 15, 2015.

◎ KGIS

Unit : NT\$ '000

Item \ Year	2015		2016		2017	
	Revenues	%	Revenues	%	Revenues	%
Brokerage revenue	3,530,685	40	2,951,700	31	4,106,092	28
Revenue from stock loans	274,315	3	404,262	4	559,872	4
Revenue from underwriting business	500,115	6	836,631	9	591,910	4
Gains on disposal of trading securities-net	987,626	11	682,711	7	8,722,785	60

Item \ Year	2015		2016		2017	
	Revenues	%	Revenues	%	Revenues	%
Interest income	2,078,995	24	1,795,158	18	1,939,526	13
Dividend income	629,553	7	704,891	7	694,196	5
Gains/(losses) on trading securities measured at fair value through profit or loss-net	(631,868)	(7)	1,272,474	13	(2,097,118)	(14)
Gains on warrants issued-net	732,335	8	486,426	5	167,705	1
Gains (Losses) on derivative product	(605,801)	(7)	251,387	3	(1,216,999)	(8)
Others	1,326,850	15	280,162	4	1,051,077	7
Total	8,822,805	100	9,665,802	100	14,519,046	100

Source: 2015-2017 audit financial report.

© CDIB Capital Group

Unit : NT\$ '000

Item \ Year	2015		2016		2017	
	Net revenues	%	Net revenues	%	Net revenues	%
Net profit of divestment	2,477,871	38	1,189,229	41	1,694,965	35
Dividend income	585,546	9	492,185	17	562,633	11
Share of the profit of subsidiaries, associates and joint ventures	2,161,538	33	1,187,136	41	2,624,600	54
Losses on financial assets measured at fair value through profit or loss	(293,988)	(4)	(2,469)	0	(2,510)	0
Other operating revenue	404,082	6	16,713	1	16,725	0
Interest income, net	1,164,596	18	0	0	0	0
Total	6,499,645	100	2,882,794	100	4,896,413	100

Source: 2015-2017 audit financial report. The financial information of 2015 and 2016 have reclassified for the representation of 2017 financial report.

◎ **China Life Insurance (Note1)**

Unit ; NT\$ thousands

Item \ Year	2015		2016		2017	
	Revenues	%	Revenues	%	Revenues	%
Personal insurance	104,636,631	65	141,619,213	74	156,136,547	76
Personal accident insurance	2,307,064	1	2,313,278	1	2,498,825	1
Personal health insurance	17,936,582	11	17,197,696	9	18,434,257	9
Group insurance	1,757,203	1	1,841,967	1	2,227,344	1
Annuity insurance	23,291,973	14	18,700,527	10	15,479,276	7
Investment linked	12,228,945	8	9,466,532	5	11,663,546	6
Total Premium	162,158,398	100	191,139,213	100	206,439,795	100

Source: 2015-2017 China Life Insurance Annual Report.

Note1: As of August 15, 2017, the board of directors approved the acquisition of 25.33% shares of China Life Insurance through public tender offer. After the Corporation acquired shares through public tender offer, the acquired shares mentioned previously plus 9.63% shares of China Life Insurance held by the subsidiary, KGIS (excluding KGIS's hedging accounts of derivative products) are equivalent to 34.96% shares of China Life Insurance. China Life Insurance became a subsidiary of the Corporation defined by Financial Holding Company Act.

◎ **China Development Asset Management Corporation (Note1)**

Unit ; NT\$ thousands

Item \ Year	2015		2016		2017	
	Revenues	%	Revenues	%	Revenues	%
Operating revenue	90,568	30	69,649	42	53,321	29
Share of the profit of subsidiaries, associates and joint ventures	208,943	68	93,250	56	107,998	59
Others	7,416	2	2,910	2	22,473	12
Total	306,927	100	165,809	100	183,792	100

Source: 2015-2017 audit financial report.

Note1: As of March 13, 2017, the Corporation holds 100% of the shares of China Development Asset Management Corporation which was previously held by CDIB Capital Group.

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 cooperation 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.
- To meet the demand for personal loans, the bank has continued to develop installment-type new products and improve digitalized application processes, targeting various fund needs with greater convenience.
- The bank offers premium clients personalized mortgage products to expand wealth management clientele and maintain good asset quality.
- The bank developed revolving variable-rate loans for individuals as a flexible way to obtain funds.
- The bank has perfected its digital product lineup, which includes digital deposit accounts (type III), digital personal loans, and online credit-card application.
- Installation of multiple identity certification platforms to improve convenience and user experience for online clients
- The bank added several features to its corporate internet banking interface to improve corporate user experience.
- The bank continues to develop cash management products for enterprises in need of working capital management.
- The bank has developed high-end derivatives pricing and hedging models, meant to upgrade its ability to develop financial products on its own.

◎ **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\$6.26mn in 2016 and NT\$8.07mn in 2017. 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 marketable securities transactions and forex hedging. In the future, KGI Securities will capitalize on deregulations to actively adjust the direction of development of financial products and services, so as to expand the scope of KGI Securities' financial services.

- In the fixed-income segment, KGI Securities has approached 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 expand product spectrum in Taiwan's secondary bonds market. In addition to underwriting and trading bonds, KGI Securities plans to introduce new derivatives linked with a broad variety of underlying ranging from interest rates, bond prices, and credit indices to stock prices in an effort to meet investors' needs.

◎ **CDIB Capital Group**

- Continue to develop asset management business, expand Greater China market, create added value for investments and increase capital efficiency
- Take up co-investment opportunities via private equity fund management to create win-win situations
- Invest in new fields (including new developed technologies and new business models)
- Engage in strategic investments that will create synergies with CDF's businesses

◎ **China Life**

- Provide multi-currency and new-type products to help clients with risk diversification and asset allocation. With longer average life spans, lower birth rates and a rapidly aging population in Taiwan, medical insurance, annuity insurance, long-term care insurance, and retirement plans and products focused on savings will become important business opportunities in the life insurance market
- As Fintech develops, China Life will continue to design various types of insurance products available on the internet
- To employ the six distribution channels in a balanced way, China Life will continue to launch differentiated products to suit the unique characteristics of each channel to meet client needs, satisfying their investment, savings, protection and medical-care demands to create a win-win situation for the firm and customers

5.1.2 Business Plan for 2018

◎ China Development Financial

- Start the age of four major business engines: life insurance, commercial banking, securities, and venture capital/private equity; accelerating deployment in Asia;
- Capital reallocation, improving leverage multiples and increase capital efficiency;
- Shape corporate culture, with aim to generate a steady income stream via well-balanced deployments among retail and institutional business within the group;
- Integrate group resources to strengthen customer relationship management and cross-selling synergies;
- Foster asset management brand and expand portfolio scale;
- Enforce risk management and accelerate asset monetization;
- Continue commitment to corporate governance and sustainability development

Below are business plans for subsidiaries in 2018:

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 scale and our 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 finance opportunities in both local and overseas markets in order to increase the bank's loanbook and bolster profitability.
- Provide customers with convenient cash management tools and cross-border trade services. Diversify client base to lower overall credit risk.
- Optimize service mechanisms such as online banking and cash management; provide enterprises convenient payment/collection services and fund transfer through multiple channels. In addition, we will offer credit services including trade credit policies projects and accounts receivable factoring services to go along with trade finance/credit granting business. With these efforts, we seek to gradually become the main banking partner for corporate customers.

– Consumer Banking

- Optimize the customer membership management system of wealth management and enhance the efficiency of online and offline service, consequently expand client base and maintain amicable customer relationships.
- Develop a diversity of loan products and lead market in launching a descending-rate personal loan; offer a multitude of reward plans for revolving personal loans. Meet various financing needs of clients with various products.
- Expand mortgage loans business to work with large real estate agencies; extend service coverage and expand sources of business
- Enhance SOP for handling balance transfer customers; strengthen and maintain client relations.
- Echoing the FSC's electronic payment multiplication plan, we have worked with nearly a thousand small transaction/bill/tax payment platforms managed by the FISC and National Credit Card Center to expand exposure to consumer markets. In line with the trend of tokenization of credit cards, we have launched Apply Pay service to clients who desire mobile payment tools that are more convenient and secure.

– Global Market

- KGI Bank will aggressively participate in International Board bond and overseas bond underwriting transactions led by mainland Chinese/foreign banks to increase the bank's market share in bond and note underwriting. This is a way of expanding business and overall profits for KGI Bank.
- KGI Bank will continue to expand the sales of a diverse range of innovative products and perfect the pricing and hedging coverage of high-end derivatives products, aiming to become a wholesale supplier among bank peers.
- KGI Bank will seek to enrich financial product lines and improve cross-selling and client service.

– Digital Banking

- KGI Bank offers a range of innovative financial services, such as everyday payments, transaction payments, cash flow custody, identity authentication, risk control, big-data, and online applications, via fragmented, modularized, and API-type standardized procedures. This makes KGI Bank a one-stop window for innovative financial services required by start-up companies, who also want to present users with the best experience.
- KGI Bank collaborates with academics and industries to further AI research. Via proof-of-concept projects that evaluate potential benefits of AI, the bank aims to draft a plan for commercial operations.

2. KGI Securities

- Brokerage
 - Brokerage: Strengthen the current profit model, enhance the quality of brokerage and wealth management personnel, optimize brokerage and wealth management business outlets, build brokerage and wealth management financial innovation technology systems, increase domestic futures market share, introduce peripheral futures services and new types of businesses, strengthen advantages of foreign futures DMA (Direct Market Access), expand the scope of foreign futures services, promote the natural person T+1 securities lending/borrowing business, and increase sources of stock loans to boost market share.
- Equity Proprietary Trading and Derivatives
 - Improve market share and profitability of warrants business, pursue more stable profitability of equity proprietary trading in Taiwan, strengthen proprietary trading business' global investment coverage, elevate the Alpha and in-depth trading volume of proprietary futures trading, and elevate daily winning percentage of futures proprietary trading's Beta systematic trading.
- Bonds
 - Strengthen the primary offering of NT dollar-denominated bonds and expand the scope of overseas bond issuance customers.
- Underwriting
 - Improve the success rate of underwriting cases and their profit margins, expand the scope and depth of VC investment projects, and maintain the leading position in investment banking in Taiwan

3. CDIB Capital Group

- Continue to focus on existing investment strategies and grow its asset management business.
- 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 integrates resources and complements strengths of Taiwanese and Chinese industries. Aim to capitalize on the wave of global mergers and acquisitions initiated by Chinese businesses.
- Enhance management over investee companies, rating, and liquidity risks in order to implement risk control and divest investments where appropriate.
- Adjust portfolio mix and divest legacy portfolio to achieve more efficient use of capital. Enhance investment management and maximize shareholder interests as value-added service.

4. China Life Insurance

- Utilize any of the six marketing channels to meet the diverse needs of customers by providing suitable niche products.
- Strengthen sales of value-oriented products and increase exposure to installment-plan policies.
- Expand the scale of business operations and pursue a more professional and younger staff.
- Steadily expand bancassurance and wealth management markets.
- Cultivate the brokerage agency and group insurance markets to meet the needs of brokerage agencies and corporate clients.
- Develop a digital business model to enhance digital technology applications and customer relationship management.

5. China Development Asset Management

- Continue to assess, track, and purchase real estate from government agencies or the court auction market, as well as non-performing assets from financial institutions or other asset management companies, in order to expand the scale of operations.
- Digest and divest existing assets, increase operating income, and realize profits.
- Undertake the real estate leased, sold, or managed and maintained by CDF, or conduct urban renewals for these properties.
- Improve the strength of claims recovery, operate multiple legal complaints channels, and increase project payback efficiency.

5.1.3 Industry Overview

1. Financial holding industry

The overbanking and fierce market competition was a result of government open-up policy. Furthermore, the intensive competition has not only damaged the profitability but also increased bad debts. To address this issue, the Taiwan government passed the Financial Institutions Merger Act on December 13, 2000 and the Financial Holding Company Act on July 9, 2001 respectively. Along with 14 already-existing financial holding companies, two new companies, Taiwan Financial Holdings and Taiwan Cooperative Holdings, were established in January 2008 and December 2011, bringing the number of such financial institutions in Taiwan to 16. These 16 financial holding companies dominate the local financial industry, accounting for around 80% of the net worth and gross financial assets of monetary institutions. It is very likely that this figure

will continue to rise in the future, as Taiwan's financial conglomerates stay committed to leveraging their cross-selling capabilities and to strengthening their competitiveness through resource consolidation, with a view to enhancing operational efficiency.

With asset prices rebounding and financial markets regaining stability over the past few years, the global economy has once again been able to get back on its feet. Capital demand from individuals and enterprises has also improved. As such, financial holding companies in Taiwan have been aggressively expanding their business horizons through cross-selling and resource integration. Notably, these companies have shrugged off the negative effects of the recent financial crisis. This is evidenced by consistent upticks in asset value, net worth, capital size, and improving balance sheets. In 2012-2015, Taiwan's financial holding companies had seen overall earnings pick up year by year, with annual net income coming in at NT\$173.39bn, NT\$204.68bn, NT\$288.67bn, and NT\$301.24bn. In 2016, the annual income fell to NT\$266.96bn, and in 2017, on acceleration of global economic recovery and brilliant financial market performance, the annual net income bounced back to NT\$302.3bn, up 13.3% YoY.

Looking ahead, US, Europe and Japan should continue to see economy regain strength, people and enterprises will become more confident in economy, and there will be tax cuts, increased spending on infrastructure, and deregulation of industrial and financial laws. All of these will help boost global economic recovery, but such uncertainties as whether central banks tightening monetary policies will have a negative impact on global economy and financial markets, whether emerging markets will remain stable, and whether Taiwan's economy can go through with upgrading its industries, will continue to add performance pressure on financial institutions.

Nevertheless, given the ongoing deregulations of the government, corporates and individuals have become more welcoming of investments. This boost of confidence should provide the financial industry with new opportunities.

2. Banking industry

(1) A major financial intermediary

Overview and development of Taiwan's banking sector: As of the end of December, 2017, there were a total of 6,302 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 3,460, or 55%, were domestic banks. As of end-December, 2017, the total deposits and loans of domestic banks amounted to NT\$31.5tn and NT\$23.6tn, respectively, or 77.6% and 89.9% 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-2017 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	2010	2011	2012	2013	2014	2015	2016	2017
Indirect %	77.69	78.30	78.90	79.35	79.37	79.47	79.38	80.18
Direct %	22.31	21.70	21.10	20.65	20.63	20.53	20.62	19.82

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 2.47% 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 4.49% in 2009, 9.1% in 2010, 9.33% in 2011, 10.41% in 2012 and 10.26% 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 11.65% the same year, with ROA also hitting a historical high of 0.79%. The aggregate pre-tax bank earnings sank to NT\$ 319.6bn, NT\$ 300.1bn and NT\$ 305.9bn from 2015 to 2017 respectively, while ROE dipping to 10.58%, 9.24% and 8.97% respectively, 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 2018, 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
ROE(%)	2.47	4.49	9.10	9.33	10.41	10.26	11.65	10.58	9.24	8.97
ROA(%)	0.16	0.28	0.58	0.59	0.68	0.68	0.79	0.75	0.68	0.67

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 0.28% as of end 2017.

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% and 0.28% in 2016 and 2017. This is a clear indication of improving asset quality. As at the end 2017, KGI Bank registered a NPL ratio of 0.21%, the overall asset quality is fair.

Average NPL ratio of Taiwanese banks

Year	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
NPL* (%)	1.54	1.15	0.61	0.43	0.40	0.38	0.25	0.23	0.27	0.28

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

3. Securities industry

Driven by industrial restocking, a loose financial environment, a weak US dollar and a number of other factors, the current economic recovery has begun in early 2016 and lasted until now. Looking into the future, as the global economic activity index remains in the expansion track, the global manufacturing PMI is also steadily rising, and advanced countries’ corporate earnings are still growing by more than 10% each year, the current global economic recovery cycle is likely to extend into 2H19, thereby supporting the stock market to remain bullish in 2018. However, we also think that this year's stock market volatility will be significantly increased, especially in the second half of this year, mainly due to anticipation that Fed might raise interest rates at a quicker pace than expected, the politico-economical risks attributed to Trump, and the impact of China’s economic growth slow-down on emerging markets.

In 2017, global economy had entered the up-cycle along with the US, and Taiwan, Korea, and other emerging markets had maintained recovery momentum that began in 2016. Taiwan continued to see domestic market strengthen on expansion of exports of semiconductor and machinery and job market improvement. In 2017, Taiwan’s economic growth projection was revised up several times from 1.92% to 2.86%, boosting Taiex to grow in both price and volume. As of the end of 2017, Taiex was up 15% YoY to 10,642 points, clearing the 10,000-point mark to close out 2017 at the highest level since 2000. FINI bet on Taiex to net-buy NT\$186.2bn and the competent authority lowered the

transaction tax on day-trading of securities to 0.15%, attracting natural persons in Taiwan to return to stock markets, with Taiex/TPEX turnover hitting daily average of NT\$138bn, up 39% for the highest level seen since 2010, including a 56% YoY growth in turnover contributed by domestic natural persons, much higher than the growth of 14% for FINI and 19.6% for local institutional investors. Local natural persons' contribution to turnover returned to 64.4%, a level last seen in 2014, which boosted the market shares of domestic securities firms. As of the end of 2017, Taiex/TPEX margin loan balance was NT\$245.9bn, up 32% to hit the highest level since 2015. According to TWSE, the domestic securities sector posted earnings of NT\$39.7bn in 2017, up 105% YoY, with brokerage fee income rising 34.6% YoY to NT\$13bn. Equity proprietary trading earnings also surged 160% YoY to NT\$13.4bn; underwriting business earnings grew 18% YoY to NT\$800mn. As such, the securities sector has bid farewell to the difficulties seen since the financial crisis.

For 2018, global economy will continue to expansion, with IMF and HIS Markit projecting global GDP growth at 3.9% and 3.3%, respectively, higher than 3.7% and 3.2% in 2017. US, EU, and China will remain on track for more up-cycle, but IMF also mentions that global financial market faces rather high asset prices and the risk of inflation setting off higher-than-expected interest rate anticipation. DGBAS estimates that in 2018, Taiwan will post GDP growth of 2.42%, versus the central bank's forecast of 2.35%. This may be slower growth than 2.86% in 2017, but domestic consumption and exports will warm up to maintain economic expansion. FSC will continue with four main measures in the capital market in 2018, including researching multiple listing methods to expand the size of the capital market, optimizing corporate governance, promoting new products and new trading systems, and strengthening the containment of money laundering. In addition, the Legislative Yuan passed an amendment to the income tax law in January this year and it is expected that the proportion of natural person transactions in Taiwan will continue to rise. Plus, the Executive Yuan has extended the reduction of the tax on daily trading of securities by half by another three years to April 27 of 2021, which will also help the trading volume of the Taiwan's stock market. On the whole, it is estimated that the Taiwanese economy will continue to expand in 2018 and the tax reform will attract natural persons' capital to continue to return. It is estimated that the trading volume of Taiwan stocks will continue to be at a high point in recent years and the business environment of securities companies will continue to improve.

4. 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.

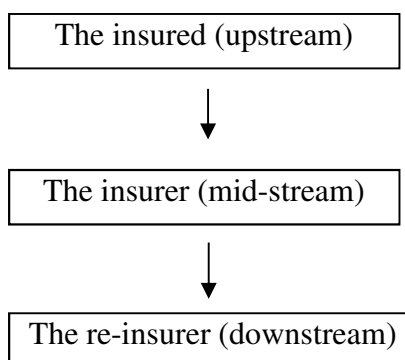
The period between 1995 and 2000 was perhaps the golden age for Taiwan's venture capital industry. During this time, the number of venture capital companies increased from 34 to 170, whereas total share capital had also increased by 5.8 times over the 6-year period, from NT\$18.7 billion to NT\$128.08 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 information technology, 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.

5. Life Insurance

As of the end of 2017, there are twenty-four companies operating in the life insurance market, including twenty domestic life insurance companies and four foreign ones. They premium income totaled NT\$3,420.2bn, up 9.2% YoY, with first-year premium income coming in at NT\$1,260.7bn, down 0.8% YoY. Of the first-year premium income, life insurance premiums contributed 72.5%, annuity insurance premium contributed 24.1%, health insurance premiums contributed 2.5%, and injury insurance premiums contributed 0.9%. Within this environment, the company performed solidly, with 2017 first-year premium income totaling NT\$80.22bn and aggregate premium income totaling NT\$206.44bn.

In terms of sales channels' contribution to 2017 first-year premium income, bancassurance accounted for 52%, while sales staff and other channels contributed 48% or so. In terms of product composition, investment-type policies contributed 31.7% to first-year premiums in 2017, while traditional policies accounted for 68.3%, indicating that in 2017, investment-type policies saw sales weighting rise significantly from only 15.5% in 2016. The overall life insurance market remains 70% reliant on traditional policies.

Regarding the connection of upstream, mid-stream, and downstream sectors of the insurance industry, insurance products begin their life cycles when the insured request coverage from insurers, which may keep some policies while re-insuring others to transfer the risks.



6. 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, integrated products and services through multiple channels to fulfill clients’ needs. In order to achieve the goal, a consolidated cross-selling platform within a financial holding company is a critical factor for 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, KGI Securities, and China Life Insurance. New financial products are developed with the aim of strengthening the product portfolio, providing diversified services and expanding the customer base.

◎ KGI Bank

- (1) KGI Bank is committed to providing quality services and creating value for clients. In 2016, the bank launched a program to build a new system for core services, which features a well-rounded information framework to support global business expansion, accelerate the development of digital financial products and enhance the efficiency of 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 clients of the internet generation. Having worked with 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. The bank designed the payment platform and combined it with its first “KGI Inside” new digital financial service model to promote smart payment functions and popularize the service via social media, aiming to provide customers with more convenient mobile payment services. KGI Bank also cooperates with large-scale taxi service operators, using big-data analysis to introduce all-inclusive financing in the form of small revolving credit loans, making it convenient for taxi drivers to apply for loans.

KGI Bank's first-ever declining interest rate credit loan product “Jio-Jiang-Dai” is a product in which the interest rates can be reduced if payments are made punctually. It satisfies individual clients with medium-term and long-term funding needs. This innovative product has obtained a domestic patent called “descending interest rate repayment system.” Apart from strengthening the professional services of the sales team and dividing development project loans into individual household loans and launching 30-year long-term installment mortgage products, the personal mortgage loan segment has also been successful in exploring large-scale realtors as partners and establishing multiple sales channels.

KGI Bank continually integrates traditional-channel trading functions into corporate internet banking channels, such as foreign currency remittance transactions, foreign currency exchange transactions, foreign currency reconsignment, ACH transactions, self-authorized payments, and supplementary communications services, and is gradually

increasing automated account notification services to reduce operational manpower and improve the quality of customer service, allowing customers to track KGI fund flows, among other goals.

Through specialized cash management and trade financing services, KGI Bank provides product and system platforms for collection, payment, foreign exchange, and corporate finance networks, and integrated trade financing plans for different industrial segments, from large multinational corporations to property management. This can significantly improve the efficiency of corporate cash management, meeting operational turnover requirements, and reducing operating costs for enterprises in need of managing and coordinating working capital.

KGI Bank has also developed several derivative products featuring high customization and integration to strengthen customer loyalty. It has in addition formulated trading strategies for a variety of financial products to complement enhanced capabilities in delivering innovation and developing products independently. The bank has sought to maximize profitability through business expansion in different investment markets.

In light of how FinTech is rapidly penetrating and changing consumers' financial lives, KGI Bank has created a new model of cooperation between innovative mobile/internet platform operators and bank innovations through different thinking, namely KGI Inside strategies. This has been done in order to create an optimal customer experience. KGI Bank uses technical capabilities of fragmenting and modularizing financial services into an API-type existence, so as to turn innovative financial services required by new entrepreneurs into components, including everyday payments, transaction payments, cash flow custody, identity authentication, risk control, big-data, online applications, and so on. This is to provide companies with seamless plug-and-play integration with financial services. By using KGI Inside's financial service components in their own innovative services, start-up entrepreneurs can connect with financial services in the simplest and fastest manner possible, which will bring them more business opportunities, lower development costs, and greatly enhance customer experience and adhesion.

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

- Established an interest/exchange rate options platform, which substantially enhances capabilities to manage (including price quotation) complicated exchange rate-linked products.
- Developed capacities to manage risk positions and to price 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 fees, in batches. The platform not only helps improve the efficiency of payment collection, but also strengthens cash flow management for companies, reducing financial costs.
- Completed digitization of payment collection services. KGI Bank offers cloud-based payment collection services via its eACH web service and KGIEExpress 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 in 2016. This saves customers the trouble of going to a bank counter and achieves our target of dematerializing financial services.
- Connected with a nationwide payment platform e-Bill and, in 2017, was given an award for the most innovative electronic fund flow service by the Financial Information Service Co, LTD.
- KGI Bank has led the industry in introducing the innovative model of KGI Inside digital financial service. By first targeting everyday payment needs for consumers, it has crafted open financial service components and, on a B2B cooperative basis, offered start-up companies connection with eight main payment functions, including credit card payment, loan payment, telecom bills, roadside parking fees, eTag top-up, Taipei City water bill, automobile/motorcycle fuel fees, and healthcare insurance bills. This plug-and-play connection represents the fastest way non-financial companies can access the financial

services they need, which not only is a big boost to consumers' user experience and loyalty, but also creates more business opportunities.

- 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 install digital products and services, develop digital channels, offer online applications for loans, digital savings accounts, and credit cards. The bank will take advantage of group resources and conduct business cooperation with the group to expand sales channels and sources of clients.
- Construct a diversity ID authentication platform for various financial certificate authentications, non-KGI bank accounts, credit card information, biometric identification, and other international innovative ID certification application mechanisms. This is to make online application for services more convenient and more user-friendly for clients.
- Continue to center on clients to expand the application coverage of KGI Inside. Via horizontal cooperation and cross-industrial data analysis, KGI Bank seeks to increase risk control and client potential recognition abilities and to integrate digital banking and debt-management and other financial services to target in a pinpointed manner.
- Develop big data and AI smart technology applications and promote cooperation with academics and industries on AI. Combine structured, non-structured, and cross-industrial data to operate AI algorithms and grasp the overall picture of clients and their needs.
- Construct new wealth management system; deploy a single integrated client management platform to operate on; keep track of clients' assets to draft investment plans; and expand the client-centered service.
- Complete the pricing and hedging abilities for commodity products.
- Complete the pricing and hedging coverage for high-end derivatives; expand business to become a wholesale derivatives supplier among bank peers.

Estimated R&D costs and progress:

Unit: NT\$'000

Project	Investment	Schedule
New Core Service System	688,000	Dec 2016 ~ Sep 2018
App interface management platform	20,096	Apr 2018- Sept 2018
Policy-making platform project	26,000	May 2018- Dec. 2018

◎ KGI Securities

- (1) KGI Securities has developed its derivatives business by making significant investments of NT\$6.26mn in 2015 and NT\$8.07mn 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 to become the first brokerage in Taiwan to have 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 swaps. 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. Down the road, it will comply with legal deregulation to aggressively adjust the development direction of financial products and services, so as to expand the coverage of financial services.

In the fixed income segment, along with the TPEX, relevant authorities and Taiwan Securities Association, KGI Securities has pushed for the deregulation of foreign currency-denominated bonds available on international markets during the negotiated trading hours of local securities firms, prompted by demand from domestic investors. In addition, as the company has continually sought to improve settlement mechanisms 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 2017, the company issued 3,008 warrants with a total amount of NT\$29.7bn, 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. Regarding structured products, KGI Securities is dedicated to offering clients a diversity of options, ranging from TWD/USD/RMB-denominated short-term principal-protected interest-rate-linked benchmark structured products through TWD-denominated principal-unprotected mutual-fund-linked structured products and forex-principal forex-options-linked structured products (principal unprotected). In 2017, KGI Securities came in second place in underwriting asset swap options transactions in terms of nominal principal, making it one of the leaders in the industry. Meanwhile, in the equity options segment, KGI Securities ranked first in market share. Going forward, the company will continue to provide a full range of professional services with a view to achieving a win-win situation for investors and shareholders alike.

Estimated spending and schedule:

Unit: NT\$'000

Project	Investment	Schedule
Regional brokerage order management system	25,000	Jan 2018-Dec 2018
Asset allocation of wealth management	10,000	Jan 2018-Dec 2019
Marketing management system	21,000	Jan 2018-Dec 2018
Data analysis system-data mining	12,500	Jan 2018-Dec 2018
Data analysis system-visualized tool	12,500	Jan 2018-Dec 2018
FPGA for HFT (high-frequency client) risk control	15,000	Jan 2018-Dec 2018
Forex deposit system	4,500	Jul 2018-Jun 2019
Online derivatives trading system	8,000	Jan 2018-Dec 2018

◎ China Life Insurance

In order to create value in response to the current overall financial environment and change of laws and regulations, and to continue to enhance the competitiveness of the company and lay the foundation for sustainable operations, China Life Insurance will continue to enhance various operating performance and develop various types of new products, creating the largest amount of benefits and value for policyholders, shareholders and employees.

Research and development expenses in recent years:

NT\$'000

Year	2017	2018 (as of March 31)
Amount	40,524	11,541

Looking ahead, with longer average life spans, lower birth rates and the rapidly aging population in Taiwan, medical insurance, annuities, long-term care insurance, retirement insurance and endowment insurance products will bring huge business opportunities in the life insurance market. This coupled with the opening and cooperating among international financial platforms, has formed a multi-asset allocation trend. We will develop products based on the following principles:

- (1) Continue to uphold the principle of keeping business stable and actively expand the installment-plan policy business to enhance the company's hidden value.
- (2) Continue to promote periodic, fixed-rate, investment-based life insurance/annuities (including additional medical and accidental protection); strengthen investment-oriented commodity platforms to provide more options in asset allocation to meet the needs of customers with different attributes.
- (3) Considering what Taiwanese consumers like, China Life Insurance will continue to provide principal-guaranteed and savings-type products and actively meet customers' needs for policy protection and money savings.
- (4) Develop stringent asset-liability management and risk control to develop variable-interest-rate products that are in line with market demand.
- (5) Focus on the population aging trend and issues related to longevity, China Life will continue to operate in such markets as retirement planning, healthcare security, major diseases, specific injuries, diseases and accidental disability assistance and long-term care, with a focus on developing a full range of healthcare insurance products.
- (6) Continue to promote group insurance and accidental injury products to meet the protection needs of policyholders.
- (7) With underprivileged groups and senior citizens in mind, China Life will provide micro-accident insurance and small-scale end-of-life insurance for individuals and groups to offer basic guarantees, as a way of fulfilling social responsibilities.
- (8) In line with the Fintech era, develop insurance products with spill-over benefit to enable the combination of sports, health management and insurance, creating a win-win situation for customers and the firm
- (9) Assume corporate social responsibilities, providing micro-insurance or small, life-time insurance to the underprivileged and specific groups
- (10) Develop products that more meet customer needs in accordance with deregulation

As China Life's R&D expenses are human resources, software and hardware inputs when developing new products, we forecast expenses will be around NT\$57.35 mn in 2018.

5.1.5 Short and Long Term Business Development Plans

A. Short-term business plans

Please refer section 5.1.2 “Business plan for the year.

B. Long-term business plans

◎ China Development Financial

Since the inclusion of China Life in September 2017, CDF has entered a new era with four engines: venture capital/ private equity, securities, banking and life insurance. 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.
- Provide comprehensive and constructive solutions with integrated products covering assets, liabilities and shareholders' equity to meet the financial and business needs of target clients, deepening cooperation relations with them. For the leveraged buyout business, deepen cooperation relations with overseas corporate clients and private equity firms to explore underwriting and co-sponsoring opportunities.

(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 return on risk capital. 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.
- Engage in cross-selling to enrich products diversity and provide tailor-made services to strength loyalty, creating a win-win situation for both clients and the bank.
- Strengthen the abilities of product development and risk management for derivatives, such as foreign exchange- and interest rates-related products, to provide customers with comprehensive and timely hedging and investment strategies to satisfy the needs of different industries and customers.
- Provide underwriting and financial consulting services in line with international bond and notes/bills market developments to meet the fundraising needs of customers in the primary and secondary markets.
- 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

- Provide more key innovative financial services via KGI Inside through fragmentation, modularization and API procedures. Continue to create jointly with non-financial firms and startups the best user experiences. Use cross-business data analysis to boost the ability of identifying customer needs and potentials, develop financial scene, and

connect to online wealth and debt management services for precise marketing.

- Develop diversified and innovative identity authentication mechanisms to improve the convenience and better experiences of online application services. Help cross-sell digital products within the Group. Strengthen competitiveness in cooperating with non-financial entities. Increase sales channels and secure new customers.
- Engage in the R&D of innovative FinTech, such as AI and big data analysis. Expand the scope of digital application. Plan and execute AI technology commercialization. Via data analysis and AI computing, provide clients with customized and most suitable products and services.

(5) Overseas market development

- Take advantage of our experience in consumer banking. Connect to outside e-commerce channels. Set up Bank of Jiangsu KGI Consumer Finance Company to co-develop novel consumer banking services based on the internet.
- Integrate group resources to extend banking-related services to Mainland 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

- (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.

◎ China Life Insurance

- (1) Provide customers with various quality and professional products and services based on financial soundness and sustainability

Closely monitor all material issues regarding economy, environment, society and corporate governance. Strictly manage insurance products' costs and pricing risks. Lessen opportunity costs by avoiding cut-throat competition and inappropriately-designed products via a clear understanding of market needs. Assume risks that are in line with the company's financial goals in order to safeguard the long-term benefits of customers.

- (2) Implement risk management and strengthen financial capabilities

Enforcing risk management and strengthening financial capabilities have been our core values. We have been striving to implement asset and liability management and risk management, maintain the RBC ratio at high levels, boost investment returns and enhance financial structures and solvency. In addition, we insist on transparency with regard to information disclosure. All this aims to make China Life Insurance the most reliable insurer.

- (3) Deepen and expand international insurance market

CCB Life has geared up to change its business strategy from scale-focused to regular-premium value-focused since China's insurance regulatory policy shifted to stress protection against risk. In 2017, preliminary consolidated net profit was around Rmb380mn, total assets were Rmb128.5bn, up 16.7% YoY. More business outlets were added in 2017, with three province-grade branches in Hunan, Tianjin and Jiangxi, respectively, for a total of 22. Overall, the firm will continue to strengthen corporate governance and risk management, focus on customers, aim for high-quality development, grow corporate value, optimize business structures, and boost business, leading the company to the next level.

(4) Provide comprehensive asset preservation and risk protection plans

Providing life-long protection against risks has always been China Life's business direction. We continue to develop products in the life insurance, health insurance, injury insurance, investment-linked insurance and group insurance fields, meeting the needs of our clients at various stages of life and raising insurance coverage to provide full-fledged protection.

(5) Streamline operational procedures and shore up service quality to boost customer satisfaction

We will continue to streamline operational procedures and enhance service quality to continually outperform peers in terms of customer satisfaction.

(6) Expand e-commerce products and optimize insurance purchase procedures to provide diversified, fast and convenient internet services

In response to the digital trend, we will continue to develop different types of product lines in alignment with deregulation to penetrate internet users by optimizing online operational interface and service website layout and supporting mobile operation on handset, among others, to provide users with better mobile experiences.

© **China Development Asset Management Corp.**

(1) Make an effort to lobby for deregulation; deploy more profit-generating products.

(2) Continue to increase revenue via monetization of assets owned.

(3) Continue to secure assets that fit the business scope approved by Financial Supervisory Commission through various channels, including nonperforming loans and real estate owned by government entities or being foreclosed, provide urban renewal services and expand business scale to become a competitive asset management company.

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-2017, there were a total of 16 financial holding companies in Taiwan, with a respective gross asset and equity value of NT\$52.5tn and NT\$3.7tn, 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 four major subsidiaries of CDF are KGI Bank, KGI Securities, CDIB Capital Group (formerly CDIB) and China Life. 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. After adding the life insurance subsidiary in September 2017, CDF entered an era of four pillars of growth - venture capital/ private equity, securities, banking and life insurance. Business looks to grow significantly as a result.

© 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 loan, mortgage 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 2017, KGI Bank had 52 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 so that KGI Bank will have more power and resources for cross-selling and maximizing 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

The Taiwan banking market has long been overbanked with homogeneous products. In recent years, the market has seen financial structures and profitability stabilize on economic recovery, both at home and abroad, a stable financial market and industry-wide consolidation. However, due to limited growth in the domestic market and as sliding spread squeezes profitability, banks have been making inroads into overseas markets to strengthen profitability. Aside from the China, Hong Kong and Taiwan markets, the banking industry has been accelerating market development in Southeast Asia and Australia in recent years, driven by the government's new south-bound policy, establishing a more comprehensive overseas network. In order to maintain a stable financial system and financial institutions' operational stability, regulators have been striving to employ international standards in financial supervision. In addition, they have been strengthening financial institutions' internal audit functions to enforce anti-money laundering laws, clamp down on terrorism financing and boost information security.

3. Future supply-demand dynamics and growth potential

(1) Supply and demand

Given a more solid economic recovery worldwide, the US Fed raised interest rates and shrank its balance sheet on a quarterly basis in 2017. Other major nations have also gradually tightened monetary policies. However, the financial market remained resilient,

corporate and consumer demand for funds picked up, and Taiwan's economy rebounded significantly along with the global economy while maintaining relatively low interest rates. With competition in consumer banking intensifying, interest spreads have further narrowed. The corporate banking business is also experiencing more fierce competition as cross-strait financial markets gradually open up. The long-term oversupply situation has temporarily eased on growing funding demand. Nonetheless, the overly competitive environment coupled with earnings pressure has led to more inappropriate sales behaviors. In addition to fines and punishments by regulators, such behaviors bode ill for long-term business sustainability as the cost of compliance increases and the image of the banks is tarnished.

(2) Growth

In the future, digital banking will be the growth driver of the banking industry. It has been three years since the Financial Supervisory Commission opened twelve businesses to banks under the Bank 3.0 digital financial services program in 2015. Banks developing digital platform businesses has been a trend since then, with digital personal loans hitting NT\$90bn in 2015 and nearing NT\$200bn at the end of 2017. This indicates that digital financial services have greatly gained popularity.

Digital financial regulatory sandboxing was initiated by the UK in June 2016. On December 28, 2017, Taiwan's Legislative Yuan passed the Financial Technology Development and Innovative Experimentation Act, dubbed the financial regulatory sandbox act, making Taiwan the world's fifth nation implementing financial regulatory sandboxing, which provides startups with opportunities to enter the financial services field. We predict the focus will be on know your customer (KYC), identity authentication, risk evaluation, big data, artificial intelligence (AI), block chain, and payment / transaction monitoring. In response to the development of financial scene, financial institutions have been transforming and cooperating with startups to develop innovative financial services to be incorporated into various scenes, providing expansion opportunities for new types of businesses.

4. Positives and negatives of future development

(1) Advantages

- A. Strong ability to customize lending products and assess valuation of financial products, enabling the bank to quickly respond to clients' strategies in order to increase non-interest spread income and avoid price competition in lending.
- B. One of the few banks that can continue to issue cash cards. The lending team tops peers in terms of average production capacity per staff, with competitive product limit, interest rates and speed of approval.

- C. Both the consumer and corporate banking businesses cater to the needs of target customer groups and have improved marketing and risk management capabilities to boost customer loyalty and contribution.
- D. Deployment of business flexibility of a medium-sized bank with modularization of digital products and services and fast cooperation with non-financial entities to secure new partners and customers.

(2) Threats

- A. The company has fewer overseas and domestic branches than tier-one peers, which caps its development in offshore businesses and markets.
- B. Loan pricing pressure amid Taiwan's loose capital/ money markets, low interest rate environment and market competition.
- C. Financial transactions and banking/ insurance business development will be limited by certain legal regulations and by uncertainties in supervision by the competent authorities.
- D. With both banking peers and non-banking entities aggressively slicing up the financial service market, establishing new channels or models faces high uncertainties in terms of effectiveness. In addition, the associated costs are also high. All this makes cost-benefit evaluation of infrastructure investments difficult.

(3) Response strategies

- A. There are abundant resources within and outside the Group, including the group companies, employees, customers, PE/VC fund and investee companies. We should strive to strengthen business cooperation, jointly establish a comprehensive investment/ financing funds flow service platform across the Greater China region and deepen penetration into quality conglomerates. Moreover, this regional platform will be improved via the establishment of overseas branches.
- B. Accelerate the upgrade of internet banking/ mobile banking and enhance customized service functions to overcome limitations coupled with branch network, optimize user experience to boost e-channel customer loyalty and penetration.
- C. Capitalize on the capabilities of customizing loan products and assessing financial products' valuation to meet customers' strategy needs in a flexible way and to avoid price competition in lending.
- D. Changes in financial supervisory policies have rapidly affected operating environment for the banking industry. In addition to complying with malpractice-eliminating measures launched by regulators, KGI Bank pays attention to and promotes deregulation that brings about benefits to the banking industry in an effort to grab business opportunities.

- E. In response to the digital FinTech trend, the bank will integrate financial services provided through physical and virtual channels, as well as invite a wide range of partners and to strengthen cooperation with non-banking entities, accumulating new customers at a faster pace.

◎ 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 109 as of January 31, 2018 while the number of securities firms' operating outlets expanded from 420 to 880 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.

According to Taiwan Securities Association (TSA) statistics, the daily turnover of the TAIEX increased by 57.3%, or NT\$ 56.6bn, from NT\$98.7bn (TWSE NT\$77.5bn + OTC NT\$21.2bn) in 2016 to NT\$155.3bn (TWSE NT\$123.1bn + OTC NT\$32.2bn) in 2017. In terms of operating performance, of the 70 securities companies covered by the TSA and that report to the Taiwan Stock Exchange (TWSE), 66 were profitable in 2017 and 4 were loss-making, with average EPS at NT\$1.333, up from NT\$0.625 in 2016. In a more detailed breakdown, integrated securities firms posted average EPS of NT\$1.323, versus the NT\$1.62 of pure brokerages. Foreign securities firms delivered EPS of NT\$3.328 on average, outperforming Taiwanese peers with NT\$1.216. Local integrated firms reported average EPS of NT\$1.231, also higher than the NT\$0.695 of local brokerages. However, foreign securities firms outperformed integrated peers with EPS of NT\$4.984, versus the latter's NT\$3.083.

As for the profitability of individual securities firms, Citigroup posted the highest EPS in 2017, followed by Macquarie 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 Capital Securities, were the best performers in 2017. 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

While stock turnover in Taiwan rebounded in 2017, competition in the stock market remained fierce. Two securities houses stopped operation as a result (one foreign securities house exited the Taiwan market and one Taiwanese brokerage was merged). We predict large players will become larger on FinTech developments and rising costs of compliance, as it will be increasingly difficult for turnover-dependent smaller brokerages to survive. Currently, large Taiwanese securities firms are all aggressively developing digital businesses to shore up the weighting of orders placed online or through APP. In addition, they are branching out from securities-trading only to the wealth management field, undertaking both securities transactions and asset allocation services. Furthermore, aside from pushing for the implementation of the Taiwan version of the regulatory sandbox in 2018, regulators have been opening the market for innovative new financial products, such as permitting securities companies to issue ETN (an index-type security combining the characteristics of bonds and ETF), promoting sukuk, and launching pound sterling and Australian dollar exchange rate futures. All these measures aim to expand earnings sources for securities houses.

(2) Demand side

Thanks to economic growth and a 50% day-trading tax cut in Taiwan, transactions of foreign and domestic investors alike have increased, boosting stock turnover by 39% YoY in 2017 to NT\$138bn, a recent-year high. In particular, after the day-trading tax rate was reduced by half at the end of April 2017, the daily average day-trading value rose from NT\$10.4bn to NT\$35.3bn, with a weighting of day-trading of 21% and 30% in the Taiex and the TPEX, respectively, compared with 9% and 16% before the rate cut. This indicated that the rate cut helped grow turnover and boosted liquidity and transaction efficiency. In addition, the number of retail investors engaged in block trading maintained at over 10,000 for two consecutive quarters, the highest in five years. Since the new rate is now extended to 2021, and because of the approval of income tax reforms, the transaction weighting of retail investors will continue to rise.

Moreover, IFRS9 is enforced this year, helping raise life insurers' willingness to invest in Taiwanese stocks that have high dividend yields. We forecast Taiwan's economy will grow by 2.42% in 2018. Consequently, stock turnover in Taiwan will remain at a recent-year high.

(3) Growth potential

In summary, we predict the expanding Taiwanese economy will help the Taiex stay above the 10,000-point mark. In addition, income tax reforms and the implementation of IFRS9 will attract domestic investors to increase holdings of local stocks. We predict Taiwanese stock turnover will remain at recent-year highs. With regulators continuing to open new products to securities houses to increase earnings, we predict securities houses will maintain the earnings uptrend. However, with FinTech development and compliance costs rising, large players will become larger.

4. KGI Securities' competitive advantages

(1) Competitive capital scale to expand business

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 futures, domestic and foreign mutual funds, asset management, insurance, securities-based lending and other diversified and refined financial professional services.

(3) Financial product design and innovation to meet clients' varied needs

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

(4) Numerous branches form a closely knit service network

KGI Securities has 79 branches all over Taiwan, the second most among domestic peers. In recent years, the firm has been aggressively undergoing organizational and business transformations, using traditional and digital channels to segment customers, expanding the wealth management business, meeting differentiated wealth management needs and adding value for the brokerage business.

(5) Sufficiently globalized professional staff

In order to provide diversified regional wealth management services, 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' competitive advantage over peers.

(6) Earlier international deployment widens investment landscape

In terms of globalized operations, KGI Securities is ahead of domestic peers with comprehensive regional deployment which brings steady earnings. By linking platforms in Taiwan, Hong Kong, Thailand, Singapore, Indonesia and China, the company has a better grasp of international economic developments and can provide comprehensive product lines and wealth management services to both domestic and overseas customers.

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 institutional investors, 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 identical operators, which has led to fierce price competition and declining profits.
- B. Foreign investment banks and domestic banks aggressively enter the international bond underwriting market, changing their relationship with KGI Securities from customer to competitor.
- C. China is accelerating the approval of A-share listings and gradually relaxing passive conditions. The Chinese stock market's PE ratio is more attractive than Taiwan's, dampening the willingness of Taiwanese firms and F-shares to list in Taiwan.
- 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.
- E. Matching buy and sell orders on a one-on-one basis and day-trading tax cut extension will attract more foreign and domestic high-frequency traders, affecting securities houses acting as warrant market makers and engaging in hedging activities.

(3) Strategies for tackling the challenges ahead

- A. Adopt AI or automation in wealth management where appropriate; provide customized services to high-end customers.
- B. Continue to use the Asia-Pacific cross-country platform as an advantage to locate high-net-worth clients. Hong Kong acts as the center for developing the wealth management business in the Greater China region and ASEAN.
- 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. Closely monitor the government's financial policies and market developments. In alignment with new businesses and financial product deregulation, expand business scope and strengthen product scope to win business opportunities.
- E. Develop multiple trading strategies and rapid trading execution systems to maximize profits in a fast-changing market.

© CDIB Capital Group

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 profitability

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.

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1. Major products and markets

China Life's sales channels spread throughout the island of Taiwan and Penghu, with nine branches and 149 district offices in 2017. China Life has developed over 100 insurance brokers/ agents and many bancassurance channels, providing customers with comprehensive sales information and services. In response to international insurance business via the offshore insurance unit (OIU), as promoted by regulators, China Life has established an OIU to provide professional services to offshore customers.

2. Market Overview

In recent years, the insurance demand by Taiwanese people can be broadly divided into three major categories: protection planning, financial planning, and medical planning.

- (1) Protection Planning: life insurance density was NT\$145,102 in 2017, up 9% YoY, with the ratio of having life insurance and annuity insurance coverage rising YoY, indicating growing demand for insurance.
- (2) Financial Planning: as the aging of Taiwan's population accelerates, public increases their focus on retirement planning. Insurance products with both protection and wealth-accumulating functions will be one of the top priorities. We therefore predict endowment insurance will remain popular.
- (3) Medical Planning: due to the advancement of medical technology and longer life spans, Taiwanese are increasingly emphasizing the quality of medical care. Insurance demand for long-term care, catastrophic illness and specific injuries and diseases will continue to expand on rising medical expenditures, low birth rates and the aging population.

Apart from a comprehensive insurance product line to meet market demands, China Life has accumulated successful sales experience and has built a good reputation of quality service over a long period of time, both of which are primary sources of continuing business growth. Below are market shares over the past two years:

Market share in past two years

Unit: NT\$ mn

Year	Premium of life insurance	China Life's total premium	Market share (%)
2016	3,133,409	191,139	6.10
2017	3,420,235	206,440	6.04

3. Competitive edge and positives and negatives for development outlook

(1) Competitive edge and positive factors

- A. Solid solvency, with the RBC ratio at a high of 350% in 2017, strong financial structures and outstanding investment performance. In 2017, net profit was NT\$9.08bn attributed by effective risk management and prudent investment strategies
- B. With vigorous corporate governance and risk management mechanism, the professional management team strengthens the function of the Board of Directors, discloses financial data and other information in a transparent manner, and continues to enhance internal audit, internal controls and compliance
- C. A wide spectrum of products to provide customers with comprehensive services covering protection, savings and investment to meet individual needs
- D. Strict controls over information security risks with international standards. China Life was among the first life insurers to obtain certification of the new personal information management system by passing BS10012 2017 Personal Information Management System (PIMS). China Life continues to build personal information security protection system with the highest standards, providing safe financial and insurance services

(2) Negative factors

- A. High uncertainty in global financial market and US policies toward other nations will affect the investment and business environments for insurance companies
- B. Regulators governing expense loading and external channel competition tighten, making the expansion of channel business more challenging

(3) Measures in response

- A. Adhere to the concept of prudent finance and sustainable management, providing customers with quality and professional products and services
- B. Launch diversified, multi-currency products in response to global economic uncertainties, providing customers with comprehensive asset allocations. In addition, our professional, well-experienced product design group will, in alignment with the unique characteristics of the major six channels, launch products that meet customers' diversified needs
- C. Continue to develop e-commerce in the digital Fintech era. Via products, service quality and marketing innovation, China Life will provide customers with online insurance and services and digitize of traditional channels to strengthen competitiveness in the digital financial market. Meet different customers' insurance and service needs by fully integrating online and off-line services

- D. Establish a cross-department digital Fintech team and a special department to monitor related trends over a long period and launch strategies, pushing for deregulations on the digitization of channels and administrative service procedures. In addition, China Life will continue to undergo digitization, strengthen data analysis and explore customer needs, enhancing customer experience in terms of insurance purchasing, making claims and aftersales services to boost customer satisfaction and market competitiveness.
- E. As digital financial business develops, information security will become more important. Having a corporate culture that highlights risk management, China Life will continue to strengthen information governance to boost information and service quality. Via systematic management, China Life will ensure information risk controls while servicing customers and transactions, providing a brand new financial experience focusing on quality and security for customers.
- F. In response to the needs of the aging population, we will offer innovative new products, supplementing income for the elderly, protecting senior citizens with medical insurance for catastrophic illness, and providing long-term care for specific injuries and diseases or patients with dementia or disabilities. We will also introduce a health management mechanism to educate the population and promote crisis awareness.
- G. Continue to expand for business in China. CCB Life is now a joint stock company. It will continue to strengthen corporate governance and risk management, focus on customer requirements and pursue sustainable growth. Moreover, it will concentrate on growing corporate value, optimize business mix and improve business efficiency, lifting the firm to the next level.

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		2016	2017	As of March 31, 2018
Numbers of Employee	China Development Financial	151	175	174
	KGIB	2,444	2,525	2,484
	KGIS	4,134	3,902	3,940
	CDIB Capital	228	215	219
	China Life (Note1)	—	5,653	5,523
	AMC	13	13	13
	Total	6,970	12,483	12,353
Average Age (note 2)		41.41	40.04	40.25
Average Years of Service (note 2)		8.49	6.80	7.03
Education (note 2)	Ph.D.	0.2%	0.1%	0.1%
	Master	21.2%	11.4%	11.6%
	Bachelor's Degree	67.0%	63.5%	63.6%
	Senior High School (& below)	11.6%	25.0%	24.7%
Certification and Qualification	CFA	9	10	11
	CPA(domestic)	35	34	34
	CPA(overseas)	5	4	5
	CISA	2	3	3
	FRM	26	26	28
	IPMA Level D	1	1	1
	Attorney at law, R.O.C.	13	12	15
	Attorney at law, USA	4	2	4
	Attorney at law, Australia	1	1	1
	Internal auditor	12	21	21
	Certified Financial Services Auditor	2	2	1

Year		2016	2017	As of March 31, 2018
Certification and Qualification	Certified Public Bookkeeper (for Specialized Professionals and Technicians)	2	3	3
	Proficiency test for foreign exchange transaction	75	71	72
	Proficiency test for corporate basic internal control	61	66	65
	Investment trust and consulting laws exam	1,148	1,155	1,161
	Investment trust and consulting specialist exam	1,056	981	969
	Proficiency test for Stock Affairs Specialist	89	91	93
	Proficiency test for junior foreign exchange personnel	481	484	483
	Proficiency test for junior credit personnel	726	731	730
	Proficiency test for advanced credit personnel	49	47	47
	Proficiency test for financial risk management	9	7	8
	Proficiency test for credit collateral valuation	13	13	13
	Financial knowledge and professional ethics exam	2,122	1,990	1,989
	Trust laws exam	154	133	127
	Trust personnel exam	3,201	3,150	3,161
	Certified Project Management Professional	3	13	13
	Proficiency test for Certified Financial Planner	764	761	760
	Bill Finance Specialist exam	54	66	65
	Futures Commission Merchant Specialist exam	2,789	2,606	2,585
	Futures Brokerage Merchant Specialist exam	5	9	10
	Futures Trading Analyst exam	26	26	26
	Futures Fund Specialist exam	1,429	1,299	1,281
	Structured Instrument Specialist exam	707	705	701
Proficiency test for Bond Specialist	66	69	69	
Proficiency test for basic asset securitization	29	31	31	

Year		2016	2017	As of March 31, 2018
Certification and Qualification	Bank internal control and internal audit exam	1,947	1986	1,996
	Securities Margin Trading Specialist exam	744	706	705
	Securities Investment Analyst exam	73	61	62
	Senior Securities Specialist exam	2,416	2,252	2,241
	Securities Specialist exam	2,285	2,154	2,139
	Certified Financial Planner (CFP)	14	19	19
	Life insurance representative	3,152	3,125	3,119
	Life insurance representative exam for sale of foreign currency non-investment linked insurance policies	1,820	1,798	1,806
	Property insurance representative	2,544	2,708	2,703
	Investment-linked policy representative	2,049	2,053	2,052
	General exam for investment-linked insurance and financial system	278	262	261
	Securities exchange regulations and practices exam	265	280	278
	Proficiency test for debt collector	405	400	398
	Securities practitioner exam (SAC)	8	9	9
	Securities lending specialist exam	224	221	220
	Professional in Business Analysis	1	1	1
	CFSSME	17	16	16
	Elementary ERP planner	1	1	1
	Advanced calculation method on Capital adequacy ratio of securities firms exam	5	5	5
	Property insurance broker	3	3	3
	Life insurance broker	5	4	4
	CAIA	1	1	1
	MFP	2	2	2
Grade b special exam for finance specialist	1	1	1	

Year		2016	2017	As of March 31, 2018
Certification and Qualification	Life insurance agent	1	1	1
	Chartered Life Underwriters	1	1	1
	Claim adjuster for life insurance	1	0	0
	Junior professional and technical examinations for realtors	0	2	2
	Real estate appraiser	1	1	1
	Assistant real estate broker	8	7	7
	Proficiency test for deposit business	186	179	179
	Basic Test of the FinTech Knowledge	7	16	16
	Financial derivatives specialist exam	9	53	59
	Proficiency test for risk management	3	7	8
	International Trade Specialist	1	1	1
	Accounting grade c subject test	15	19	20
	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	3	3
	Certified Anti-Money Laundering Specialists (CAMS)	0	14	16
	Legal Profession Qualification Certificate	5	5	5
	Certificate of Accounting Profession	7	7	7
	Fund Qualification Exam	2	2	2
Futures Practitioners Qualifying Exam	1	1	1	
Total	33,683 (note 3)	33,012	32,959	

Note 1: The number of employees does not include contractors

Note 2: the shown figure of year 2017 include employees of all subsidiaries

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 2017

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 2017, the total number of participation of CDF and the total training hours of its subsidiaries in domestic and overseas training sessions (both physical and online) reached 947,690. On average, each employee received 47.5 hours of training, impressive improvement from 2016. 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. The satisfaction rate reached 85%.

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, gender equity, human rights 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 "CDF Financial 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 has continued to focus on helping the underprivileged via education, charity and arts & humanities in recent years. Through the charity policy of subsidiaries and charity foundations, the company has maintained its commitment to corporate social feedback and to shaping its corporate image among financial industry players. As a corporate citizen, aside from engaging in business and creating the greatest benefits for shareholders, the company will continue to devote itself to charity and contributing to society.

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1. Supporting social enterprise via CDF financial expertise

In order to fulfill its corporate social responsibility, CDF sponsored the Social Enterprise Hub program, whose goal was to support social enterprise startups by providing offices and training courses, in 2016 and 2017 commissioned by Small and Medium Enterprise Administration, Ministry of Economic Affairs, to the private sector, 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 resources injected by CDF, Social Enterprise Hub has held 76 events over the past two years, including promoting the discussion of social issues, expanding skills for establishing social enterprises, entrepreneurs exchanging experiences, anniversary celebrations and social enterprise demo shows. CDF has also held six sessions of a social enterprise startup course during the period by capitalizing on its financial expertise and has held social enterprise forums to go along with the course.

In order to form a consensus among the industry, government and academia, CDF, College of Law, National Chengchi University, KPMG and Okogreen jointly held the first social enterprise forum from the financial angle in Taiwan on November 27, 2017. Ashoka Foundation was invited to participate in the forum to share its first-hand information on the global development of social enterprise in hopes of assisting Taiwan to remove bottlenecks of developing social enterprise. Premier Ching-Te, Lai came to the forum to give an opening speech, rewarding the forum with recognition and expecting domestic financial institutions to provide more investment and financing services to social enterprises. He also encouraged Taiwanese people to support social enterprises. The Executive Yuan will not only build platforms for social enterprises but also provide funds and deregulate to facilitate the development of social enterprises.

As the representative of CDF, KGI Bank Chairman Mark Wei said in his speech that, in recent years, supporting social enterprises has become a very important goal for CDF. CDF believes it must make an effort for social enterprises because, first of all, CDF can share its over fifty years of investment experience and comprehensive investment and financing expertise with passionate, innovative social enterprise entrepreneurs, providing them with the most abundant, complete and professional experience to help them find the most feasible business model. CDF has transformed itself into a comprehensive financial service platform to provide services to enterprises during the inception, expansion and going-public stages and offer wealth management plans, among others, to private individuals in pursuit of their dreams during different stages in life. It is also branching

out into new business fields and regions. CDF believes that there is no fundamental conflict between social enterprises and profit-seeking enterprises. The only difference is what they focus on. Compared with profit-seeking enterprises, social enterprises are more focused on resolving social issues. Nonetheless, their businesses also have to be commercially viable for sustainability purposes.

CDF is specialized in supporting enterprises that can create value for society, allowing for prosperity and fulfillment of potential. In future, CDF will continue investing in or granting credit to social enterprises, in hope to create value for the 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 5 years, over 600 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 2017, 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.

CDF first introduced the mentor system to the lecture in 2015. 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. 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 since the 2016 academic year.

In the 2017 academic year, more than ten high-ranking executives of CDF gave lectures during the course, including Mr. Albert Ding, Chairman, KGI SITE; Mr. Alvin Yang, Executive Vice President, Head of Fixed Income, KGI Securities; and Mr. Huang Shin-Chang, Senior Executive Vice-President, Global Markets Department, KGI Bank. The 39-hour course consisted of 14 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. The course was seeking to seamlessly connect academic knowledge and real-life practice and to give the students a highly educative experience.

KGI Financial Forum also offered winter-break and in-semester internship opportunities in the 2017 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.

KGI Securities focuses on establishing itself in the Asia-Pacific region, with Greater China and ASEAN being the two target markets. Outlets are set up in Taiwan, China, Hong Kong, Thailand, Singapore and Indonesia. KGI Securities hopes to be a key driver of Taiwanese financial talent, striving to cultivate them as international financial professionals with a vision and leading young students who aim to work in the international financial markets to face challenges and grasp opportunities in the global financial markets.

4. 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 2017, 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.

5. 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, at the invitation of Securities and Futures Institute, attending the island-wide opening ceremony at National Dong Hwa University in Hualien in September every year and 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.

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

In February 2013, KGI Bank Chairman Mark Wei founded the Financial Elite Program at NCCU, a series of 6 financial lectures in English, given on Saturdays in the first semester of every academic year, 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 Mr. Albert Ding, Chairman, KGI Securities Investment Trust, Mr. Steve Wang, Vice President, KGI Securities, Mr. Adam Chen, CEO, HSBC (Taiwan), Mr. Chih-Ya Yang, President of PineBridge Investment, Mr. Wei-Hua Tang, CEO, Hontai Life and 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 5 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 5 years, the lectures of the Financial Elite Program have invited more than 300 students to participate, making it a remarkable success.

7. 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. Given that enterprises and investors across the globe are increasingly concerned about the balanced development of three major fields (economic, social and environmental) due to global warming and social issues regarding gaps between rich and poor/ urban and rural areas, food and drinking water crisis and an aging population, the program held in-depth discussions in 2017 on the feasibility of investing responsibly in Taiwan from the debt and equity investment aspects. Under the guidance of CDF professionals, a research report with insight was completed.

8. Participation in the Asia-Pacific Enterprise M&A Mooting Competition, National Chengchi University (NCCU)

The 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 2017 in Hong Kong with 16 universities from the Asia-Pacific region participating: Peking University, Tsinghua University, Renmin University of China, Shanghai Jiao Tong University, Xiamen University, Nanjing University, China University of Political Science and Law, and East China University of Political Science and Law in China; National Taiwan University, National Chengchi University, National Taipei University, Soochow University and National Chung Cheng University in Taiwan; the University of Hong Kong and City University of Hong Kong in Hong Kong; and Macau University of Science and Technology in Macau.

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.

9. 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 August 2017, 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, China.

10. 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.

◎ CDIB Capital Group & 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 2017, 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 2017 included "Heritage 100 & Tutelage 100", "Our Class Has Got Talent", "Scholarship for Skilled Vocational High School Students", "Perfect Nutrition", "Lunch Date" 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 2017

1. "Heritage 100 & Tutelage 100"

To help bridge the education gap between urban and rural areas in Taiwan, the Foundation established the "Heritage 100 & Tutelage 100" scholarship and grant scheme. The program utilizes an annual budget of NT\$5 mn 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.

2. “Our Class Has Got Talent”

This 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. It 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 2017, scholarships were granted to 1 individual or group in the music category, 2 in art, 1 in dancing and to 2 in sports, with each receiving a maximum of NT\$200,000.

3. “Scholarship for Skilled Vocational High School Students”

The scheme was launched in 2017 as an extension of the “Our Class Has Got Talent” program, which has helped many children develop talent in arts, sports, dancing and music, etc. The scheme aims to help young students in high/ vocational schools and above to develop various skills, nurturing more professionals for the good of society.

4. “Perfect Nutrition”

Since 2006, the CDIB Education and Cultural Affairs Foundation has 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 enables schools to provide breakfast and afternoon snacks or to add more dishes to lunch meals. The program has been lauded by local governments and schools since it was launched. In 2017, the program supported 285 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\$6.99mn.

5. “Lunch Dates”

Caring about nutrition issues in remote schools and expanding employees’ participation in social welfare activity, CDF employees visit remote schools for one day to share meals that they prepared with the children there. In 2017, KGI Bank’s President Richard Chang led a team and KGI Securities organized a team to work as one-day volunteers, cooking and serving lunch respectively at Jhu An Elementary School in Toucheng Township, Yilan County and Nei-Weng Elementary School in Fanlu Township, Chiayi County. Most of these employees are not professional cooks, but they managed to deliver delicious dishes based on their own recipes, making it a lunch to remember for school faculty and students.

6. “Country 100 Mobile Reading”

The Foundation has sponsored the community care and service program of the Huayuan Child Service Center, which provides after-school tutoring and day care services children and adolescents from underprivileged families (families with single parents, grandparents

raising children, medium and low incomes, new immigrant parents, cultural disadvantages and poor functionalities) in the Aozihdi Community, Qianfeng Community and Jiuru Community in Gushan District, Kaohsiung city. In 2017, the program provided 6,669 services to 53 children and 49 teenagers.

7. “Zero Distance in Art”

The Foundation sponsored National Theater & Concert Hall’s “Zero Distance in Art” program, inviting 101 college underprivileged students and children from remote villages to appreciate art performances in the Hall. It also sponsored National Taichung Theater’s “Dream Come True” program, arranging for 250 high- and elementary-school students to enjoy the world premiere of Cloud Gate’s “Formosa” in 2017.

8. Supporting Cultural Talent

In 2017, the Foundation sponsored Lanyang International Double Bass Summer Camp Concert, Double Bass Concert, the Kuandu Arts Festival of Taipei National University of Arts and Fountain of Wisdom Theatre as its mission to cultivate artistic talent and to support local arts and cultural groups.

9. “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 2017, the Foundation continued the “Good Food, Kind Heart” program with 272 CDF employees order pastry sets, raising a total of NT\$480,000 to support the two institutions.

10. “Annual Charity Day”

In December 2017, CDF held the “Annual Charity Day & Employee Recognition Event” with the participation of CDF staff and eleven social enterprises and charity groups (NPO Channel 1 for one, Lifelove Orgainc, ilovemilk, Taiwan Way, Blueseeds, Bjorgaas Foundation, Love Aboriginal Workshop, LiPaHak Farm, Syin-Lu Social Welfare Foundation, Yu-Cheng Social Welfare Foundation and Taiwan Foundation for the Blind) . At just a short four-hour market, sales surpassed NT\$1,000,000.

11. 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 2017, the foundation provided financial aid to 3 graduate students and 131 university/college students with total subsidies of NT\$4,725,883.

◎ 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. In 2017, JumpStart Social Trust was founded. 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 to support charity organizations and social enterprises

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; 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; hand-made soaps and towel dolls produced by members of the Faith Hope & Love Center for Children and Adults with Disabilities. In 2017, KGI Bank purchased hand-made pastries from St. Raphael Opportunity Center, supporting slow-learner children. Moreover, 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. Donation platform

KGI Bank cooperated with twenty domestic charity organizations to launch a donation platform on its website, allowing them to have exposure with zero cost on the website. It provides a safe, fast and convenient platform for the Bank's customers to donate money by using credit cards and cash cards to help those in need.

5. “KGI Volunteer Day” – Encouraging 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 800 employees have signed up to take part in this program.

6. Increase innovative digital financial knowledge for domestic university/ college teachers and students

In 2017, KGI Bank cooperated with the Department of Money and Banking of National Chengchi University and launched KGI Financial Forum with senior management teaching internet banking, blockchain, big data and smart wealth management to raise awareness and practices of innovative digital financing. The Bank also shared its experience of how to face the impact of innovative business models and how to use FinTech to provide customer-focused services.

7. Allying with CDIB Education and Cultural Affairs Foundation to service remote villages

By leveraging the group's resources, KGI Bank is committed to the long-term assistance of the underprivileged group in society. To support underprivileged school children, employees of KGI Bank take part in a “Lunch Dates” project organized by the Foundation. Following the 2016 cooking lunch activity at Meifeng Elementary School in Dacheng Township, Zhanghua, and Huanan Elementary School in Gukeng Township, Yunlin, KGI's senior executive led staff in 2017 to prepare food for over one hundred students of Jhu An Elementary School in Yilan County.

8. Extension events to promote “Our Class Has Got Talent” scheme

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. In 2017, KGI Bank and Dance Chic Bon jointly promoted KGI Cha-Cha-Cha Dancing Camp, where the three instructors were the young talents who have been supported by the Foundation over a long period.

◎ 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 students 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 students 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 and students is a long-term commitment, the Foundation continued the Love project through 2017. Over the past 6 years, financial assistance has been offered to over 600 students, while nearly 200 families with financial difficulties have received subsidies for educational purposes. The Foundation also visited these families at year end 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 was merged with “Let Love Flower” in 2017 and has provided subsidies to over 1,000 underprivileged children in remote villages over the past three years.

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

In 2017, 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 engagement – 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 2017, the total number of subscriptions was over 700. 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 2017, 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 frequently been praised publicly by the Hong Kong Council of Social Services and in 2017 received the award of Caring Company Logo from the Council in recognition for its efforts to give back to the community and care for its employees and the environment. In 2017, 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 arranged health seminars and eco-tours for staff and encourages staff to participate in charity runs to raise funds for charity organizations.

KGI Securities (Thailand)

For corporate social responsibility (CSR), KGI Securities (Thailand) continued to help solve transportation problems for students in remote regions in 2017. 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 III" in September and November 2016, donating 1,150 bicycles to students between 8-15 years old of 71 schools in 8 provinces that had difficulties finding transportation to school. In 2017, bicycles were donated to 114 schools in nine provinces.

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

In 2017, the total numbers of non-executive employees is: 6,430; average annual employee welfare cost for 2017 is: NT\$1.46 million, increased 6.5% YoY

5.7 Information Technology Facilities

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

5.7.1 Software and hardware configurations and maintenance

Maintenance policy:

- Core business systems are self-maintained; non-core systems may be maintained by contractors.
- New business systems will be developed either by the company or by a service provider, depending on the demands.
- All related hardware, software, network and data security equipment are maintained by professional service providers.

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) business systems for securities/futures/options brokerage, proprietary securities/futures trading, domestic bonds, brokerage registry and transfer, derivative products, electronic transactions, wealth management, sub-brokerage, institutional investor transactions and offshore securities unit (OSU); and (2) business supporting systems for data warehouse, customer relations management, risk management, accounting, human resources, performance management, fixed assets and office automation.

3. CDIB Capital Group

- The IT infrastructure mainly comprises of (1) investment management system, eFront, investment process management and (2) business supporting systems of accounting (general ledger, budget and adjustment) and office automation

4. China Life

- The IT infrastructure mainly comprises of (1) business supporting systems of policy management system (including new contracts, policyholder service, premiums and claims), policy imaging process system, insurance via internet, mobile insurance, policyholder services, channel management, product-selling assistance tools, actuarial and reinsurance, and risk control; and (2) management information systems of accounting, personnel and office automation.

5.7.2 Future development or procurement plans

IT development and installation projects in 2018 in consideration of corporate outlook and regulatory compliance.

1. CDF

- Information security strengthening project
- New remote backup facilities installation project
- CDF Data Warehousing System Project

2. KGIB

- Information security strengthening project
- New remote backup facilities installation project
- New Core Banking and related systems installation project
- Cross-bank front-end processing (FEP) system
- Data Warehouse (DW)System
- Treasury Pricing Engine Project
- IFRS9 Credit Assets Valuation System
- Consumer banking new credit processing project
- Decision-making platform project
- Online application platform project

- ID authentication platform project
- Electronic payment gateway project
- Official website revision project
- APP interface management platform project
- Customer service system project
- New wealth management system project
- Insurance brokerage system project
- Mutual fund, bond and ETF system project
- Campaign Management System Project

3. KGIS

- Regional brokerage order management system
- Wealth management asset allocation project
- Marketing management system installation project
- Data analysis system – data mining project
- Data analysis system – visualized tool project
- FPGA for HFT (high-frequency client) risk control installation project
- FX deposit system for NT dollar FX transaction business
- Electronic derivatives trading project
- Application systems for new non-paired securities trading and internet installation project
- ETN issue and market-making system installation project
- Securities, futures and options strategic trading system upgrade project
- Overseas product trading information consolidation project
- Foreign exchange margin business installation project
- New e-flow management platform installation project
- Fee management system installation project
- Taiwan Futures Exchange relocation and remote backup facilities installation
- Information securities strengthening project
- Exchange new systems project
- Wide-Area-Network(WAN) Integration Project

4. CDIB Capital Group

- General ledger operational system upgrade project

5. China Life

- Insurance claims risk analysis project
- Action notification project
- Mobile wealth management project
- Elite website revision project
- Policy imaging process revision project
- E secretary system revision project
- New group insurance core system installation

- Multichannel information notification platform installation
- Claims system upgrade project
- Taichung printing center outsourcing/ printing system upgrade
- Report management system consolidation project
- Personal information tracking record system
- Virtual application system platform installation
- Optimized data-searching tool installation
- Head office information center expansion
- Website active security system installation
- Next-generation terminal security management project
- Document management platform installation

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.
- CDF has set up a “Personal Information Protection Team” 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 2014 with BS10012PIMS (Personal Information Management System).
- The company’s information security management framework is based on ISO 27001. Our life insurance subsidiary obtained certification from ISO in 2015 and will go through the certification process again in 2018. The securities subsidiary was ISO certified in 2016 and completed the management system and process adjustment. In response to system transformation, the commercial bank subsidiary has commissioned an information security consultancy this year to boost the ability of responding to information security event and protecting information security. The subsidiary plans to introduce ISO27001 in 2019.

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.

The labor investigation results of the Company and subsidiaries as of the printing of this annual report are as follows:

1. KGI Bank

Punishment date and letter number	Articles violated	Shortcomings and punishment
Xinbeifu Laozi No. 1060576785 from New Taipei City Government, April 6, 2017	Labor Standards Act, Article 32 paragraph 1	Penalty of NT\$80,000 due to making employees work overtime without consent of labor union
Fulaotiaozi No. 1060406984 from Tainan City Government, April 28, 2017	Labor Standards Act, Article 32 paragraph 2	Penalty of NT\$20,000 due to making employees work overtime more than 46 hours a month
Beishilaodongzi No. 10632719401 from Taipei City Government, May 8, 2017	Labor Standards Act, Article 36	Penalty of NT\$20,000 due to making employees work for seven consecutive days from October 23-30, 2016 without giving at least one day off
Xinbeifulaojianzi No. 10635918711 and No. 1063591872 from New Taipei City Government, December 28, 2017	Labor Standards Act, Article 24, Article 32 paragraph 1 and Article 36	1. Penalty of NT\$50,000 due to making employees regularly clock out one to two hours after the agreed schedule in May-July 2017 and without overtime payment on most of the days the event happened 2. Penalty of NT\$150,000 due to making employees work overtime without consent of labor union 3. Penalty of NT\$20,000 due to making employees work for ten consecutive days from May 31-June 9, 2017 without giving at least one day off
Beishilaodongzi No. 10730224901 from Taipei City Government, March 6, 2018	Labor Standards Act, Article 35	Penalty of NT\$20,000 due to making employees work for over four consecutive hours without giving a 30-minute break

2. KGI Securities

Punishment date and letter number	Articles violated	Shortcomings and punishment
Fushezizi No. 1061609032 from Chiayi City Government, May 18, 2017	Labor Standards Act, Article 21 paragraph 1 and Article 22 paragraph 2	Penalty of NT\$100,000 due to wages below the minimum wage and not paying the full amount of wages in accordance with regulations
Beishilaodongzi No. 10632795601 from Department of Labor, Taipei City Government, May 31, 2017	Labor Standards Act, Article 35	Penalty of NT\$50,000 due to not giving a 30-minute break to employees for every four hours of work
Fulaojianzi No. 1060292069 from Taoyuan City Government, December 21, 2017	Labor Standards Act, Article 24 paragraph 1	Penalty of NT\$20,000 due to not paying for overtime

3. China Life

Punishment date and letter number	Articles violated	Shortcomings and punishment
Fulaotiaozi No. 1060035911 from Tainan City Government, February 2, 2017	Labor Standards Act, Article 30 paragraph 6	Penalty of NT\$20,000 due to labor clock-in and clock-out records being maintained, but records are not logged to the minute on a daily basis
Gaoshilaotiaozi No. 10630519100 from Kaohsiung City Government, February 7, 2017	Labor Standards Act, Article 30 paragraph 6 Labor Standards Act, Article 22 paragraph 2	Penalty of NT\$40,000 due to labor clock-in and clock-out records being maintained, but records are not logged to the minute on a daily basis and wages are not paid in full directly
Fulaotiaozi No. 1060139366 from Tainan City Government, February 17, 2017	Labor Standards Act, Article 27	Penalty of NT\$20,000 due to not paying wages before the deadline ordered by the Tainan City Government
Fusholaodongzi No. 1060097411 from Taichung City Government, May 10, 2017	Labor Standards Act, Article 30 paragraph 6	Penalty of NT\$20,000 due to labor clock-in and clock-out records being maintained, but records are not logged to the minute on a daily basis

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	Contracting Party	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	2017.09.02 to 2018.9.02	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.
Share Purchase Agreement	CDIB Capital Group	2017.03.02 to Closing Date	1. Number and price of shares transferred 2. Closing date and closing procedure 3. Representations and warranties of both parties	None

◎ 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.	

◎ CDIB Capital Group

Contract Type	Counterparty	Valid Period	Main contents	Restrictive clauses
Share Purchase Agreement	China Development Financial Holding Corp.	2017.03.02 to Closing Date	1. Number and price of shares transferred 2. Closing date and closing procedure 3. Representations and warranties of both parties	None

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Contract Type	Counterparty	Valid Period	Main contents	Restrictive clauses
Reinsurance Contracts	Central Reinsurance Corporation	Since October 31, 1968	Reinsurance treaties(for Life, PA, Group, and CAT)	None
Reinsurance Contracts	Munich Reinsurance Company	Since January 1, 1975	Reinsurance treaties(for Life, PA, and Health)	None
Reinsurance Contracts	General Reinsurance AG	Since January 1, 1994	Reinsurance treaties(for Life, PA, and Health)	None
Reinsurance Contracts	Swiss Reinsurance Company	Since June 1, 1992	Life reinsurance treaty	None
Reinsurance Contracts	RGA Global Reinsurance Company Limited	Since January 1, 2003	Reinsurance treaties(for Life, Health, and CAT)	None
Reinsurance Contracts	Scor Reinsurance Company (Asia) Ltd.	Since August 1, 1993	Reinsurance treaties(for Life, and Health)	None
Reinsurance Contracts	Allianz SE Reinsurance Branch Asia Pacific	Since June 1, 2003	Reinsurance treaties(for Life, and Health)	None
Reinsurance Contracts	Swiss Re Europe S.A UK Branch	Since June 1, 1992	Life reinsurance treaty	None
Reinsurance Contracts	Hannover Reinsurance Company	Since November 1, 2009	Reinsurance treaties for health policies	None
Reinsurance Contracts	StarStone Syndicate No. 1301	Since January 1, 2012	Catastrophe reinsurance contract	None
Reinsurance Contracts	Trust International Insurance and Reinsurance Co. B. S. C. (C) TRUST RE	Since January 1, 2015	Reinsurance treaties(for PA, Health, and CAT)	None
Reinsurance Contracts	The TOA Reinsurance Company	Since January 1, 2016	Reinsurance treaty(ies) for group life insurance	None
Reinsurance Contracts	SCOR Global Life SE	Since January 10, 2002	Reinsurance treaties(for Life, and Health)	None
establish the superficies	Northern Region Branch of National Property Administration of Ministry of Finance	From January 20, 2014 to January 19, 2084	establish the superficies of the land on which Taipei Academy locates	None
establish the superficies	Political Warfare Bureau of Ministry of National Defense	From January 20, 2014 to January 19, 2084	establish the superficies of the land on which Taipei Academy locates	None

Construction Contract	Chung-Lu Construction Co., Ltd.	From December 16, 2016 to December 31, 2019	Taipei Academy New Construction Contract	None
Construction Contract	Chung-Lu Construction Co., Ltd.	From March 1, 2017 to December 31, 2019	Taipei Academy New Construction Contract (revise the total price)	None
Partial Old Line Life Insurance Policies and Riders	Allianz Taiwan Life Insurance Co. Ltd.	From October 19, 2017	The transfer of certain old line life insurance policies along with the relevant liability and asset respectively of 27.6 billion and 49.8 billion NT dollars (with December 31, 2016 to be the benchmarking date. The actual amount of asset transferred was the amount of the reserves for such insurance policies as of the closing date plus 22.2 billion NT dollars) was approved by the Board on October 19, 2017. The division was approved by the Financial Supervisory Commission on February 27, 2018.	None

VI. Financial Overview

6.1 Five-Year Financial Summary

6.1.1 Consolidated Condensed Balance Sheet

A. Based on IFRS

Unit: NT\$'000

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2018 (Note 2)
		2013	2014(Note 4)	2015	2016	2017	
Cash and cash equivalents, Due from the central bank and call loans to financial institutions		59,777,121	66,845,161	112,215,613	100,196,911	97,636,786	N/A
Financial assets at fair value through profit or loss		98,297,280	151,177,813	157,780,085	159,280,102	125,949,607	
Available-for-sale financial assets		116,258,949	139,610,600	70,643,015	106,359,065	558,889,116	
Derivative financial assets for hedging		19,568	—	—	—	—	
Securities purchased under resell agreements		20,925,493	32,871,543	52,622,253	29,883,158	55,150,889	
Receivables, net		125,689,985	131,789,029	100,754,149	92,190,214	100,219,420	
Current tax assets		755,965	720,044	990,101	855,145	745,603	
Discount and loans, net		106,857,949	225,777,475	217,780,328	252,376,992	325,147,363	
Reinsurance assets, net		—	—	—	—	302,104	
Held-to-maturity financial assets, net		158,194	18,790,000	402,564	300,000	198,886,022	
Investments accounted for using the equity method, net		7,286,276	8,562,987	10,775,665	12,675,804	16,375,012	
Restricted assets		21,726,120	24,425,207	29,776,730	27,933,924	40,973,737	
Other financial assets		61,221,268	73,755,267	59,869,095	64,285,076	752,610,493	
Property and equipment, net		9,087,419	14,393,809	14,717,160	14,512,916	30,880,691	
Investment property, net		1,830,198	2,070,706	2,048,311	2,179,356	25,450,094	
Intangible assets, net		6,277,179	8,896,357	8,584,490	7,948,378	22,169,720	
Deferred tax assets		869,150	5,834,810	5,561,925	4,912,053	9,081,862	
Other assets, net		10,904,908	14,180,410	22,197,691	16,308,415	32,055,871	
Total assets		647,943,022	919,701,218	866,719,175	892,197,509	2,392,524,390	
Deposits from the central bank and banks		6,711,620	12,680,778	10,024,399	31,078,769	28,867,956	
Financial liabilities at fair value through profit or loss		22,577,982	35,082,307	39,898,179	51,565,266	55,729,704	
Derivative financial liabilities for hedging		64,315	20,659	—	—	—	
Notes and bonds issued under repurchase agreements		111,975,004	132,826,606	119,611,868	119,560,443	100,177,627	

Year Item		Financial Summary for The Last Five Years (Note1)					As of March 31, 2018 (Note 2)
		2013	2014(Note 4)	2015	2016	2017	
Commercial paper payable, net		10,116,225	13,925,045	13,139,202	17,549,797	20,549,392	N/A
Payables		57,673,578	58,243,555	57,152,044	60,337,328	85,630,607	
Current tax liabilities		2,388,951	1,994,883	911,029	826,620	5,443,513	
Deposits and remittances		114,808,892	304,557,970	325,312,132	315,451,964	362,729,069	
Bonds payable		37,068,437	34,660,984	28,618,692	27,684,236	30,000,000	
Other borrowings		18,687,012	35,204,646	21,809,459	19,878,458	25,704,261	
Other financial liabilities		82,559,726	98,296,995	65,475,084	62,753,830	109,126,375	
Provisions		1,140,616	1,215,264	1,419,454	1,373,667	1,288,449,104	
Deferred tax liabilities		1,353,240	1,423,785	1,460,166	1,487,885	9,391,454	
Other liabilities		11,714,770	13,544,034	13,116,729	15,552,208	21,501,190	
Total liabilities	Before distribution	478,840,368	743,677,511	697,948,437	725,100,471	2,143,300,252	
	After distribution	484,855,155	752,776,184	705,435,443	732,588,342	(Note 3)	
Equity attributable to owners of the parent							
Common stock	Before distribution	150,308,833	153,444,462	151,125,441	149,744,213	149,768,196	
	After distribution	150,308,833	153,444,462	151,125,441	149,744,213	(Note 3)	
Capital surplus		535,087	590,923	654,803	1,104,521	1,173,719	
Retained earnings	Before distribution	14,656,447	19,477,595	18,507,160	16,798,782	20,870,156	
	After distribution	8,641,660	10,378,922	11,020,154	9,310,911	(Note 3)	
Other equity		(670,876)	(24,165)	(2,746,831)	(1,782,652)	73,567	
Treasury shares		(2,170,286)	(3,298,709)	(2,376,747)	(2,376,747)	(4,205,566)	
Non-controlling interests		6,443,449	5,833,601	3,606,912	3,608,921	81,544,066	
Total equity	Before distribution	169,102,654	176,023,707	168,770,738	167,097,038	249,224,138	
	After distribution	163,087,867	166,925,034	161,283,732	159,609,167	(Note 3)	

Note 1 : Financial statements of the Company in 2013 to 2017 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2018 have not been reviewed by CPA.

Note 3 : Distribution for earnings in 2017 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.

6.1.2 Unconsolidated Condensed Balance Sheet

Unit : NT\$ thousands

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2018 (Note 2)
		2013	2014(Note 4)	2015	2016	2017	
Cash and cash equivalents		7,703,726	1,458,812	2,665,707	1,357,441	1,014,547	N/A
Available-for-sale financial assets		1,440,119	1,293,830	1,226,972	1,199,734	1,344,910	
Receivables, net		169	155	139	115	4,689	
Current tax assets		1,754,770	1,114,182	1,438,314	1,436,182	1,234,121	
Investments accounted for using the equity method, net		178,987,869	192,203,350	186,684,329	186,391,735	200,445,118	
Other financial assets		300	300	300	300	300	
Property and equipment, net		12,258	12,251	10,094	9,906	21,488	
Other assets, net		538,391	544,217	540,719	541,742	29,946	
Total assets		190,437,602	196,627,097	192,566,574	190,937,155	204,095,119	
Derivative financial liabilities for hedging		64,316	20,659	0	0	0	
Commercial paper payable		6,499,939	2,999,869	5,099,745	3,999,774	9,899,365	
Payables		751,810	1,000,906	649,830	554,345	699,065	
Current tax liabilities		1,836,048	791,615	1,021,390	857,328	472,630	
Bonds payable		18,000,000	18,000,000	18,000,000	18,000,000	22,000,000	
Other borrowings		599,836	3,599,573	2,599,847	3,999,892	3,299,950	
Provisions		26,339	24,161	31,627	37,290	41,362	
Other liabilities		109	208	309	409	2,675	
Total liabilities	Before distribution	27,778,397	26,436,991	27,402,748	27,449,038	36,415,047	
	After distribution	33,793,184	35,535,664	34,889,754	34,936,909	(Note 3)	
Common stock	Before distribution	150,308,833	153,444,462	151,125,441	149,744,213	149,768,196	
	After distribution	150,308,833	153,444,462	151,125,441	149,744,213	(Note 3)	
Capital surplus		535,087	590,923	654,803	1,104,521	1,173,719	
Retained earnings	Before distribution	14,656,447	19,477,595	18,507,160	16,798,782	20,870,156	
	After distribution	8,641,660	10,378,922	11,020,154	9,310,911	(Note 3)	
Other equity		(670,876)	(24,165)	(2,746,831)	(1,782,652)	73,567	
Treasury shares		(2,170,286)	(3,298,709)	(2,376,747)	(2,376,747)	(4,205,566)	
Total equity	Before distribution	162,659,205	170,190,106	165,163,826	163,488,117	167,680,072	
	After distribution	156,644,418	161,091,433	157,676,820	156,000,246	(Note 3)	

Note 1 : Financial statements of the Company in 2013 to 2017 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2018 have not been reviewed by CPA.

Note 3 : Distribution for earnings in 2017 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.

6.1.3 Consolidated Condensed Statement of Comprehensive Income

Unit : NT\$ thousands

Item \ Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2018 (Note 2)
	2013	2014(Note 3)	2015	2016	2017	
Interest revenues	8,507,539	12,811,017	14,245,989	11,391,971	27,465,994	N/A
Interest expenses	(3,111,079)	(4,398,754)	(5,138,176)	(4,332,469)	(5,395,582)	
Interest profit, net	5,396,460	8,412,263	9,107,813	7,059,502	22,070,412	
Noninterest profits and gains, net	19,313,286	20,209,724	20,600,798	20,068,226	63,343,239	
Net revenues	24,709,746	28,621,987	29,708,611	27,127,728	85,413,651	
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(824,715)	(13,707)	329,789	(751,478)	(613,750)	
Net change in reserve for insurance liabilities	—	—	—	—	(48,277,392)	
Operating expenses	(14,663,849)	(16,829,647)	(20,595,413)	(19,265,421)	(22,002,711)	
Net profit before income tax from continuing operations	9,221,182	11,778,633	9,442,987	7,110,829	14,519,798	
Income tax expense	(772,708)	(941,302)	(827,812)	(1,123,925)	(2,154,331)	
Net profit from continuing operations	8,448,474	10,837,331	8,615,175	5,986,904	12,365,467	
Net income	8,448,474	10,837,331	8,615,175	5,986,904	12,365,467	
Other comprehensive income for the year, net of income tax	2,919,788	752,399	(3,116,463)	802,045	4,499,766	
Total comprehensive income for the year	11,368,262	11,589,730	5,498,712	6,788,949	16,865,233	
Net profit attributable to owners of parent	8,304,001	10,752,042	8,528,231	5,923,081	11,695,285	
Net profit attributable to non-controlling interests	144,473	85,289	86,944	63,823	670,182	
Total comprehensive income attributable to owners of parent	11,182,674	11,506,549	5,415,879	6,736,201	13,408,973	
Total comprehensive income attributable to non-controlling interests	185,588	83,181	82,833	52,748	3,456,260	
Earnings per share(In dollar)	0.56	0.73	0.58	0.40	0.80	

Note 1 : Financial statements of the Company in 2013 to 2017 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2018 have not been reviewed by CPA..

Note 3 : The financial information of 2014 have restated according to the 2013 version of IFRS.

6.1.4 Unconsolidated Condensed Statement of Comprehensive Income

Unit : NT\$ thousands

Year Item	Financial Summary for The Last Five Years (Note1)					As of March 31, 2018 (Note 2)
	2013	2014(Note3)	2015	2016	2017	
Share of the profit of subsidiaries, associates and joint ventures	9,596,663	11,499,962	9,590,588	6,787,470	12,687,096	N/A
Other revenues and gains	25,640	51,888	79,871	68,441	51,725	
Operating expenses	(851,263)	(859,858)	(790,869)	(807,444)	(1,026,932)	
Other expenses and losses	(408,025)	(374,951)	(345,682)	(304,713)	(338,275)	
Net profit before income tax from continuing operations	8,363,015	10,317,041	8,533,908	5,743,754	11,373,614	
Income tax benefit (expense)	(59,014)	435,001	(5,677)	179,327	321,671	
Net profit for the year	8,304,001	10,752,042	8,528,231	5,923,081	11,695,285	
Other comprehensive income for the year, net of income tax	2,878,673	754,507	(3,112,352)	813,120	1,713,688	
Total comprehensive income for the year	11,182,674	11,506,549	5,415,879	6,736,201	13,408,973	
Earnings per share(In dollar)	0.56	0.73	0.58	0.40	0.80	

Note 1 : Financial statements of the Company in 2013 to 2017 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2018 have not been reviewed by CPA.

Note 3 : The financial information of 2014 have restated according to the 2013 version of IFRS.

6.1.5 Auditors' Opinions from 2013 to 2017

Year	Accounting Firm	CPA	Audit Opinion
2017	Deloitte & Touche	Wu, Mei-Hui 、 Kuo, Cheng-Hung	Unqualified 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

6.2 Five-Year Financial Analysis

Consolidated Financial Analysis – Based on IFRS

Unit: NT\$'000; %

Item		Financial Summary for The Last Five Years (Note1)					As of March 31, 2018 (Note 3)
		Year	2013	2014 (Note11)	2015	2016	
Operating ratio	Total assets turnover (Times)		0.04	0.04	0.03	0.03	0.05
	Ratio of loans to deposits (CDIB Capital Group)		82.54	71.22	—	—	—
	Ratio of loans to deposits (KGI Bank)	(Note 6)		73.60	62.38	74.55	87.44
	NPL ratio (CDIB Capital Group)		0.17	0.25	—	—	—
	NPL ratio (KGI Bank)	(Note 6)		0.42	0.34	0.34	0.21
	Average revenue per employee		4,380	3,982	3,858	3,585	6,842
	Average net income per employee		1,498	1,508	1,119	791	991
Profitability ratio	Ratio of return on total assets(%)		1.44	1.38	0.96	0.68	0.75
	Ratio of return on stockholders' equity(%)		5.06	6.28	5.00	3.57	5.94
	Profit margin ratio(%)		34.19	37.86	29.00	22.07	14.48
	Basic Earnings per share(in dollar)		0.56	0.73	0.58	0.40	0.80
Financial structure (%)	Ratio of debt to assets		73.90	80.86	80.53	81.27	89.58
	Ratio of debt to net worth		283.17	422.49	413.55	433.94	859.99
	Double Leverage Ratio of Financial Holding Company		110.92	113.69	113.77	114.74	120.34
	According to Article 41 of Financial Holding Company Law	(Note 2)		(Note 2)	(Note 2)	(Note 2)	(Note 2)
Leverage ratio	Operating leverage ratio		121.66	110.56	111.68	131.28	449.22
	Financial leverage ratio of Financial Holding Company		104.74	103.53	103.74	105.00	102.73
Ratio of growing	Ratio of assets growing		24.20	41.94	(5.76)	2.94	168.16
	Ratio of income growing		24.85	27.73	(19.83)	(24.70)	104.19
Cash flow	Cash flow ratio		9.16	(1.13)	(16.86)	(12.73)	21.24
	Cash flow adequacy ratio	(Note 7)		(Note 7)	(Note 7)	(1.84)	1.44
	Cash flow content ratio		103.79	(332.74)	(33.11)	(3,706.61)	246.16
Operating Scale	Market share of assets		1.91	2.49	2.14	2.08	4.56
	Market share of equity		7.14	6.51	5.86	5.41	6.70
	Market share of deposit(CDIB Capital Group)		0.39	0.50	—	—	—
	Market share of deposit(KGI Bank)	(Note 6)		0.41	0.99	0.92	0.94
	Market share of assets loans(CDIB Capital Group)		0.46	0.51	—	—	—
	Market share of assets loans(KGI Bank)	(Note 6)		0.38	0.81	0.92	1.14

N/A

Item		Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2018 (Note 3)
			2013	2014 (Note11)	2015	2016	2017	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	CDIB Capital Group	18.60	17.73	108.63	148.43	(Note 8)	N/A
		KGI Bank	(Note 6)	12.86	14.96	13.23	14.18	
		KGI Securities	371	343	340	329	295	
		China Life Insurance	(Note 9)	(Note 9)	(Note 9)	(Note 9)	350	
	Qualified capital of subsidiaries	CDIB Capital Group	41,611,085	45,327,171	14,497,173	20,910,410	52,975,226	
		KGI Bank	(Note 6)	16,294,778	53,303,814	53,986,254	57,719,776	
		KGI Securities	30,825,228	23,195,681	20,503,870	17,895,797	18,167,949	
		China Life Insurance	(Note 9)	(Note 9)	(Note 9)	(Note 9)	28,422,520	
		China Development Asset Management Corporation	(Note 10)	(Note 10)	(Note 10)	(Note 10)	2,421,554	
	Net Group qualified capital		56,699,694	62,798,158	66,777,653	69,883,202	110,250,824	
	Legal requirement of subsidiaries' capital	CDIB Capital Group	17,896,440	20,453,387	1,067,612	1,215,027	27,081,901	
		KGI Bank	(Note 6)	10,139,165	28,497,462	35,206,376	37,661,494	
		KGI Securities	12,454,305	10,147,407	9,042,459	8,151,174	9,237,377	
		China Life Insurance	(Note 9)	(Note 9)	(Note 9)	(Note 9)	16,262,902	
		China Development Asset Management Corporation	(Note 10)	(Note 10)	(Note 10)	(Note 10)	1,627,981	
Legal requirement of group capital		211,321,896	234,893,887	227,063,385	232,710,468	293,713,849		
Group Capital Adequacy Ratio		175.36	147.47	165.38	150.87	118.21		
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	73.31	74.83	107.83	114.16	249.75		
	The same Group	35.34	41.33	26.44	22.29	71.27		
<p>Reasons for changes in financial ratios in the recent 2 years:</p> <ol style="list-style-type: none"> The increase of total assets turnover , average revenue per employee and operating leverage ratio were mainly due to the increase of consolidated total net revenues by China Life Insurance which was consolidated as of 2017. The increase of ratio of return on stockholder's equity and EPS were mainly due to the increase of the net income after tax of 2017. The decrease of profit margin ratio was mainly due to the increase of the net revenues of 2017 The increase of ratio of debt to net worth was mainly due to the increase of insurance liabilities by China Life Insurance which was consolidated as of 2017. The increase of ratio of assets growing and market share of assets were mainly due to the increase of consolidated total assets by China Life Insurance which was consolidated as of 2017. The increase of ratio of income growing was mainly due to the increase of the income before tax of 2017. The increase of cash flow ratio, cash flow adequacy ratio and cash flow content ratio were mainly due to the increase of cash flows generated from operating activities of 2017. The increase of market share of equity was mainly due to the increase of consolidated total equity by China Life Insurance which was consolidated as of 2017. The increase of NPL ratio and ratio of assets loans to deposits were mainly due to the increase of loans as of December 31,2017. The decrease of group capital adequacy ratio was mainly due to the increase of legal requirement of group capital. The increase of 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 was mainly due to the increase of endorsements or other transactions by China Life Insurance which was consolidated as of 2017 . 								

Note 1 : Financial statements of the Company in 2013 to 2017 were audited.

Note 2 : None.

Note 3 : As of the publication date, the financial statements of the first quarter of 2018 have not been reviewed by CPA.

Note 4 : Below are the formulas used in various financial analyses:

1. Operating ratio

- (1) Total assets turnover = Net income / Average assets
- (2) Ratio of loans to deposits = Total loans / Total deposits
- (3) NPL ratio = Nonperforming loans / Total loans
- (4) Average revenue per employee = Net revenues / employee
- (5) Average net income per employee = Net income / employee

2. Profitability ratio

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

3. Financial structure

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

4. Leverage ratio

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

5. Ratio of growing

- (1) Ratio of assets growing = (Total assets - Last year total assets) / Last year total assets
- (2) Ratio of income growing = (income before income tax - Last year income before income tax) / Last year income before income tax

6. Cash flow

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

7. Operating Scale

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

8. Capital adequacy Ratio

- (1) Net Group qualified capital = Qualified requirement of Financial Holding Company Law + (Shares hold in ratio of Financial Holding Company Law × Qualified capital of subsidiaries) - Deduction
- (2) Legal requirement of subsidiaries' capital = Legal requirement of Financial Holding Company Law + Shares hold in ratio of Financial Holding Company Law × Legal requirement of subsidiaries
- (3) Group Capital Adequacy Ratio = Net Group qualified capital ÷ Legal requirement of group capital.

Note 5 : Calculations of earnings per share must take into account the following:

1. Use weighted average outstanding ordinary shares instead of year-end outstanding shares
2. Effects of cash issues or treasury stocks, by weighing the number of outstanding shares against the length of time they were in circulation.
3. If any additional shares were issued against capitalized earnings or reserves, the full year or half-year earnings per share must be adjusted retrospectively, regardless of when the additional shares were issued.
4. If preferred shares were cumulative and non-convertible in nature, all current year dividends (whether distributed or not) must be deducted from after-tax profit, or added to after-tax loss. If preferred shares were non-cumulative, then preferred share dividends must be deducted from after-tax profit, but no adjustment is required for after-tax loss

Note 6 : Cosmos Bank became the Company's wholly owned subsidiary through a share swap. Cosmos Bank renamed as KGI Bank from 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 : On March 2 and April 13, 2015, under the approval of the board of directors who had been authorized to exercise the rights on behalf of the shareholders’ meeting, CDIB Capital Group transferred to KGI Bank of all assets and liabilities associated with the commercial banking business of CDIB Capital Group. On January 19, 2017 the Corporation had its banking license revoked and On March 15,2017 CDIB Capital Group was converted officially.
- Note 9 : On August 15, 2017, the Corporation’s board of directors approved the acquisition of 25.33% of the common shares of China Life Insurance through public tender offer. After the Corporation acquired shares through public tender offer, the acquired shares mentioned previously plus 9.63% of the common shares of China Life Insurance held by the subsidiary, KGIS (excluding KGIS’ hedging accounts of derivative products) are equivalent to 34.96% of the issued shares of China Life Insurance, China Life Insurance became a subsidiary of the Corporation under the definition of Financial Holding Company Act.
- Note 10 : As of March 13, 2017, the Corporation holds 100% shares of China Development Asset Management Corporation which was previously held by CDIB Capital Group.
- Note 11 : The financial information of 2014 have restated according to the 2013 version of IFRS.

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 2017 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.

2018 Annual General Meeting of the Shareholders

Audit Committee

Convener Ching-Yen Tsay

Date: April 30, 2018

6.4 Financial Statements for the Years Ended December 31, 2017 and 2016, and Independent Auditors' Report

China Development Financial Holding Corporation and Subsidiaries

**Consolidated Financial Statements for the
Years Ended December 31, 2017 and 2016 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, 2017 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 26, 2018

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 subsidiaries (collectively, the Group), which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years 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, 2017 and 2016, and the consolidated financial performance and the consolidated cash flows for the year 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, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, 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, 2017. 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, 2017.

Refer to Notes 4, 5 and 58 for the relevant accounting policy, critical accounting judgment; and estimation uncertainty, and disclosures of the impairment for discounts, loans and receivables.

We understood and assessed 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 selected samples of discounts, loans and receivables accounts and we verified whether the allowance thereof complies with the law and related regulations issued by the authorities.

Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 31, reserve for life insurance liabilities were \$1,263,844,149 thousand as of December 31, 2017. There was no need to make provision for liability adequacy reserve because the recorded insurance liability is sufficient as shown in Note 31.

As stated in Note 5, management uses actuarial models and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance Co., Ltd (China Life Insurance). The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on reasonable estimate of future insurance payments, premium income and related expenses. Since any change in the actuarial model and material assumptions will have a significant influence on insurance liabilities and liability adequacy reserve, we consider them as key audit matters for the year ended December 31, 2017

Refer to Notes 4, 5 and 57 for the relevant accounting policy, critical accounting judgments, and estimation uncertainty, and disclosures of assessment of insurance liabilities and liability adequacy reserve.

We understood and assessed China Life Insurance's internal controls related to insurance liabilities and liability adequacy reserve. We requested and our internal actuarial specialists assisted us in performing our audit procedures regarding insurance liability including the evaluation of the rationale of relevant assumptions and actuarial models adopted by management. As for the liability adequacy reserve, we assessed the reasonableness of the underlying assumptions and outcomes.

Fair Value Measurement of Financial Products with No Quoted Market Prices in An Active Market

As stated in Note 56, the Group held financial instruments measured in fair value with no quoted markets prices in active markets that included financial assets of \$367,458,330 thousand and financial liabilities of \$53,049,572 thousand at December 31, 2017. The amounts are material to the Group's financial statements. The financial instruments belong to Level II Level III classification of financial instruments. Management uses valuation model or refer to the available quotations from other financial institutions in determining the fair value of financial products with no quoted market prices in an active market. Parameters used in valuation model include adjusted observable inputs and unobservable inputs. For the fact that the inputs involve material managerial estimation and judgement, we identified the valuation as a key audit matter for the year ended December 31, 2017.

Refer to Notes 4 and 5 and Note 56 for the relevant accounting policy, critical accounting judgments and estimation uncertainty, and disclosures of fair value measurement of financial products with no quoted market prices in an active market.

We understood and assessed the Group's internal controls related to the recognition and measurement of financial products. For financial products classified under Level II, we evaluated the reasonableness of the stated value by performing independent verification using public information on a sample basis. For financial products classified under Level III, we requested and our internal specialists assessed the reasonableness of the valuation methods and key assumptions used. Further, we calculated independently and compared the results with the evaluations made by the management to see whether the evaluation is within the reasonable range assessed by our internal specialists.

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, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises, 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, 2017 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 Mei-Hui Wu and Cheng-Hung Kuo.

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 26, 2018

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, 2017 AND 2016
(In Thousands of New Taiwan Dollars)

	2017		2016	
	Amount	%	Amount	%
ASSETS				
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 51)	\$ 63,807,752	3	\$ 28,312,347	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO BANKS (Notes 7, 51 and 52)	33,829,034	2	71,884,564	8
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 51 and 52)	125,949,607	5	159,280,102	18
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10, 17, 51 and 52)	558,889,116	23	106,359,065	12
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Notes 4 and 11)	55,150,889	2	29,883,158	3
RECEIVABLES, NET (Notes 4, 12, 51, 52 and 59)	100,219,420	4	92,190,214	10
CURRENT TAX ASSETS (Note 4)	745,603	-	855,145	-
DISCOUNT AND LOANS, NET (Notes 4, 13, 51 and 59)	325,147,363	14	252,376,992	28
REINSURANCE ASSET, NET (Notes 4 and 14)	302,104	-	-	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Notes 4 and 15)	198,886,022	8	300,000	-
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 4, 16 and 17)	16,375,012	1	12,675,804	2
RESTRICTED ASSETS (Notes 18, 51 and 52)	40,973,737	2	27,933,924	3
OTHER FINANCIAL ASSETS (Notes 17, 19, 51 and 52)	752,610,493	32	64,285,076	7
INVESTMENT PROPERTY, NET (Notes 4, 20 and 52)	25,450,094	1	2,179,356	-
PROPERTY AND EQUIPMENT, NET (Notes 4, 21 and 52)	30,880,691	1	14,512,916	2
INTANGIBLE ASSETS, NET (Notes 4 and 22)	22,169,720	1	7,948,378	1
DEFERRED TAX ASSETS (Notes 4 and 48)	9,081,862	-	4,912,053	1
OTHER ASSETS, NET (Notes 4, 23 and 52)	<u>32,055,871</u>	<u>1</u>	<u>16,308,415</u>	<u>2</u>
TOTAL	<u>\$ 2,392,524,390</u>	<u>100</u>	<u>\$ 892,197,509</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and banks (Notes 24 and 51)	\$ 28,867,956	1	\$ 31,078,769	4
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 51)	55,729,704	2	51,565,266	6
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 25 and 51)	100,177,627	4	119,560,443	13
Commercial paper payable, net (Notes 26, 51 and 52)	20,549,392	1	17,549,797	2
Payables (Notes 4, 27 and 51)	85,630,607	4	60,337,328	7
Current tax liabilities (Note 4)	5,443,513	-	826,620	-
Deposits and remittances (Notes 28 and 51)	362,729,069	15	315,451,964	35
Bonds payable (Note 29)	30,000,000	1	27,684,236	3
Other borrowings (Notes 30, 51 and 52)	25,704,261	1	19,878,458	2
Provisions (Notes 4, 31 and 32)	1,288,449,104	54	1,373,667	-
Other financial liabilities (Notes 4, 33, 51 and 53)	109,126,375	5	62,753,830	7
Deferred tax liabilities (Notes 4 and 48)	9,391,454	1	1,487,885	-
Other liabilities (Notes 4 and 34)	<u>21,501,190</u>	<u>1</u>	<u>15,552,208</u>	<u>2</u>
Total liabilities	<u>2,143,300,252</u>	<u>90</u>	<u>725,100,471</u>	<u>81</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 4, 35, 36 and 37)				
Capital				
Common stock	149,763,034	6	149,744,203	17
Advance receipts for capital stock	5,162	-	10	-
Capital surplus	1,173,719	-	1,104,521	-
Retained earnings				
Legal reserve	5,606,606	-	5,014,298	1
Special reserve	2,078,602	-	3,228,296	-
Unappropriated earnings	13,184,948	1	8,556,188	1
Other				
Exchange differences on translation of foreign financial statements	(2,031,949)	-	494,377	-
Unrealized losses on available-for-sale financial assets	2,113,838	-	(2,255,818)	-
Others	(8,322)	-	(21,211)	-
Treasury shares	<u>(4,205,566)</u>	<u>-</u>	<u>(2,376,747)</u>	<u>(1)</u>
Total equity attributable to owners of the parent	167,680,072	7	163,488,117	18
NON-CONTROLLING INTERESTS (Notes 35 and 36)	<u>81,544,066</u>	<u>3</u>	<u>3,608,921</u>	<u>1</u>
Total equity	<u>249,224,138</u>	<u>10</u>	<u>167,097,038</u>	<u>19</u>
TOTAL	<u>\$ 2,392,524,390</u>	<u>100</u>	<u>\$ 892,197,509</u>	<u>100</u>

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

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
INTEREST REVENUE (Notes 4, 38 and 51)	\$ 27,465,994	32	\$ 11,391,971	42	141
INTEREST EXPENSE (Notes 4, 38 and 51)	<u>(5,395,582)</u>	<u>(6)</u>	<u>(4,332,469)</u>	<u>(16)</u>	25
INTEREST PROFIT, NET	<u>22,070,412</u>	<u>26</u>	<u>7,059,502</u>	<u>26</u>	213
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 4, 19, 39 and 51)	6,775,862	8	7,507,892	28	(10)
Net income from insurance operations (Notes 40 and 51)	39,368,179	46	-	-	-
Gain on financial assets or liabilities measured at fair value through profit or loss, net (Notes 4 and 41)	9,448,553	11	4,915,778	18	92
Realized gain on available-for-sale financial assets, net (Notes 4 and 42)	7,413,380	9	2,114,743	8	251
Foreign exchange gain (loss), net	(6,963,086)	(8)	624,713	2	(1,215)
Impairment loss on assets, net (Notes 4 and 43)	(1,194,707)	(1)	(1,221,155)	(4)	(2)
Share of the profit of associates and joint ventures (Notes 4 and 16)	1,836,537	2	378,606	1	385
Gain on financial assets measured at cost, net (Note 44)	3,025,225	3	2,407,290	9	26
Consulting service revenue (Note 51)	1,150,248	1	1,189,120	4	(3)
Others (Notes 45 and 51)	<u>2,483,048</u>	<u>3</u>	<u>2,151,239</u>	<u>8</u>	15
Total noninterest profits and gains, net	<u>63,343,239</u>	<u>74</u>	<u>20,068,226</u>	<u>74</u>	216
TOTAL NET REVENUES	<u>85,413,651</u>	<u>100</u>	<u>27,127,728</u>	<u>100</u>	215

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
ALLOWANCE FOR BAD DEBTS AND LOSSES ON GUARANTEES, NET	<u>\$ (613,750)</u>	<u>(1)</u>	<u>\$ (751,478)</u>	<u>(3)</u>	(18)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	<u>(48,277,392)</u>	<u>(56)</u>	<u>-</u>	<u>-</u>	-
OPERATING EXPENSES (Notes 4, 33, 46, 47 and 51)					
Employee benefits	(13,758,724)	(16)	(11,414,576)	(42)	21
Depreciation and amortization	(1,814,357)	(2)	(1,472,993)	(5)	23
Other general and administrative expenses	<u>(6,429,630)</u>	<u>(8)</u>	<u>(6,377,852)</u>	<u>(24)</u>	1
Total operating expenses	<u>(22,002,711)</u>	<u>(26)</u>	<u>(19,265,421)</u>	<u>(71)</u>	14
NET PROFIT BEFORE INCOME TAX	14,519,798	17	7,110,829	26	104
INCOME TAX EXPENSE (Notes 4 and 48)	<u>(2,154,331)</u>	<u>(2)</u>	<u>(1,123,925)</u>	<u>(4)</u>	92
NET PROFIT FOR THE YEAR	<u>12,365,467</u>	<u>15</u>	<u>5,986,904</u>	<u>22</u>	107
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 32)	(166,180)	-	(149,661)	-	11
Share of the other comprehensive gain (loss) of associates and joint ventures (Notes 4 and 16)	212	-	222	-	(5)
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Notes 4 and 48)	18,770	-	9,497	-	98

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2017		2016		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of foreign financial statements	\$ (2,238,906)	(3)	\$ (1,169,101)	(5)	92
Unrealized gain on available-for-sale financial assets	5,717,190	7	1,865,097	7	207
Share of the other comprehensive income of associates and joint ventures (Notes 4 and 16)	959,832	1	249,796	1	284
Income tax relating to items that may be reclassified subsequently to profit or loss (Notes 4 and 48)	<u>208,848</u>	-	<u>(3,805)</u>	-	5,589
Other comprehensive income for the year, net of income tax	<u>4,499,766</u>	<u>5</u>	<u>802,045</u>	<u>3</u>	461
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 16,865,233</u>	<u>20</u>	<u>\$ 6,788,949</u>	<u>25</u>	148
NET PROFIT ATTRIBUTABLE TO:					
Owners of parent	\$ 11,695,285	13	\$ 5,923,081	22	97
Non-controlling interests	<u>670,182</u>	<u>1</u>	<u>63,823</u>	-	950
	<u>\$ 12,365,467</u>	<u>14</u>	<u>\$ 5,986,904</u>	<u>22</u>	107
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of parent	\$ 13,408,973	16	\$ 6,736,201	25	99
Non-controlling interests	<u>3,456,260</u>	<u>4</u>	<u>52,748</u>	-	6,452
	<u>\$ 16,865,233</u>	<u>20</u>	<u>\$ 6,788,949</u>	<u>25</u>	148
EARNINGS PER SHARE (Note 49)					
Basic	<u>\$0.80</u>		<u>\$0.40</u>		
Diluted	<u>\$0.80</u>		<u>\$0.40</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, 2017 AND 2016
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Equity Attributable to Owners of the Parent						Other Equity				Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
	Capital		Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Others	Treasury Shares				
	Common Stock	Advance Receipts for Share Capital - Capital	Capital Surplus	Legal Reserve	Special Reserve					Unappropriated Earnings			
BALANCE AT JANUARY 1, 2016	\$ 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
Change in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	(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
Appropriation of the 2016 earnings	-	-	-	592,308	-	(592,308)	-	-	-	-	-	-	-
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	(7,487,871)	-	-	-	-	(7,487,871)	-	(7,487,871)
Special reserve reversed	-	-	-	-	(949,694)	949,694	-	-	-	-	-	-	-
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	(7,487,871)	-	(7,487,871)
Other changes in capital surplus	-	-	59,948	-	-	-	-	-	-	-	59,948	-	59,948
Net profit for the year ended December 31, 2017	-	-	-	-	-	11,695,285	-	-	-	-	11,695,285	670,182	12,365,467
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(129,642)	(2,526,326)	4,369,656	-	-	1,713,688	2,786,078	4,499,766
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	11,565,643	(2,526,326)	4,369,656	-	-	13,408,973	3,456,260	16,865,233
Reorganization	-	-	(93)	-	-	-	-	-	-	-	(93)	-	(93)
Purchasing of the Corporation shares, as treasury shares	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)	(3,413,272)	(5,247,830)
Disposal of the Corporation shares, as treasury shares	-	-	2,402	-	-	-	-	-	-	5,739	8,141	-	8,141
Share-based payments	18,831	5,152	6,941	-	-	(6,398)	-	-	12,889	-	37,415	-	37,415
Changes in non-controlling interest	-	-	-	-	-	-	-	-	-	-	-	77,892,157	77,892,157
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	\$ 149,763,034	\$ 5,162	\$ 1,173,719	\$ 5,606,606	\$ 2,078,602	\$ 13,184,948	\$ (2,031,949)	\$ 2,113,838	\$ (8,322)	\$ (4,205,566)	\$ 167,680,072	\$ 81,544,066	\$ 249,224,138

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, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 14,519,798	\$ 7,110,829
Adjustments to reconcile net profit		
Depreciation expenses	773,724	611,406
Amortization expenses	1,040,633	861,587
Allowance for bad debts and losses on guarantees, net	613,750	751,478
Interest expense	5,395,582	4,332,469
Interest income	(27,465,994)	(11,391,971)
Dividend income	(2,429,076)	(2,065,858)
Net changes in insurance liabilities	46,434,109	-
Share of profit of associates and joint ventures	(813,664)	(331,612)
Gain on disposal of investments	(2,651,539)	(2,236,142)
Loss on financial asset impairment	882,194	1,209,986
Loss on nonfinancial asset impairment	312,513	11,169
Others	(1,976,116)	59,765
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to banks	17,482,176	(16,049,616)
Financial assets at fair value through profit or loss	35,390,946	(1,500,017)
Available-for-sale financial assets	(37,588,106)	(34,665,406)
Securities purchased under resell agreements	(1,147,446)	8,383,369
Receivables	4,458,178	8,440,596
Discount and loans	(41,623,075)	(34,717,956)
Other financial assets	(2,618,512)	(6,718,352)
Other assets	1,393,946	7,739,957
Deposits from the Central Bank and banks	(2,210,813)	21,054,370
Financial liabilities at fair value through profit or loss	3,628,584	11,667,087
Notes and bonds issued under repurchase agreements	(19,382,816)	(51,425)
Payables	3,715,859	(265,630)
Deposits and remittances	47,277,105	(9,860,168)
Other financial liabilities	8,949,375	(612,823)
Other liabilities	(11,315,994)	2,573,815
Cash generated from (used in) operations	41,045,321	(45,659,093)
Interest received	22,505,993	11,913,532
Dividend received	2,665,735	2,467,243
Interest paid	(4,520,383)	(3,962,446)
Income tax refund (paid)	109,947	(401,824)
	<u>61,806,613</u>	<u>(35,642,588)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of available-for-sale financial assets	(80,836,615)	(759,781)
Proceeds from sale of available-for-sale financial assets	75,277,742	1,747,754
Acquisition of debt investment with no active market	(27,500,501)	(358,350)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

	2017	2016
Proceeds from sale of debt investments with no active market	\$ 40,190,233	\$ 941,171
Acquisition of held-to-maturity financial assets	(30,249,374)	-
Proceeds from sale of held-to-maturity financial assets	4,169,837	-
Maturity principal from held-to-maturity financial assets	-	102,564
Acquisition of financial assets measured at cost	(1,243,771)	(2,144,792)
Proceeds from sale of financial assets measured at cost	4,661,799	3,599,320
Proceeds from capital return on financial assets measured at cost	106,812	617,303
Acquisition of equity-method investments	(1,449,619)	(1,934,003)
Proceeds from sale of equity-method investments	1,063,663	36,282
Net cash inflow on acquisition of subsidiaries	(7,880,764)	(149,740)
Acquisition of property and equipment	(1,285,782)	(515,995)
Others	<u>(132,341)</u>	<u>(220,137)</u>
Net cash (used in) generated from investing activities	<u>(25,108,681)</u>	<u>961,596</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	5,770,201	(2,963,850)
Increase in commercial paper payable	2,999,595	4,410,595
Proceeds from issue of corporate bonds	10,000,000	-
Repayments of corporate bonds	(6,000,000)	(1,006,520)
Proceeds from issue of bank debentures	1,000,000	-
Repayments of bank debentures	(2,750,000)	-
Proceeds of long-term borrowings	755,543	4,359,250
Repayments of long-term borrowings	(699,942)	(3,326,401)
Cash dividends paid	(7,487,871)	(7,487,006)
Purchase of treasury shares	-	(1,150,440)
Others	<u>(23,911)</u>	<u>(569)</u>
Net cash generated from (used in) financing activities	<u>3,563,615</u>	<u>(7,164,941)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(1,219,211)</u>	<u>(578,112)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	39,042,336	(42,424,045)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>93,213,826</u>	<u>135,637,871</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 132,256,162</u>	<u>\$ 93,213,826</u> (Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016 (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, 2017 and 2016:

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Cash and cash equivalents in consolidated balance sheets	\$ 63,807,752	\$ 28,312,347
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined of in IAS 7	14,444,967	35,018,321
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined of in IAS 7	<u>54,003,443</u>	<u>29,883,158</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 132,256,162</u>	<u>\$ 93,213,826</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, 2017 AND 2016 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

The Corporation was established by CDIB Capital Group (formerly China Development Industrial Bank) 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 during the public tender offer period. The Corporation acquired KGI Securities' remaining 18.27% shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a wholly owned 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 September 15, 2014, the Corporation acquired KGI Bank through a share swap. Thus, KGI Bank became the Corporation's wholly owned subsidiary.

On March 13, 2017, the Corporation hold 100% shares of China Development Asset Management Corporation which was previously held by CDIB Capital Group.

On August 15, 2017, the Corporation's board of directors approved the acquisition of 25.33% shares of China Life Insurance through public tender offer from August 17, 2017 to September 6, 2017, and offered \$35 per share to the acquiree. After the Corporation acquired 880,000 thousand shares through public tender offer, China Life Insurance became a subsidiary of the Corporation as defined by the Financial Holding Company Act. The acquired 25.33% shares plus 9.63% shares of China Life Insurance held by a subsidiary, KGI Securities (excluding KGI Securities' hedging accounts of derivative products) are equivalent to 34.96% shares of China Life Insurance.

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 May 1, 2015, CDIB Capital Group's board of the directors 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 the CDIB Capital Group's leasing subsidiaries and in the Taiwan Financial Asset Service Corporation.

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 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.

CDIB Capital Group's main operations included securities investment, investment financial related business, venture capital and other activities approved by the authorities.

KGI Securities was established on September 14, 1988. It merged with Jen-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, 2017, KGI Securities had a head office and 80 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, 2017, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 52 domestic branches.

KGI Bank engages in banking operations are regulated under the banking Act.

China Development Asset Management Corporation was established on September 27, 2001, and its operation includes acquiring, valuation, auction and management of debts from financial institution, acquiring of accounts receivable, management of overdue accounts receivable, and leasing and investment of real estate.

China Life Insurance was incorporated in Taiwan on April 25, 1963. In 2009, China Life Insurance completed the acquisition of major assets and liabilities of Prudential Corporation Asia Life Taiwan. As of December 31, 2017, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

China Life Insurance is mainly engaged in the business of life insurance, offshore life insurance paid and received for foreign currency and other insurance-related businesses approved by competent authorities.

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 Corporation's board of directors and authorized for issue on March 26, 2018.

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

- a. Initial application of the Amendments to the Regulations Governing the Preparation of Financial Reports by 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

The related amendments to the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies and the International Financial Reporting Standards (IFRS) did 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 Group is 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.

- 2) Annual Improvements to IFRSs: 2010-2012 Cycle

The amended IFRS 8 "Operating Segments" 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.

- 3) Annual Improvements to IFRSs: 2011-2013 Cycle

IAS 40 "Investment Property" 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.

- 4) 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 is 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, please refer to Note 51.

- b. The Regulations Governing the Preparation of Financial Reports by Financial Holding Company and the IFRSs endorsed by the FSC for application starting from 2018

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
Amendment to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”	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
IFRS 15 “Revenue from Contracts with Customers”	January 1, 2018
Amendment to IFRS 15 “Clarifications to IFRS 15 Revenue from Contracts with Customers”	January 1, 2018
Amendment to IAS 7 “Disclosure Initiative”	January 1, 2017
Amendment to IAS 12 “Recognition of Deferred Tax Assets for Unrealized Losses”	January 1, 2017
Amendment 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.

1) 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 the Group’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. However, all other requirements in IFRS 12 apply to interests in entities classified as held for sale in accordance with IFRS 5. The Group will apply the aforementioned amendment retrospectively.

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, the Group 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.

2) IFRS 9 “Financial Instruments” and Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts”

Classification, measurement and impairment 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, if any, recognized in profit or loss. 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 collecting of contractual cash flows and 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 is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and 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 the above measurements, 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 Group analyzed the facts and circumstances of its financial assets that exist at December 31, 2017 and performed the assessment of the impact of IFRS 9 on the classification and measurement of financial assets. Under IFRS 9:

- a) Equity investments classified as available-for-sale which are classified as at fair value through profit or loss, the change in fair value will be recognized in profit or loss. Equity investments classified as available-for-sale which are designated as at fair value through other comprehensive income and the fair value gains or losses accumulated in other equity will be transferred directly to retained earnings instead of being reclassified to profit or loss on disposal. Besides this, equity investment measured at cost will be measured at fair value instead.

- b) Debt instruments classified as available-for-sale financial assets/held-to-maturity financial assets and debt instruments with no active market will be classified as measured at amortized cost under IFRS 9 because, on initial recognition, the contractual cash flows are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is to collect contractual cash flows. Investments will be classified as at fair value through other comprehensive income under IFRS 9, because, on initial recognition, the contractual cash flows that are solely payments of principal and interest on the principal outstanding and these investments are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets. Investments will be classified as at fair value through profit or loss, because, on initial recognition, the contractual cash flows are not solely payments of principal and interest on the principal outstanding.

The amendments to IFRS 4 gave exceptions to the companies applying IFRS 9 that issue contracts within the scope of IFRS 4 to use overlap approach. The exceptions are only permitted for qualifying financial assets that applied IFRS 9 and measured at fair value through profit and loss, which are different from those of measured by IAS 39 and irrelevant to activities not within the scope of IFRS 4 - Insurance Contracts. The change in fair value of designated financial assets that applied overlap approach shall be divided into two parts: The change in fair value by applying IAS 39 shall be recognized in profit or loss, and the difference between applying IFRS 9 and applying IAS 39 shall be recognized in other comprehensive income. The amounts reclassified to other comprehensive income shall be presented in the statement of comprehensive income and relevant information shall be disclosed in the notes to financial statements.

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.

The Group elect not to restate prior reporting periods when applying the requirements for the classification, measurement and impairment of financial assets under IFRS 9 with the cumulative effect of the initial application recognized at the date of initial application and will provide the disclosures related to the classification and the adjustment information upon initial application of IFRS 9.

For the Group, application of the requirement for the classification, measurement and impairment of financial assets under IFRS 9 would have the following impact on balance sheet items as of January 1, 2018: Increase assets by \$6,785,743 thousand, increase liabilities by \$471,421 thousand, increase retained earnings by \$2,190,526 thousand, increase other equity by \$2,380,636 thousand and increase non-controlling interests by \$1,743,160 thousand.

3) IFRS 15 “Revenue from Contracts with Customers” and its amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers, and will supersede IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations.

When applying IFRS 15, an entity shall recognize revenue by applying the following steps:

- a) Identify the contract with the customer;
- b) Identify the performance obligations in the contract;
- c) Determine the transaction price;
- d) Allocate the transaction price to the performance obligations in the contracts; and
- e) Recognize revenue when the entity satisfies a performance obligation.

The Group’ revenue from contracts with customer is bundled into one component under IFRS 15 and related amendment. Therefore the application of IFRS 15 has no impact on the Group.

4) 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 expect 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 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.

In assessing deferred tax asset, the Group currently assumes it will recover the asset at its carrying amount when estimating probable future taxable profit; the amendment will be applied retrospectively in 2018.

5) 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.

6) 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 will apply IFRIC 22 prospectively to all assets, expenses and income recognized on or after January 1, 2018 within the scope of the Interpretation.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assesses the impact of the application of other standards and interpretations will not have material impact on the Group's financial position and financial performance.

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

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendment to IFRS 9 "Prepayment Features with Negative Compensation"	January 1, 2019 (Note 2)
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 16 "Leases"	January 1, 2019 (Note 4)
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendment to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019 (Note 5)
Amendment to IAS 28 "Long-term Interests in Associates and Joint Ventures"	January 1, 2019
IFRIC 23 "Uncertainty Over Income Tax Treatments"	January 1, 2019

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 FSC permits the election for early adoption of the amendments starting from 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.

Note 4: On December 19, 2017, the FSC announced that IFRS 16 will take effect starting from January 1, 2019.

Note 5: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) Amendments to IFRS 9 "Prepayment Features with Negative Compensation"

IFRS 9 stipulated that if a contractual term of a financial asset permits the issuer (i.e. the debtor) to prepay a debt instrument or permits the holder (i.e. the creditor) to put a debt instrument back to the issuer before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination, the financial asset has contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The amendments further explained that the reasonable compensation may be paid or received by either of the parties, i.e. a party may receive reasonable compensation when it chooses to terminate the contract early.

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 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 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.

4) IFRS 17 “Insurance Contract”

IFRS 17 establishes the principle for the accounting treatment of insurance contracts and supersedes IFRS 4 “Insurance Contract”. The principle is as follows:

Level of aggregation

An entity shall identify portfolios of insurance contracts. A portfolio comprises contracts that are subject to similar risks and managed together. Contracts within a particular product line, such as motor policies, are expected to have similar risks, and if they are managed together would be in the same portfolio. For all issued insurance contracts in a portfolio, any entity shall divide it into:

- a) A group of contracts that are onerous at initial recognition, if any;
- b) A group of contracts that at initial recognition have no significant risk of becoming onerous, if any, and
- c) A group of the remaining contracts in the portfolio, if any.

An entity is permitted to divide portfolios into more groups than required above. However, groups cannot include contracts issued more than one year apart.

Recognition

An entity shall recognize a group of insurance contracts it issues from the earliest of:

- a) The beginning of the coverage period;
- b) The date when the first payment from a policyholder becomes due; and
- c) When the Group becomes onerous.

Measurement

On initial recognition, an entity shall measure a group of contracts at the total of the amount of fulfilment cash flows (“FCF”) and the contractual service margin (“CSM”). FCF comprises the estimate of future cash flow, an adjustment to reflect the time value of money and the financial risks associated with the future cash flows and risk adjustment for non-financial risk. The CSM represents the unearned profit the entity will recognize as it provides services in the future. This is measured on initial recognition of a group of insurance contracts at an amount that, unless the Group of contracts is onerous, results in no income or expenses arising from:

- a) The initial recognition of an amount for the FCF;
- b) The derecognition at that date of any asset or liability recognized for acquisition cash flows; and
- c) The cash inflows and outflows arising from the contracts in the Group at that date.

Subsequent measurement

At the end of each subsequent reporting period, the carrying amount of a group of insurance contracts is remeasured to be the sum of the liability for remaining coverage and the liability for incurred claims, both determined as at that date.

Onerous contracts

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

Premium allocation approach

An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the premium allocation approach (PAA) on the condition that:

- a) The entity reasonably expects that this will be an approximation of General Model; or
- b) Contracts with a coverage period of one year or less are eligible for PAA.

If at the inception of the Group, an entity expects significant variance in the FCF during the period before a claim is incurred, such contracts are not eligible to condition (a).

Using the RAA, the liability for remaining coverage shall be initially recognized at the premiums, if any, received at initial recognition, minus any insurance acquisition cash flows. This is subsequently adjusted for change in the composition of the Group and amortization of acquisition cash flows and reduced over the coverage period with the reduction recorded as revenue, excluding any investment component paid or transferred to the liability for incurred claims.

Investment contracts with a discretionary participation feature

An investment contract with a discretionary participation feature (DPF) is a financial instrument and it does not include a transfer of significant insurance risk. It is in the scope of IFRS 17 only if the issuer also issues insurance contracts.

Modification and derecognition

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

An entity shall de-recognize an insurance contract when it is extinguished or substantially modified.

Transition

An entity shall apply IFRS 17 retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.

Under the modified retrospective approach, an entity shall utilize reasonable and supportable information and maximize the use of information that would have been used to apply a full retrospective approach, but need only use information available without undue cost or effort. Fair value approach shall be used if the information is not reasonable and supportable information.

Under the fair value approach, an entity determines the CSM at the transition date as the difference between the fair value of a group of insurance contracts at that date and the FCF measured at that date.

5) Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”

The amendments stipulate that, if a plan amendment, curtailment or settlement occurs, the current service cost and the net interest for the remainder of the annual reporting period are determined using the actuarial assumptions used for the remeasurement of the net defined benefit liabilities (assets). In addition, the amendments clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. The amendment shall be applied prospectively.

6) Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”

The amendments clarified that IFRS 9 shall be applied to account for other financial instruments in an associate or joint venture to which the equity method is not applied. These included long-term interests that, in substance, form part of the entity’s net investment in an associate or joint venture.

When the amendments become effective, the Group shall apply the amendments retrospectively. However, the Group may elect to recognize the cumulative effect of the initial application of the amendments in the opening carrying amount at the date of initial application, or to restate prior periods if, and only if, it is possible without the use of hindsight.

7) IFRIC 23 “Uncertainty Over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in their income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the entity expects to better predict the resolution of the uncertainty. The Group has to reassess their judgments and estimates if facts and circumstances change.

The Group shall apply IFRIC 23 either retrospectively to each prior reporting period presented, if this is possible without the use of hindsight, or retrospectively with the cumulative effect of the initial application of IFRIC 23 recognized at the date of initial application.

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, Regulations Governing the Preparation of Financial Reports by Insurance Enterprises and “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.

All the consolidated accounts in the financial statements 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, 2017 and 2016, the consolidated entities included in the consolidated financial statements included 65 and 70 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 time deposits that can be terminated on demand which would not cause losses to principal and highly liquid investments that can be converted to fixed amount of cash at any time and the risk change in value is minor.

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. Subsidiaries in the Group with venture capital can choose to measure investments in associates by equity method or by fair value through profit or loss.

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 is deducted from 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.

Investment in associates measured by fair value through profit or loss are recognized as fair value through profit or loss financial assets and the change in fair value is recognized in profit or loss.

Financial Instruments

Financial assets and financial liabilities are recognized when the Group become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

a. Financial assets and liabilities

All regular way purchases or sales of financial assets and liabilities are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

1) Measurement category

a) Financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities are classified as at fair value through profit or loss when the financial asset or liability is either held for trading or it is designated as at fair value through profit or loss.

A financial asset or liability other than a financial asset or liability held for trading may be designated as at fair value through profit or loss upon initial recognition when doing so results in more relevant information and if:

- i. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- ii. The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the 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 56.

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, receivables and debt investments with no active market 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 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.

In accordance with the regulation of “Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises”, China Life Insurance is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

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

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.

6) Equity instruments

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

Equity instruments issued by the Group and the subsidiaries are recognized at the proceeds received, net of direct issue costs.

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

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.

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 accumulated depreciation and 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 of property and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation 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.

Separate-account Products

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

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

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.

Insurance Liabilities and Reserve for Insurance Contracts with Feature of Financial Instruments

China Life Insurance's reserved funds for insurance contracts and financial instruments whether with or without discretionary participation feature are made in accordance with "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises." Furthermore, they have been validated by the certified actuarial professionals approved by Financial Supervisory Commission. The required amount to be reserved for short-term group insurance is based upon the greater of premium received or calculated premium following the Order No. Financial Supervisory-Insurance-Corporate-852367814. Reserved amount for the rest of other provisions is addressed below:

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

a. Unearned premium reserve

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

b. Reserve for claims

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

c. Reserve for life insurance liabilities

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

Starting from policy year of 2003, for valid insurance contract whose dividend calculation is stipulated by the Order No. Financial Supervisory-Insurance-Corporate-800484251, the downward adjustments of dividend due to the offset between mortality saving (loss) and loss (gain) from difference of interest rates should be recognized and recorded as the increase of reserve for long-term valid contract.

d. Special reserve

1) For the retained businesses with policy period within 1 year, the special reserve is classified into 2 categories, "Special Capital Reserve - Special Reserve for Major Incidents" and "Special Capital Reserve - Special Reserve for Fluctuation of Risks." The dollar amount of reserve required is addressed as follows:

a) Special capital reserve - Special reserve for major incidents

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

b) Special capital reserve - Special reserve for fluctuation of risks

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

For special reserves for major incidents and special reserve for fluctuation of risks addressed previously, the balance of the annual reserve net of tax, the post-tax amount of appropriated and written-down or recovery would be recorded in the special capital reserve under equity.

- 2) China Life Insurance sells participating life insurance policy. According to the “Rule Governing application of revenue and expenses related to participating/non-participating policy”, the Company is required to set aside special reserve for dividend participation based on income before tax and dividend. On the date of declaration, dividend should be withdrawn from this account. The excess dividend should be accounted as special reserve for dividend risks.

e. Premium deficiency reserve

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

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

f. Liability adequacy reserve

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

g. Reserves for insurance contracts with feature of financial instruments

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

Foreign Exchange Valuation Reserve

Foreign exchange valuation reserve was appropriated or written-down from the foreign investment assets (do not include foreign currency non-investment-linked life insurance product assets) in accordance with “Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises” and “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises”. The beginning balance of foreign exchange valuation reserve is NT\$1,745,679 thousand which has to recognize special reserve within three years since 2012 according to the provision. The recognized amount should not be less than one third of the beginning balance net of tax for the first year. The cumulative recognized amount of the first

two years should not be less than two thirds of the beginning balance net of tax. In addition, the saving of hedging costs is transferred to special reserve each year. If the annual earning is not enough for transfer, then replenish in the later year. The related special reserve may be used to increase the share capital or offset deficit at least once in the following three years. According to “Directions for Foreign Exchange Valuation Reserve by Life Insurance Enterprises” Article 9, if the Insurance Company has annual net tax earning, then it should appropriate 10% of that earning to special reserve after shareholders’ meeting.

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. Rereasurement, 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. Rereasurement 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 rereasurement 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.

Insurance Premium Income and Expenses

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

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

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.

Reinsurance

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

China Life Insurance holds the right over re-insurer for reinsurance reserve assets, claims recoverable from reinsurers-net and due from reinsurers and ceding companies, and regularly assess if impairment has occurred to such rights or the rights can no longer be recovered. When objective evidences demonstrate that such rights after initial recognition may lead to China Life Insurance not recovering all contractual terms of the amount due; and the above events can be recovered from reinsurers at the impacted amount, then China Life Insurance can retrieve an amount that is less than the carrying value of the aforementioned rights, and recognize impairment losses.

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

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. Assessment of insurance liabilities and liability adequacy reserve

Management uses actuarial model and several material assumptions when assessing the insurance liabilities and liability adequacy reserve. The assumptions were based on the principles embodied in the relevant laws and regulations, which cover the unique risk exposure, product characteristics and experiences from target markets of China Life Insurance. The assessment of liability adequacy reserve is in compliance with the relevant norms promulgated by The Actuarial Institute of the Republic of China. When China Life Insurance assesses the liability adequacy reserve, the estimated present value of future cash flows of insurance contracts is based on reasonable estimate of future insurance payments, premium income and related expenses.

c. Fair value measurement of financial products with no quoted market prices in an active market

Management uses valuation model or refers to the available quotations from other financial institutions in determining the fair value of financial products with no quoted market prices in an active market. Parameters used in valuation model include adjusted observable inputs and unobservable inputs, which involve material managerial estimation and judgement.

6. CASH AND CASH EQUIVALENTS

	December 31	
	2017	2016
Cash in banks	\$ 44,944,821	\$ 18,662,103
Due from banks	10,532,178	4,386,202
Short-term transactions instruments	3,755,416	2,352,369
Check for clearing	1,686,741	619,580
Future excess margin	1,485,104	1,044,184
Cash on hand	<u>1,403,492</u>	<u>1,247,909</u>
	<u>\$ 63,807,752</u>	<u>\$ 28,312,347</u>

Cash and cash equivalents as of December 31, 2017 and 2016 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	
	2017	2016
Due from the Central Bank	\$ 6,520,000	\$ 37,130,000
Call loans to banks	13,846,833	13,568,474
Deposit reserve - demand accounts	7,670,687	8,078,055
Deposit reserve - checking accounts	5,053,887	12,358,953
Due from the Central Bank - interbank settlement funds	600,326	600,599
Deposit reserve - foreign currencies	<u>137,301</u>	<u>148,483</u>
	<u>\$ 33,829,034</u>	<u>\$ 71,884,564</u>

Under a directive issued by the Central Bank of the ROC, New Taiwan dollar (NTD) - denominated deposit reserve is 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 52.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Financial assets held for trading</u>		
Derivative instrument		
Currency swap and forward exchange contracts	\$ 9,210,098	\$ 12,760,005
Interest rate swap contracts	8,352,583	10,239,924
Option and futures contracts	2,328,239	4,184,386
Others	3,253,738	1,036,037
Non-derivative financial assets		
Operating securities (Note 9)	61,847,938	55,752,957
Commercial papers	8,775,184	2,797,870
Bank debentures	3,006,792	20,819,329
Convertible (exchangeable) corporate bonds	1,950,536	3,121,853
Others	<u>2,358,707</u>	<u>7,030,670</u>
	<u>101,083,815</u>	<u>117,743,031</u>
<u>Financial assets designated as at FVTPL</u>		
Government bonds	12,808,586	39,174,578
Others	<u>12,057,206</u>	<u>2,362,493</u>
	<u>24,865,792</u>	<u>41,537,071</u>
Financial assets at FVTPL	<u>\$ 125,949,607</u>	<u>\$ 159,280,102</u>
<u>Financial liabilities held for trading</u>		
Derivative instrument		
Option and futures contracts	\$ 11,722,449	\$ 5,769,857
Interest rate swap contracts	9,555,330	10,947,600
Currency swap contracts	7,229,847	12,200,101
Others	4,323,214	1,805,444
Non-derivative financial liabilities		
Borrowed securities payable	4,343,645	5,484,802
Others	<u>151,093</u>	<u>2,361,581</u>
	<u>37,325,578</u>	<u>38,569,385</u>
<u>Financial liabilities designated as at FVTPL</u>		
Bank debentures payable	17,417,983	11,892,012
Structured products	<u>986,143</u>	<u>1,103,869</u>
	<u>18,404,126</u>	<u>12,995,881</u>
Financial liabilities at FVTPL	<u>\$ 55,729,704</u>	<u>\$ 51,565,266</u>

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

As of December 31, 2017 and 2016, bank debentures issued by the Group designated as at FVTPL were as follows:

Bank Debenture Number	December 31		Issuance Period	Method of Paying Principles and Interests	Interest Rate
	2017	2016			
15 KGIB 1	\$ 3,163,888	\$ 3,421,574	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB 1	3,283,280	3,550,690	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB 2	3,283,280	3,550,690	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB 3	2,387,840	2,582,320	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	5,969,600	-	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
	<u>18,087,888</u>	<u>13,105,274</u>			
Valuation adjustments	<u>(669,905)</u>	<u>(1,213,262)</u>			
	<u>\$ 17,417,983</u>	<u>\$ 11,892,012</u>			

Note 1: Based on 100% of the face value of each bond plus the interest shall be payable for early redemption after two years from the issue date (inclusive).

Note 2: Based on 100% of the face value of each bond plus the interest shall be payable for early redemption after one year from the issue date (inclusive).

The contract (nominal) amounts of the Group's outstanding derivative financial instruments as of December 31, 2017 and 2016 are summarized as follows:

	December 31	
	2017	2016
Currency swap and forward exchange contracts	\$ 1,910,480,656	\$ 1,359,878,566
Interest rate swap contracts	1,046,708,289	1,020,801,145
Option and Futures contracts	398,434,896	286,325,519
Non-deliverable forward contracts	173,435,869	852,483
Cross-currency swap contracts	27,978,819	23,941,077
Structured note contracts	15,265,526	11,537,615
Assets swap contracts	10,863,540	12,387,775
Credit default swap contracts	5,203,007	5,679,224
Commodity swap	695,444	104,891
Equity derivative financial contracts	217,776	21,471

As of December 31, 2017 and 2016, financial assets held for trading with aggregate carrying values of \$59,315,331 thousand and \$90,931,440 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 52.

9. OPERATING SECURITIES

	December 31	
	2017	2016
Dealing		
Overseas securities	\$ 27,853,047	\$ 22,465,807
Government bonds	10,415,808	6,718,872
Corporate bonds	8,982,915	12,777,415
Listed, OTC and emerging market stocks	2,770,834	5,232,523
Others	<u>3,488,218</u>	<u>2,418,206</u>
	<u>53,510,822</u>	<u>49,612,823</u>
Underwriting		
Corporate bonds	593,309	292,668
Listed and OTC stocks	293,181	1,226,436
Others	<u>-</u>	<u>149,705</u>
	<u>886,490</u>	<u>1,668,809</u>
Hedge positions		
Listed and OTC stocks	6,032,090	3,663,053
Mutual funds	690,260	-
ETF	454,432	212,484
Overseas securities	258,705	592,084
Listed and OTC warrant	<u>15,139</u>	<u>3,704</u>
	<u>7,450,626</u>	<u>4,471,325</u>
	<u>\$ 61,847,938</u>	<u>\$ 55,752,957</u>

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31	
	2017	2016
Government bonds	\$ 180,341,905	\$ 65,878,067
Listed, OTC and emerging market stocks	144,164,822	21,758,314
Corporate bonds	112,005,423	5,161,140
Bank debentures	62,451,073	13,051,597
Negotiable certificates of deposit	30,834,526	-
Unlisted stocks	16,251,776	-
Mutual funds	8,545,481	-
Others	<u>4,294,110</u>	<u>509,947</u>
	<u>\$ 558,889,116</u>	<u>\$ 106,359,065</u>

As of December 31, 2017 and 2016, available-for-sale financial assets, with aggregate carrying values of \$40,043,756 thousand and \$28,629,003 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. The shares of Capital Securities Corporation held by CDIB Capital Group have been fully disposed in August 2017.

For the information on available-for-sale financial assets pledged as collateral for the Group, please refer to Note 52.

11. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2017	2016
Government bonds	\$ 18,465,702	\$ 9,135,147
Corporate bonds	12,792,557	4,851,085
Commercial papers	11,184,033	745,844
Negotiable certificates of deposit	6,701,595	-
Bank debentures	<u>6,007,002</u>	<u>15,151,082</u>
	<u>\$ 55,150,889</u>	<u>\$ 29,883,158</u>
Resold amounts	<u>\$ 55,174,815</u>	<u>\$ 29,910,667</u>
Last maturity date	April 2018	February 2017

12. RECEIVABLES, NET

	December 31	
	2017	2016
Receivables on margin loans, refinancing margin and refinancing deposits receivable	\$ 34,509,657	\$ 28,686,768
Receivable accounts for settlement	16,526,561	17,058,010
Interest receivable	13,018,711	2,750,941
Accounts receivable factoring without recourse	8,498,843	9,590,021
Trading securities receivable	7,459,935	6,901,611
Accounts receivable - forfeiting	4,400,120	7,912,584
Lease receivables	4,164,820	6,424,942
Settlement price	3,997,006	6,798,639
Others	<u>10,507,828</u>	<u>9,362,078</u>
	103,083,481	95,485,594
Less: Unrealized interest revenue	(213,786)	(378,214)
Allowance for bad debts	<u>(2,650,275)</u>	<u>(2,917,166)</u>
	<u>\$ 100,219,420</u>	<u>\$ 92,190,214</u>

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

	For the Year Ended December 31	
	2017	2016
Balance, January 1	\$ 2,917,166	\$ 3,006,575
Allowance	412,184	125,341
Loans reclassified to nonperforming loans	(255,585)	(1,790)
Write-off	(390,636)	(282,887)
Recovery of written-off credit	40,274	105,974
Effect of exchange rate changes	<u>(73,128)</u>	<u>(36,047)</u>
Balance, December 31	<u>\$ 2,650,275</u>	<u>\$ 2,917,166</u>

For the information on impairment loss analysis of receivables, please refer to Note 58.
The amount of receivables pledged as collateral for the Group please refer to Note 52.

13. DISCOUNTS AND LOANS, NET

	December 31	
	2017	2016
Short-term loans	\$ 72,264,667	\$ 60,824,456
Medium-term loans	171,185,239	152,145,653
Long-term loans	55,425,459	42,061,948
Loans reclassified to nonperforming loans	455,444	708,046
Export negotiations	17,155	139,441
Policy loans	24,244,766	-
Automatic premium loans	<u>5,614,425</u>	<u>-</u>
	329,207,155	255,879,544
Less: Allowance for bad debts	(3,966,481)	(3,429,672)
Less: Discounts on loans	<u>(93,311)</u>	<u>(72,880)</u>
	<u>\$ 325,147,363</u>	<u>\$ 252,376,992</u>

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

	For the Year Ended December 31	
	2017	2016
Balance, January 1	\$ 3,429,672	\$ 3,115,696
Allowance	346,034	121,292
Recovery of written-off credits	797,261	802,286
Write-off	(548,559)	(563,785)
Reduction and exemption	(31,253)	(31,610)
Effects of exchange rate changes	(65,666)	(14,207)
Effect of changes in consolidated entities	<u>38,992</u>	<u>-</u>
Balance, December 31	<u>\$ 3,966,481</u>	<u>\$ 3,429,672</u>

For the information on impairment loss analysis of discounts and loans, please refer to Note 58.

14. REINSURANCE ASSETS

	December 31	
	2017	2016
Claims recoverable from reinsurers	\$ 201,338	\$ -
Due from reinsurers and ceding companies	<u>38,403</u>	<u>-</u>
Reinsurance reserve assets		
Ceded unearned premium reserve	49,879	-
Ceded reserve for claims	<u>12,484</u>	<u>-</u>
	<u>62,363</u>	<u>-</u>
	<u>\$ 302,104</u>	<u>\$ -</u>

15. HELD-TO-MATURITY FINANCIAL ASSETS, NET

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Corporate bonds	\$ 108,256,527	\$ -
Government bonds	51,739,979	-
Bank debentures	<u>38,889,516</u>	<u>300,000</u>
	<u>\$ 198,886,022</u>	<u>\$ 300,000</u>

China Life Insurance has the intent and ability to hold held-to-maturity financial assets to maturity. Only when the credit of issuers deteriorated, or when the issuers made redemption in advance would China Life Insurance dispose non-material portion of held-to-maturity financial assets before its maturity date. The book value, realized gains or losses, and the percentage of the book value of held-to-maturity financial assets at the beginning of the period book value are as follow:

	<u>December 31, 2017</u>
Book value	\$ 4,337,628
Realized gains or losses	184,365
The percentage of book value of held-to-maturity financial assets at the beginning of the year	3.46%

16. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	<u>December 31</u>			
	<u>2017</u>		<u>2016</u>	
	<u>Carrying Amount</u>	<u>%</u>	<u>Carrying Amount</u>	<u>%</u>
CDIB & Partners Investment Holding Corporation	\$ 6,040,521	34	\$ 4,988,044	34
CDIB Capital Asia Partners L.P.	3,582,136	-	2,109,639	-
KGI Securities (Thailand) Public Company Limited	2,192,355	35	2,160,555	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,674,714	-	1,165,320	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,369,820	-	960,603	-
CDIB Biomedical Venture Capital Corporation	719,342	43	582,599	34
CDIB CME Fund Ltd.	635,089	46	568,380	40
Others	<u>161,035</u>		<u>140,664</u>	
	<u>\$ 16,375,012</u>		<u>\$ 12,675,804</u>	

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

	For the Year Ended December 31	
	2017	2016
The Group's share of:		
Net profit for the year	\$ 813,662	\$ 331,612
Other comprehensive income	<u>960,044</u>	<u>250,018</u>
Total comprehensive income for the year	<u>\$ 1,773,706</u>	<u>\$ 581,630</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, 2017 and 2016 were based on the associates' financial statements audited by the auditors.

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

17. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investment in structured entities

The Corporation's subsidiaries have equities of structured entities which the Corporation's subsidiaries do not have significant influence but rights and obligations in accordance with the contract.

December 31, 2017

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Available-for-sale financial assets	\$ 378,545	\$ 1,356,184	\$ -	\$ 1,734,729
Financial assets measured at cost	5,616,943	-	-	5,616,943
Debt instruments with no active value	-	-	62,258,577	62,258,577
Maximum exposure	5,995,488	1,356,184	62,258,577	69,610,249

December 31, 2016

	Private Equity Fund	Real Estate Investment Trust	Real Estate Beneficiary Certificate	Total
Financial assets measured at cost	\$ 6,135,403	\$ -	\$ -	\$ 6,135,403
Maximum exposure	6,135,403	-	-	6,135,403

b. Management on structured entities

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.

	December 31	
	2017	2016
Management on private equity fund		
Total assets	\$ 21,713,595	\$ 15,250,696
Total liabilities	127,922	17,840
Investments accounted for using the equity method	6,721,477	4,235,562
Financial assets at fair value through profit or loss	312,781	-
Maximum exposure	7,034,258	4,235,562

18. RESTRICTED ASSETS

	December 31	
	2017	2016
Restricted demand deposits	\$ 40,757,666	\$ 27,519,235
Accounts receivable	101,685	105,831
Others	<u>114,386</u>	<u>308,858</u>
	<u>\$ 40,973,737</u>	<u>\$ 27,933,924</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 53), 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 52.

19. OTHER FINANCIAL ASSETS

	December 31	
	2017	2016
Debt instruments with no active market	\$ 647,998,509	\$ 2,083,503
Separate-account insurance products	61,824,990	-
Guarantee deposits received on futures contracts	20,656,857	36,201,863
Financial assets measured at cost	16,156,027	19,491,762
Time deposits with original maturities over three months	4,707,175	5,573,703
Pledged time deposit	1,029,134	744,223
Others	<u>237,801</u>	<u>190,022</u>
	<u>\$ 752,610,493</u>	<u>\$ 64,285,076</u>

a. Debt Instruments with no active value

	December 31	
	2017	2016
Bank debentures	\$ 463,062,285	\$ 581,022
Corporate bonds	97,972,448	-
Real estate mortgage bonds	60,589,707	-
Government bonds	29,385,024	-
Others	1,276,165	1,502,481
Less: Refundable deposits	<u>(4,287,120)</u>	<u>-</u>
	<u>\$ 647,998,509</u>	<u>\$ 2,083,503</u>

b. Separate-account insurance products

1) Separate-account insurance products - assets and liabilities

	Assets
	December 31, 2017
Cash in banks	\$ 838,493
Financial assets at fair value through profit or loss	60,904,301
Other receivables	<u>82,196</u>
	<u>\$ 61,824,990</u>
	Liabilities
	December 31, 2017
Reserve for separate-account	\$ 61,371,597
Other payables	<u>453,393</u>
	<u>\$ 61,824,990</u>

2) Separate-account insurance products - revenues and expenses

	Revenues
	For the Year Ended December 31, 2017
Premium income	\$ 2,319,555
Losses from financial assets and liabilities at fair value through profit or loss	1,700,622
Interest income	91
Other revenues	58,189
Foreign exchange losses	<u>(159,439)</u>
	<u>\$ 3,919,018</u>

	Expenses For the Year Ended December 31, 2017
Insurance claim payments	\$ 2,450,703
Net change in separate-account reserve	885,926
Custodian fee	<u>582,389</u>
	<u>\$ 3,919,018</u>

3) The rebate from counterparties in the investment-linked insurance business for the years ended December 31, 2017 was \$92,531 thousand.

c. Financial assets measured at cost

	December 31	
	2017	2016
Unlisted stocks - common stock	\$ 6,016,468	\$ 7,818,874
Unlisted overseas partnership fund	5,616,943	6,135,403
Others	<u>4,522,616</u>	<u>5,537,485</u>
	<u>\$ 16,156,027</u>	<u>\$ 19,491,762</u>
Classified according to financial asset measurement categories		
Available-for-sale financial assets	\$ 15,350,439	\$ 18,043,472
Financial assets at FVTPL	<u>805,588</u>	<u>1,448,290</u>
	<u>\$ 16,156,027</u>	<u>\$ 19,491,762</u>

CDIB Capital Group and subsidiaries disposed of certain financial assets measured at cost with carrying amount of \$1,754,216 thousand and \$2,107,720 thousand during the year ended December 31, 2017 and 2016, respectively, recognizing disposal gain of \$2,699,637 thousand, \$1,659,162 thousand, respectively.

For the information on other financial assets pledged as collateral for the Group, please refer to Note 52.

20. INVESTMENT PROPERTY

	December 31	
	2017	2016
Land	\$ 19,983,888	\$ 1,879,859
Buildings and facilities	<u>5,466,206</u>	<u>299,497</u>
	<u>\$ 25,450,094</u>	<u>\$ 2,179,356</u>

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

	<u>For the Year Ended December 31</u>	
	2017	2016
<u>Cost</u>		
Beginning balance	\$ 2,838,006	\$ 2,682,688
Additions	99,397	31,152
Disposal	(119,750)	(3,863)
Effect of increase in consolidated subsidiaries	23,266,469	-
Reclassification	<u>63,345</u>	<u>128,029</u>
Ending balance	<u>26,147,467</u>	<u>2,838,006</u>
<u>Accumulated depreciation</u>		
Beginning balance	(160,115)	(134,095)
Depreciation	(39,257)	(8,166)
Disposal	1,570	415
Reclassification	<u>(522)</u>	<u>(18,269)</u>
Ending balance	<u>(198,324)</u>	<u>(160,115)</u>
<u>Accumulated impairment</u>		
Beginning balance	(498,535)	(500,282)
(Loss) reversal of impairment	<u>(514)</u>	<u>1,747</u>
Ending balance	<u>(499,049)</u>	<u>(498,535)</u>
Carrying amount	<u>\$ 25,450,094</u>	<u>\$ 2,179,356</u>

The above items of investment property are depreciated on a straight-line basis over the estimated economics lives 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, 2017 and 2016 were \$25,123,845 thousand and \$4,147,015, respectively. Investment property was categorized into Level 3.

The Group had development of the vacant land and prepayments for buildings without construction license, and the carrying amount was \$2,520,574 thousand on December 31, 2017. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

Except KGI Securities and its subsidiaries arrived at the fair value of their investment properties without independent appraisers, but referred to available external appraisal reports and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for valuation of their investment properties. The valuation applied sales comparison approach which compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach which 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 52.

21. PROPERTY AND EQUIPMENT

	December 31	
	2017	2016
Land	\$ 20,516,124	\$ 8,831,716
Buildings and facilities	6,490,061	4,368,108
Computer equipment	846,248	525,987
Transportation equipment	8,482	3,363
Other equipment	355,604	236,998
Leasehold improvements	337,852	302,598
Leased assets	<u>571,395</u>	<u>240,303</u>
	29,125,766	14,509,073
Prepayments for acquisition of properties	<u>1,754,925</u>	<u>3,843</u>
	<u>\$ 30,880,691</u>	<u>\$ 14,512,916</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, 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>\$ 302,598</u>	<u>\$ 240,303</u>	<u>\$ 3,843</u>	<u>\$ 14,512,916</u>
Cost									
Balance at January 1, 2017	\$ 8,837,807	\$ 6,617,306	\$ 1,309,908	\$ 20,736	\$ 1,770,372	\$ 723,167	\$ 323,076	\$ 3,843	\$ 19,606,215
Additions	-	45,860	220,263	1,780	60,657	148,767	441,965	366,490	1,285,782
Disposals	-	(26,569)	(103,048)	(8,844)	(115,508)	(35,490)	(38,849)	(2,207)	(330,515)
Reclassification	(82,106)	9,697	69,085	-	38,279	(8,869)	(10,721)	(18,919)	(3,554)
Effects of changes on consolidated subsidiaries	11,814,677	2,237,668	270,974	5,259	111,586	72	-	1,405,773	15,846,009
Effect of exchange rate changes	-	-	(7,634)	(261)	(48,101)	(19,932)	-	(55)	(75,983)
Balance at December 31, 2017	<u>20,570,378</u>	<u>8,883,962</u>	<u>1,759,548</u>	<u>18,670</u>	<u>1,817,285</u>	<u>807,715</u>	<u>715,471</u>	<u>1,754,925</u>	<u>36,327,954</u>
Accumulated depreciation and impairment									
Balance at January 1, 2017	(6,091)	(2,249,198)	(783,921)	(17,373)	(1,533,374)	(420,569)	(82,773)	-	(5,093,299)
Additions	(48,163)	(229,408)	(226,002)	(1,785)	(85,209)	(101,327)	(90,736)	-	(782,630)
Disposals	-	25,817	100,703	8,844	113,710	33,601	21,337	-	304,012
Reclassification	-	58,888	(8,096)	-	-	-	8,096	-	58,888
Effect of exchange rate changes	-	-	4,016	126	43,192	18,432	-	-	65,766
Balance at December 31, 2017	<u>(54,254)</u>	<u>(2,393,901)</u>	<u>(913,300)</u>	<u>(10,188)</u>	<u>(1,461,681)</u>	<u>(469,863)</u>	<u>(144,076)</u>	<u>-</u>	<u>(5,447,263)</u>
Balance at December 31, 2017, net	<u>\$ 20,516,124</u>	<u>\$ 6,490,061</u>	<u>\$ 846,248</u>	<u>\$ 8,482</u>	<u>\$ 355,604</u>	<u>\$ 337,852</u>	<u>\$ 571,395</u>	<u>\$ 1,754,925</u>	<u>\$ 30,880,691</u>

The above items of property and equipment are depreciated on a straight-line basis over the estimated economic lives 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	1-15 years
Transportation equipment	2-15 years

Other equipment	
Office furniture and equipment	2-10 years
Others	5-10 years
Leasehold improvements	1-10 years
Leased assets	1-20 years

For the information on property and equipment pledged as collateral for the Group, please refer to Note 52.

22. INTANGIBLE ASSETS

	December 31	
	2017	2016
Purchase policy value	\$ 13,155,578	\$ -
Operation rights	4,859,555	5,527,201
Goodwill	3,347,646	1,895,744
Computer software	770,545	489,037
Others	<u>36,396</u>	<u>36,396</u>
	<u>\$ 22,169,720</u>	<u>\$ 7,948,378</u>

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

	Purchase Policy Value	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	-	-	-	199,448	-	199,448
Acquired in a business combination	-	-	76,975	-	-	76,975
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>\$ -</u>	<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>\$ -</u>	<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>\$ -</u>	<u>\$ 5,527,201</u>	<u>\$ 1,895,744</u>	<u>\$ 489,037</u>	<u>\$ 36,396</u>	<u>\$ 7,948,378</u>
<u>Cost</u>						
Balance at January 1, 2017	\$ -	\$ 8,542,562	\$ 1,895,744	\$ 951,286	\$ 51,994	\$ 11,441,586
Additions	-	-	-	340,531	-	340,531
Acquired in a business combination	13,320,077	-	1,698,925	144,174	-	15,163,176
Disposals	-	-	(194,850)	(17,570)	-	(212,420)

(Continued)

	Purchase Policy Value	Operation Rights	Goodwill	Computer Software	Others	Total
Reclassification	\$ -	\$ -	\$ -	\$ 4,760	\$ -	\$ 4,760
Effects of exchange rate changes	-	-	(52,173)	(114)	-	(52,287)
Balance at December 31, 2017	<u>\$ 13,320,077</u>	<u>\$ 8,542,562</u>	<u>\$ 3,347,646</u>	<u>\$ 1,423,067</u>	<u>\$ 51,994</u>	<u>\$ 26,685,346</u>
Accumulated amortization and impairment						
Balance at January 1, 2017	\$ -	\$ (3,015,361)	\$ -	\$ (462,249)	\$ (15,598)	\$ (3,493,208)
Amortization	(164,499)	(667,646)	-	(207,668)	-	(1,039,813)
Disposals	-	-	-	17,378	-	17,378
Effects of exchange rate changes	-	-	-	17	-	17
Balance at December 31, 2017	<u>\$ (164,499)</u>	<u>\$ (3,683,007)</u>	<u>\$ -</u>	<u>\$ (652,522)</u>	<u>\$ (15,598)</u>	<u>\$ (4,515,626)</u>
Balance at December 31, 2017, net	<u>\$ 13,155,578</u>	<u>\$ 4,859,555</u>	<u>\$ 3,347,646</u>	<u>\$ 770,545</u>	<u>\$ 36,396</u>	<u>\$ 22,169,720</u>

(Concluded)

The above items of intangible assets are amortized on a straight-line basis over the estimated economic lives as follows:

Operation rights	7-20 years
Computer software	3-6 years

23. OTHER ASSETS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Prepayment - surface rights	\$ 13,382,227	\$ -
Operating guarantee deposits	7,454,004	1,417,056
Guarantee deposits paid	5,979,918	9,401,359
Security borrowing margins	2,330,427	2,810,965
Prepaid expense	1,022,925	987,651
Others	<u>1,886,370</u>	<u>1,691,384</u>
	<u>\$ 32,055,871</u>	<u>\$ 16,308,415</u>

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

For the information on other assets pledged as collateral for the Group, please refer to Note 52.

24. DEPOSITS FROM THE CENTRAL BANK AND BANKS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Call loans from banks	\$ 27,975,434	\$ 29,863,422
Deposits from Chunghwa Post Co., Ltd.	<u>892,522</u>	<u>1,215,347</u>
	<u>\$ 28,867,956</u>	<u>\$ 31,078,769</u>

25. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Bank debentures	\$ 37,306,248	\$ 51,255,621
Corporate bonds	36,527,243	23,943,163
Government bonds	<u>26,344,136</u>	<u>44,361,659</u>
	<u>\$ 100,177,627</u>	<u>\$ 119,560,443</u>
Repurchased amounts	<u>\$ 100,376,007</u>	<u>\$ 119,817,493</u>
Last maturity date	April 2018	March 2017

26. COMMERCIAL PAPER PAYABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Commercial paper payable	\$ 20,553,799	\$ 17,558,460
Less: Unamortized discount	<u>(4,407)</u>	<u>(8,663)</u>
	<u>\$ 20,549,392</u>	<u>\$ 17,549,797</u>
Rate	0.41%-1.57%	0.48%-1.87%
Last maturity date	January 2019	October 2017

As of December 31, 2017, Ta Ching Finance Corporation, China Bills Finance Corporation, Grand Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Dah Chang Bills Finance Corporation, Shanghai Commercial Bank, Sunny Bank, Union Bills Finance Corporation, Taiwan Business Bank, Taishin International Bank, Far Eastern International Bank, Hua Nan Commercial Bank and Taipei Star Bank guaranteed the above commercial paper. However, some commercial paper which amounted to \$14,327,188 thousand, had no guarantee.

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.

27. PAYABLES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Accounts payable for settlement	\$ 45,054,894	\$ 35,954,518
Guaranteed price deposits received from securities borrowers	12,510,125	10,869,488
Accrued expenses	6,039,704	3,528,890
Payable on insurance policies	4,579,736	-
Settlement proceeds	4,577,576	2,875,364
Securities financing guarantee deposits	3,129,677	2,681,255
Others	<u>9,738,895</u>	<u>4,427,813</u>
	<u>\$ 85,630,607</u>	<u>\$ 60,337,328</u>

28. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Time deposits	\$ 198,081,691	\$ 182,288,180
Saving deposits	99,318,877	98,220,082
Demand deposits	40,173,703	29,969,608
Negotiable CDs	22,502,900	1,896,300
Checking deposits	2,505,161	2,853,653
Inward remittance	<u>146,737</u>	<u>224,141</u>
	<u>\$ 362,729,069</u>	<u>\$ 315,451,964</u>

29. BONDS PAYABLE

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Corporate bonds payable	\$ 29,000,000	\$ 25,000,000
Bank debentures payable	<u>1,000,000</u>	<u>2,684,236</u>
	<u>\$ 30,000,000</u>	<u>\$ 27,684,236</u>

Corporate Bonds Payable

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
1st corporate bonds in 2009 - the Corporation	\$ -	\$ 1,000,000
1st corporate bonds in 2011 - the Corporation	1,000,000	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 2017 - the Corporation	10,000,000	-
1st corporate bonds in 2015 - KGI Securities	<u>7,000,000</u>	<u>7,000,000</u>
	<u>\$ 29,000,000</u>	<u>\$ 25,000,000</u>
Fair value	<u>\$ 29,457,956</u>	<u>\$ 25,314,561</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 September 2017, the Corporation issued \$10,000,000 thousand of 1st unsecured corporate bonds in 2017 with par value of \$1,000 thousand. The bond terms were as follows:

- a. Issue period:

Bond A: Seven years.

Bond B: Ten years.

Bond C: Fifteen years.

- b. Issue coupon/interest rate:

Bond A: 1.75% fixed annual interest rate.

Bond B: 1.90% fixed annual interest rate.

Bond C: 2.10% 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 September 2024, Bond B will mature in September 2027 and Bond C will mature in September 2032.

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
	2017	2016			
P06 KGIB1	\$ 1,000,000	\$ -	2017.05.19-2020.05.19	Principal due on maturity interest payable annually	0.9%
04 KGIB2	-	2,750,000	2008.01.09-2017.12.13	Principal due on maturity interest payable annually	0%
	<u>1,000,000</u>	<u>2,750,000</u>			
Unamortized discount	<u>-</u>	<u>(65,764)</u>			
Net amount	<u>\$ 1,000,000</u>	<u>\$ 2,684,236</u>			
Fair value	<u>\$ 1,002,863</u>	<u>\$ 2,672,291</u>			

30. OTHER BORROWINGS

	December 31	
	2017	2016
Short-term credit borrowings	\$ 15,566,162	\$ 9,575,993
Note issuance facility	4,899,515	4,799,568
Short-term secured borrowings	4,816,052	5,036,020
Long-term credit borrowings	<u>422,532</u>	<u>466,877</u>
	<u>\$ 25,704,261</u>	<u>\$ 19,878,458</u>
Rate	0.5%-4.75%	0.65%-9.45%
Last maturity date	October 2020	December 2019

31. PROVISIONS

	December 31	
	2017	2016
Insurance liabilities	\$ 1,284,198,018	\$ -
Foreign exchange valuation reserve	2,703,763	-
Provisions for employee benefits	1,106,252	931,377
Others	<u>441,071</u>	<u>442,290</u>
	<u>\$ 1,288,449,104</u>	<u>\$ 1,373,667</u>

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

As at December 31, 2017, movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	December 31	
	2017	2016
Reserve for life insurance liabilities	\$ 1,263,844,149	\$ -
Unearned premium reserve	3,384,890	-
Reserve for claims	1,544,777	-
Special reserve	6,259,742	-
Premium deficiency reserve	<u>9,164,460</u>	<u>-</u>
	<u>\$ 1,284,198,018</u>	<u>\$ -</u>

a. Reserve for life insurance liabilities:

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 940,755,861	\$ 59,541,345	\$ 1,000,297,206
Health insurance	104,884,793	-	104,884,793
Annuity insurance	664,066	156,189,075	156,853,141
Investment-linked insurance	<u>1,809,009</u>	<u>-</u>	<u>1,809,009</u>
	<u>\$ 1,048,113,729</u>	<u>\$ 215,730,420</u>	<u>\$ 1,263,844,149</u>

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

Movement in reserve for life insurance liabilities is summarized below:

	For Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ -	\$ -	\$ -
Effect of changes in consolidated entities	998,810,334	217,889,832	1,216,700,166
Reserve	61,463,190	6,965,533	68,428,723
Recover	(10,667,349)	(8,912,713)	(19,580,062)
Gains on foreign exchange	<u>(1,492,446)</u>	<u>(212,232)</u>	<u>(1,704,678)</u>
Ending balance	<u>\$ 1,048,113,729</u>	<u>\$ 215,730,420</u>	<u>\$ 1,263,844,149</u>

b. Unearned premium reserve

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 1,213	\$ -	\$ 1,213
Individual injury insurance	1,037,088	-	1,037,088
Individual health insurance	1,764,841	-	1,764,841
Group insurance	527,757	-	527,757
Investment-linked insurance	53,934	-	53,934
Annuity insurance	<u>-</u>	<u>57</u>	<u>57</u>
	<u>3,384,833</u>	<u>57</u>	<u>3,384,890</u>
Less ceded unearned premium reserve			
Individual life insurance	14,836	-	14,836
Individual injury insurance	1,006	-	1,006
Individual health insurance	27,308	-	27,308
Group insurance	1,766	-	1,766
Investment-linked insurance	<u>4,963</u>	<u>-</u>	<u>4,963</u>
	<u>49,879</u>	<u>-</u>	<u>49,879</u>
Net amount	<u>\$ 3,334,954</u>	<u>\$ 57</u>	<u>\$ 3,335,011</u>

Movement in unearned premium reserve is summarized below:

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ -	\$ -	\$ -
Effect of changes in consolidated entities	3,493,855	65	3,493,920
Reserve	862,768	57	862,825
Recover	<u>(971,790)</u>	<u>(65)</u>	<u>(971,855)</u>
Ending balance	<u>3,384,833</u>	<u>57</u>	<u>3,384,890</u>
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	49,354	-	49,354
Increase	15,374	-	15,374
Decrease	<u>(14,849)</u>	<u>-</u>	<u>(14,849)</u>
Ending balance	<u>49,879</u>	<u>-</u>	<u>49,879</u>
Net amount	<u>\$ 3,334,954</u>	<u>\$ 57</u>	<u>\$ 3,335,011</u>

c. Reserve for claims

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	\$ 244,206	\$ 80,286	\$ 324,492
Unreported claim	-	-	-
Individual injury insurance			
Reported but not paid claim	42,643	-	42,643
Unreported claim	174,687	-	174,687
Individual health insurance			
Reported but not paid claim	113,776	-	113,776
Unreported claim	460,408	-	460,408
Group insurance			
Reported but not paid claim	72,290	-	72,290
Unreported claim	301,794	-	301,794
Investment-linked insurance			
Reported but not paid claim	28,147	-	28,147
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	26,484	26,484
Unreported claim	<u>-</u>	<u>56</u>	<u>56</u>
	<u>1,437,951</u>	<u>106,826</u>	<u>1,544,777</u>

(Continued)

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Less ceded reserve for claims			
Individual life insurance	\$ 2,084	\$ -	\$ 2,084
Individual injury insurance	107	-	107
Individual health insurance	9,493	-	9,493
Group insurance	<u>800</u>	<u>-</u>	<u>800</u>
	<u>12,484</u>	<u>-</u>	<u>12,484</u>
Net amount	<u>\$ 1,425,467</u>	<u>\$ 106,826</u>	<u>\$ 1,532,293</u> (Concluded)

Movement in reserve for claims is summarized below:

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ -	\$ -	\$ -
Effect of changes in consolidated entities	1,484,694	139,498	1,624,192
Reserve	(46,365)	(32,458)	(78,823)
Losses (gains) on foreign exchange	<u>(378)</u>	<u>(214)</u>	<u>(592)</u>
Ending balance	<u>1,437,951</u>	<u>106,826</u>	<u>1,544,777</u>
Less ceded unearned premium reserve			
Beginning balance	-	-	-
Effect of changes in consolidated entities	21,653	-	21,653
Decrease	<u>(9,169)</u>	<u>-</u>	<u>(9,169)</u>
Ending balance	<u>12,484</u>	<u>-</u>	<u>12,484</u>
Net amount	<u>\$ 1,425,467</u>	<u>\$ 106,826</u>	<u>\$ 1,532,293</u>

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

d. Special reserve

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	\$ 6,259,742	\$ -	\$ 6,259,742
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,259,742</u>	<u>\$ -</u>	<u>\$ 6,259,742</u>

Movement in special reserve is summarized below:

	For the Year Ended December 31, 2017
	Insurance Contract
Beginning balance	\$ -
Effect of changes in consolidated entities	5,792,803
Reserve for participating policy dividend reserve	<u>466,939</u>
Ending balance	<u>\$ 6,259,742</u>

e. Special capital reserve for major incidents and fluctuation of risks

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 1,893	\$ -	\$ 1,893
Individual injury insurance	846,176	-	846,176
Individual health insurance	2,286,647	-	2,286,647
Group insurance	2,857,669	-	2,857,669
Annuity insurance	<u>-</u>	<u>593</u>	<u>593</u>
	<u>\$ 5,992,385</u>	<u>\$ 593</u>	<u>\$ 5,992,978</u>

f. Premium deficiency reserve

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 9,042,441	\$ -	\$ 9,042,441
Individual injury insurance	<u>122,019</u>	<u>-</u>	<u>122,019</u>
	<u>\$ 9,164,460</u>	<u>\$ -</u>	<u>\$ 9,164,460</u>

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

Movement in premium deficiency reserve is summarized below:

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ -	\$ -	\$ -
Effect of changes in consolidated entities Reserve	10,161,474	-	10,161,474
Recover	238,749	-	238,749
Losses (gains) on foreign exchange	(1,207,303)	-	(1,207,303)
	<u>(28,460)</u>	<u>-</u>	<u>(28,460)</u>
Ending balance	<u>\$ 9,164,460</u>	<u>\$ -</u>	<u>\$ 9,164,460</u>

g. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature
	December 31, 2017
Reserve for life insurance liabilities	\$ 1,263,844,149
Unearned premium reserve	3,384,890
Premium deficiency reserve	9,164,460
Special reserve	<u>6,259,742</u>
Book value of insurance liabilities	<u>\$ 1,282,653,241</u>
Estimated present value of cash flows	<u>\$ 974,892,299</u>
Balance of liability adequacy reserve	<u>\$ -</u>

Liability adequacy testing methodology is listed as follows:

Test method	December 31, 2017
	Gross Premium Valuation Method (GPV)
Groups	Integrated testing
Assumptions	Adopt the best estimated scenario investment return on the most recent actuary report (the actuary report of 2016), and discount rates were evaluated with consideration of current information.

h. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

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

2) Adjustment in foreign exchange valuation reserve

	For the Year Ended December 31, 2017
	Insurance Contract
Beginning balance	\$ -
Effect of changes in consolidated entities Reserve	2,800,849
Compulsory reserve	252,467
Extra reserve	<u>55,714</u>
	308,181
Recover	<u>(405,267)</u>
Ending balance	<u>\$ 2,703,763</u>

3) Effects due to foreign exchange valuation reserve

Item	For the Year Ended December 31, 2017		
	Inapplicable Amount (1)	Applicable Amount (2)	Effects (2) - (1)
Net income	\$ 6,030,262	\$ 9,083,972	\$ 3,053,710
Earnings per share (dollar)	1.59	2.40	0.81
Foreign exchange valuation reserve	-	2,703,763	2,703,763
Equity	96,157,695	95,337,747	(819,948)

32. 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 \$444,209 thousand in 2017 and \$375,308 thousand in 2016, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to \$5,963 thousand and \$14,687 thousand for the years ended December 31, 2017 and 2016, 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. The employees of the KGI Securities' foreign subsidiary, PT KGI Sekuritas Indonesia, are members of a state-managed retirement benefit plan operated by the government of Indonesia. The remeasurement of defined benefit plans recognized in other comprehensive income were \$103 thousand in 2017 and \$0 thousand in 2016, respectively.

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.

China Life Insurance adopted a pension plan under the Labor Pension Act, which is a state-managed defined contribution plan. China Life Insurance contributes monthly a proportion amount 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, China Life Insurance 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, China Life Insurance 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	
	2017	2016
Present value of defined benefit obligation	\$ 3,054,510	\$ 2,749,772
Fair value of plan assets	<u>(2,066,808)</u>	<u>(1,952,036)</u>
Net defined benefit liability	<u>\$ 987,702</u>	<u>\$ 797,736</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, 2016	<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>
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>

The Group (excluding China Life Insurance)

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	\$ 2,749,772	\$ (1,952,036)	\$ 797,736
Service cost			
Current service cost	25,963	-	25,963
Net interest expense (income)	<u>38,663</u>	<u>(27,277)</u>	<u>11,386</u>
Recognized in profit or loss	<u>64,626</u>	<u>(27,277)</u>	<u>37,349</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	9,142	9,142
Actuarial gain - changes in demographic assumptions	55,685	-	55,685
Actuarial gain - changes in financial assumptions	34,555	-	34,555
Actuarial gain - experience adjustments	<u>32,040</u>	<u>3,029</u>	<u>35,069</u>
Recognized in other comprehensive income	<u>122,280</u>	<u>12,171</u>	<u>134,451</u>
Contributions from the employer	-	(85,417)	(85,417)
Benefits paid	<u>(205,212)</u>	<u>205,212</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 2,731,466</u>	<u>\$ (1,847,347)</u>	<u>\$ 884,119</u>

China Life Insurance

	Present Value of the Defined Benefit Obligation	Fair Value of the Plan Assets	Net Defined Benefit Liability (Asset)
Balance at January 1, 2017	\$ 303,737	\$ (216,349)	\$ 87,388
Service cost			
Current service cost	644	-	644
Net interest expense (income)	<u>5,194</u>	<u>(3,981)</u>	<u>1,213</u>
Recognized in profit or loss	<u>5,838</u>	<u>(3,981)</u>	<u>1,857</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	2,655	2,655
Actuarial gain - changes in demographic assumptions	8,076	-	8,076
Actuarial gain - changes in financial assumptions	9,290	-	9,290
Actuarial gain - experience adjustments	<u>11,811</u>	<u>-</u>	<u>11,811</u>
Recognized in other comprehensive income	<u>29,177</u>	<u>2,655</u>	<u>31,832</u>
Contributions from the employer	-	(17,494)	(17,494)
Benefits paid	<u>(15,708)</u>	<u>15,708</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 323,044</u>	<u>\$ (219,461)</u>	<u>\$ 103,583</u>

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</u> <u>December 31</u>	
	2017	2016
Discount rates	0.95%	1.35%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	2017	2016
Discount rates	0.95%	1.35%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	2017	2016
Discount rates	1.39%-1.44%	1.50%-1.60%
Expected rates of salary increase	2.00%	2.00%

KGI Bank and subsidiaries

	<u>Valuation at</u> <u>December 31</u>	
	2017	2016
Discount rates	0.95%-1.38%	1.35%-1.38%
Expected rates of salary increase	2.50%-3.00%	2.50%-3.00%

China Life Insurance

	Valuation at December 31, 2017
Discount rates	1.31%
Expected rates of salary increase	0.00%-1.79%

China Development Asset Management Corporation

	Valuation at December 31	
	2017	2016
Discount rates	0.95%	1.35%
Expected rates of salary increase	2.50%	2.50%

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:

The Group (excluding China Life Insurance)

	December 31	
	2017	2016
Discount rate(s)		
0.25-0.50% increase	<u>\$ (113,482)</u>	<u>\$ (120,685)</u>
0.25-0.50% decrease	<u>\$ 137,209</u>	<u>\$ 138,108</u>
Expected rate(s) of salary increase		
0.25-0.50% increase	<u>\$ 133,712</u>	<u>\$ 134,632</u>
0.25-0.50% decrease	<u>\$ (111,307)</u>	<u>\$ (118,725)</u>

China Life Insurance

	December 31, 2017
Discount rate(s)	
0.50% increase	<u>\$ (21,655)</u>
0.50% decrease	<u>\$ 23,505</u>
Expected rate(s) of salary increase	
1.00% increase	<u>\$ 44,701</u>
1.00% decrease	<u>\$ (39,063)</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.

	December 31	
	2017	2016
The expected contributions to the plan for the next year	<u>\$ 68,852</u>	<u>\$ 94,466</u>
The average duration of the defined benefit obligation	3.94-19.88 years	4.2-20.7 years

33. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Separate-account product liabilities	\$ 61,824,990	\$ -
Principal received on structured notes	24,247,363	26,299,389
Customers' equity accounts - futures	22,679,896	36,066,932
Others	<u>374,126</u>	<u>387,509</u>
	<u>\$ 109,126,375</u>	<u>\$ 62,753,830</u>

34. OTHER LIABILITIES

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Guarantee deposits received	\$ 16,557,996	\$ 12,654,078
Temporary receipts and suspense accounts	1,892,848	453,673
Collections for others	1,715,340	1,808,971
Advance receipts	1,080,765	197,079
Others	<u>254,241</u>	<u>438,407</u>
	<u>\$ 21,501,190</u>	<u>\$ 15,552,208</u>

35. EQUITY

a. Share capital

Common stock

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Number 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>14,976,820</u>	<u>14,974,421</u>
Shares issued	<u>\$ 149,768,196</u>	<u>\$ 149,744,213</u>

b. Capital surplus

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Arising from treasury stock transactions	\$ 985,211	\$ 821,193
Share-based payments awards	87,867	81,539
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	182,755
Arising from share of changes in capital surplus of associates	13,728	13,728
Capital surplus-issue of stock in excess	<u>5,919</u>	<u>5,306</u>
	<u>\$ 1,173,719</u>	<u>\$ 1,104,521</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. 09900738571 issued by FSC and Rule No. 10000002891 issued under Regulations Governing Securities Firms, 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.

When transitioning to IFRSs, the Group recognizes or reserves special revenue, 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".

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 directors 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.

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 June 16, 2017 and May 16, 2016, the shareholders' meeting approved the resolution on the appropriations from the earnings of 2016 and 2015, respectively, including bonus to employees and remuneration to directors and supervisors, as follows:

	Earnings Appropriation		Dividends Per Share (NT\$)	
	2016	2015	2016	2015
Legal reserve	\$ 592,308	\$ 852,823		
Special reserve (reversed)	(949,694)	2,463,255		
Cash dividends	7,487,871	7,487,006	\$ 0.5	\$ 0.5

The appropriation of earnings of 2017 has not yet been approved by the board of directors as of the date of auditors' report.

Related information can be accessed at the Market Observation Post System website of the Taiwan Stock Exchange (<http://emops.tse.com.tw>).

e. Non-controlling interests

	For the Year Ended December 31	
	2017	2016
Balance at January 1	\$ 3,608,921	\$ 3,606,912
Attributable to non-controlling interests		
Share of profit for the year	670,182	63,823
Exchange difference on translation of foreign financial statements	(7,910)	(5,156)
Unrealized losses on available-for-sale financial assets	2,811,543	(6,061)
Actual gains (losses) arising from defined benefit plans	(17,555)	142
Payment of cash dividends by subsidiaries	(35,828)	(59,476)
Effect of changes in consolidated entities	77,926,364	8,737
Treasury stock acquired by subsidiaries	(3,413,272)	-
Others	<u>1,621</u>	<u>-</u>
Balance at December 31	<u>\$ 81,544,066</u>	<u>\$ 3,608,921</u>

36. SUBSIDIARY INFORMATION OF NON-CONTROLLING INTERESTS

Subsidiaries	The Main Place of Business	Non-controlling Interests Held by the Proportion of Equity <hr/> December 31, 2017
China Life Insurance Company Limited	Taipei	65.04%
		Net Income Attributed to Non-controlling Interests <hr/> For the Year Ended December 31, 2017
China Life Insurance Company Limited		<u>\$ 623,968</u>
		Non-controlling Interests <hr/> December 31, 2017
China Life Insurance Company Limited		<u>\$ 77,939,388</u>
<u>China Life Insurance Company Limited</u>		
		December 31, 2017
Total assets		\$ 1,494,361,519
Total liabilities		<u>1,375,535,670</u>
Equity		<u>\$ 118,825,849</u>
Equity attributable to:		
Owners of parent		\$ 40,886,461
Non-controlling interest		<u>77,939,388</u>
		<u>\$ 118,825,849</u>

	For the Year Ended December 31, 2017
Revenue	<u>\$ 81,398,841</u>
Net profit for the year	\$ 959,337
Other comprehensive income	<u>4,308,549</u>
Total comprehensive income	<u>\$ 5,267,886</u>
Net profit attributable to:	
Owners of parent	\$ 335,369
Non-controlling interest	<u>623,968</u>
	<u>\$ 959,337</u>
Comprehensive income attributable to:	
Owners of parent	\$ 1,841,569
Non-controlling interest	<u>3,426,317</u>
	<u>\$ 5,267,886</u>
Cash flows	
From operating activities	\$ 45,748,996
From investing activities	(21,171,611)
From financing activities	<u>20,140,228</u>
Net increase in cash	<u>\$ 44,717,613</u>

37. 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, 2017</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>323,232</u>	<u>196,630</u>	<u>800</u>	<u>519,062</u> (Continued)

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> (Concluded)

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 \$3,063,126 thousand and \$2,438,842 thousand on December 31, 2017 and 2016, respectively. The Corporation's shares held by CDIB Capital Group are also treated as treasury stock and recognized book value on the swap date. On September 25, 2017, under the approval of the CDIB Capital Group's board of directors who had been authorized to exercise the rights on behalf of the shareholders' meeting, CDIB Capital Group reduced its capital by reducing its Corporation's shares held. The effective date of the reduction was December 29, 2017. The market prices of the shares were \$166,408 thousand on December 31, 2016. The Corporation's shares held by China Life Insurance are also treated as treasury stock and recognized book value on the completion day of acquisition. The market prices of the shares were \$1,995,793 thousand on December 31, 2017, respectively.

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.

38. INTEREST PROFIT, NET

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Interest revenues</u>		
Securities	\$ 15,427,235	\$ 1,021,522
Discounts and loans	8,088,661	6,703,391
Margin loans and refinancing margin	1,920,396	1,829,691
Due from and call loans to banks	376,153	630,631
Others	<u>1,653,549</u>	<u>1,206,736</u>
	<u>27,465,994</u>	<u>11,391,971</u>
<u>Interest expenses</u>		
Deposits	2,812,184	2,353,664
Notes and bonds issued under repurchase agreements	1,169,779	802,220
Borrowing interest expense	362,575	326,311
Corporate bonds	338,727	378,335
Others	<u>712,317</u>	<u>471,939</u>
	<u>5,395,582</u>	<u>4,332,469</u>
Interest profit, net	<u>\$ 22,070,412</u>	<u>\$ 7,059,502</u>

39. SERVICE FEE AND COMMISSION, NET

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
<u>Service fee revenue and commission income</u>		
Brokerage	\$ 8,433,577	\$ 7,067,626
Commission income - insurance	1,120,452	1,250,448
Security lending	559,872	404,304
Trust	539,951	334,793
Others	<u>1,142,914</u>	<u>707,025</u>
	<u>11,796,766</u>	<u>9,764,196</u>
<u>Service fee expense and commission expense</u>		
Commission expense - insurance	2,753,999	-
Brokerage	1,198,565	1,249,320
Consignment settlement and delivery	251,017	250,569
Commission expense - other	191,901	270,041
Agency	125,186	137,270
Dealing handling fee	69,390	147,866
Others	<u>430,846</u>	<u>201,238</u>
	<u>5,020,904</u>	<u>2,256,304</u>
Service fee and commission, net	<u>\$ 6,775,862</u>	<u>\$ 7,507,892</u>

40. INSURANCE BUSINESS, NET

	For the Year Ended December 31	
	2017	2016
<u>Insurance business income</u>		
Premium income	\$ 63,087,658	\$ -
Reinsurance premium expense	(381,640)	-
Changes in unearned premium reserve	<u>109,555</u>	<u>-</u>
Retained earned premium	62,815,573	-
Separate-account insurance products revenues	<u>3,919,018</u>	<u>-</u>
	<u>66,734,591</u>	<u>-</u>
<u>Insurance business expense</u>		
Insurance claim payments	(23,614,637)	-
Claims recovered from reinsures	<u>194,792</u>	<u>-</u>
Retained claim payments	(23,419,845)	-
Brokerage expense	(4,747)	-
Disbursements toward industry stability fund	(119,888)	-
Changes in foreign exchange valuation reserve	97,086	-
Separate-account insurance products expenses	<u>(3,919,018)</u>	<u>-</u>
	<u>(27,366,412)</u>	<u>-</u>
Insurance business, net	<u>\$ 39,368,179</u>	<u>\$ -</u>

41. GAIN ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL, NET

	For the Year Ended December 31	
	2017	2016
Derivatives	\$ 7,062,643	\$ 832,292
Operating securities	3,589,174	2,180,515
Stocks	734,891	602,185
Mutual funds	277,118	(438,902)
Call (put) warrants	167,705	486,426
Bonds	(109,193)	1,455,007
Others	<u>(2,273,785)</u>	<u>(201,745)</u>
	<u>\$ 9,448,553</u>	<u>\$ 4,915,778</u>

For the years ended December 31, 2017 and 2016, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of \$1,397,229 thousand and \$2,217,615 thousand, respectively, dividend income of \$736,236 thousand and \$616,151 thousand, respectively and interest expense of \$768,241 thousand and \$371,070 thousand, respectively.

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

	For the Year Ended December 31	
	2017	2016
Gain on stock disposal	\$ 4,892,115	\$ 709,595
Gain on bond disposal	1,289,347	607,504
Dividend income	1,260,836	782,942
Others	<u>(28,918)</u>	<u>14,702</u>
	<u>\$ 7,413,380</u>	<u>\$ 2,114,743</u>

43. IMPAIRMENT LOSS ON ASSETS, NET

	For the Year Ended December 31	
	2017	2016
Financial assets measured at cost	\$ 779,353	\$ 559,205
Impairment loss of intangible assets	194,850	12,502
Available-for-sale financial assets	102,841	646,561
Others	<u>117,663</u>	<u>2,887</u>
	<u>\$ 1,194,707</u>	<u>\$ 1,221,155</u>

44. GAIN ON FINANCIAL ASSETS MEASURED AT COST

	For the Year Ended December 31	
	2017	2016
Gain on security disposal	2,588,991	\$ 1,600,017
Dividend income	381,412	358,727
Distributions of fund capital gain	50,592	308,038
Others	<u>4,230</u>	<u>140,508</u>
	<u>\$ 3,025,225</u>	<u>\$ 2,407,290</u>

45. NET OTHER NONINTEREST PROFIT AND GAIN

	For the Year Ended December 31	
	2017	2016
Gain on debts investment without active market	\$ 1,082,529	\$ 406,634
Revenue from underwriting	743,027	877,749
Gain on sale of nonperforming loans	182,917	150,105
Rental income	167,244	114,509
Revenue from providing agency service for stock affairs	143,739	138,599
Others	<u>163,592</u>	<u>463,643</u>
	<u>\$ 2,483,048</u>	<u>\$ 2,151,239</u>

46. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Employee benefit expense		
Salaries and wages	\$ 11,683,204	\$ 9,780,543
Employee insurance	735,078	594,286
Pension	488,140	443,951
Others	<u>852,302</u>	<u>595,796</u>
	<u>\$ 13,758,724</u>	<u>\$ 11,414,576</u>
Depreciation and amortization expenses	<u>\$ 1,814,357</u>	<u>\$ 1,472,993</u>

The Company's Articles of Incorporation stipulate to distribute employees' compensation and remuneration to directors and supervisors at the rates no less than 1% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration to directors and supervisors. The employees' compensation bonus of employees and remuneration to directors and supervisors for 2017 and 2016 which have been approved in the shareholders' meetings on March 26, 2018 and March 27, 2017, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2016 were reported on the shareholders meeting on June 16, 2017.

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Employees' compensation to employees	\$ 116,000	\$ 59,000
Remuneration of directors and supervisors	110,000	58,000

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

There was no difference between the amounts recognized in the financial statements for the years ended December 31, 2017 and 2016.

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>).

47. OTHER GENERAL ADMINISTRATIVE EXPENSES

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Taxation	\$ 1,437,079	\$ 1,478,633
Rental	1,039,805	1,037,631
Computer information	685,618	705,947
Professional services	649,813	725,678
Postage	402,721	338,696
Others	<u>2,214,594</u>	<u>2,091,267</u>
	<u>\$ 6,429,630</u>	<u>\$ 6,377,852</u>

48. 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	
	2017	2016
Current income tax		
Current year	\$ 1,173,526	\$ 513,397
Prior years	<u>(147,351)</u>	<u>(110,347)</u>
	1,026,175	403,050
Deferred income tax	<u>1,128,156</u>	<u>720,875</u>
Income tax expense recognized in profit or loss	<u>\$ 2,154,331</u>	<u>\$ 1,123,925</u>

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

	For the Year Ended December 31	
	2017	2016
Income tax expenses at the statutory rate	\$ 3,162,089	\$ 2,599,751
Permanent differences	(2,511,704)	(2,100,655)
Unrecognized temporary differences	33,661	(120,810)
Loss carryforwards	1,221,185	300,000
Prior year's adjustments	(140,262)	(110,347)
Additional income tax under the Alternative Minimum Tax Act	385,643	426,362
Others	<u>3,719</u>	<u>129,624</u>
Income tax expenses	<u>\$ 2,154,331</u>	<u>\$ 1,123,925</u>

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.

In February 2018, it was announced by the President that the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate will be adjusted from 17% to 20%. In addition, the rate of the corporate surtax applicable to 2018 unappropriated earnings will be reduced from 10% to 5%.

As the status of 2017 appropriations of earnings is uncertain, the potential income tax consequences of 10% of 2017 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	
	2017	2016
Deferred income tax		
Unrealized gain (loss) on available-for-sale financial assets	\$ (208,848)	\$ 3,805
Actuarial gain (loss) on defined benefit plans	<u>(18,770)</u>	<u>(9,497)</u>
	<u>\$ (227,618)</u>	<u>\$ (5,692)</u>

d. Deferred tax assets and liabilities

	December 31	
	2017	2016
<u>Deferred tax assets</u>		
Unrealized loss on foreign exchange	\$ 5,582,056	\$ 30,727
Loss carryforwards	2,539,109	4,078,274
Allowance for bad debts	587,393	554,725
Others	<u>373,304</u>	<u>248,327</u>
	<u>\$ 9,081,862</u>	<u>\$ 4,912,053</u>
<u>Deferred tax liabilities</u>		
Purchase policy value	\$ 2,631,116	\$ -
Debt investment without active market	1,340,808	-
Unrealized gain on available-for-sale financial assets	1,047,151	11,301
Goodwill	909,342	909,342
Investment property	870,197	-
Gain on financial asset at fair value through profit or loss	844,660	38,280
Land value increment tax	763,324	406,642
Held-to-maturity financial assets	635,894	-
Others	<u>348,962</u>	<u>122,320</u>
	<u>\$ 9,391,454</u>	<u>\$ 1,487,885</u>

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

The Corporation

	December 31	
	2017	2016
Loss carryforwards		
Expiry in 2019	\$ 117,069	\$ 792,798
Expiry in 2021	<u>378,146</u>	<u>411,369</u>
	<u>\$ 495,215</u>	<u>\$ 1,204,167</u>

CDIB Capital Group

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Loss carryforwards		
Expiry in 2019	\$ -	\$ 46,525
Expiry in 2021	<u>380,488</u>	<u>422,212</u>
	<u>\$ 380,488</u>	<u>\$ 468,737</u>

KGI Bank

	<u>December 31</u>	
	<u>2017</u>	<u>2016</u>
Loss carryforwards		
Expiry in 2017	\$ 4,156,938	\$ 2,186,453
Expiry in 2018	9,738,114	7,424,143
Expiry in 2019	<u>3,910,829</u>	<u>1,136,463</u>
	<u>\$ 17,805,881</u>	<u>\$ 10,747,059</u>

- f. Information about unused investment credits, unused carryforward and tax-exemption as of December 31, 2017, investment tax credits comprised:

KGI Bank

Remaining Creditable Amount	Expiry Year
\$ 4,156,938	2017
13,762,127	2018
10,187,530	2019
2,624,589	2020
<u>1,240,412</u>	2021
<u>\$ 31,971,596</u>	

- g. Integrated income tax

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

The Corporation's creditable tax ratio for the distribution of earnings of 2016 was 13.85%.

Since the amended Income Tax Act announced in February 2018 abolished the imputation tax system, related information for 2017 is not applicable for the distribution of earnings of the Corporation.

Under the Income Tax Law, for distribution of earnings generated from January 1, 1998 to December 31, 2016, 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 Corporation had no unappropriated earnings generated before January 1, 1998.

h. Income tax assessments

The Corporation's income tax returns through 2012 had been examined by the tax authorities. The Corporation disagreed with the tax authorities' assessments of its 2011 tax returns and thus filed tax appeals.

Income tax returns of CDIB Management Consulting Corporation, and CDC Finance & Leasing Corp. for the years through 2015 had been examined by the tax authorities. Income tax returns of KGI Bank, and formerly Wanyin Insurance Broker for the years through 2014 had been examined by the tax authorities.

The income tax returns of formerly Grand Cathay through 2013 had been examined by the tax authorities. Formerly Grand Cathay disagreed with the tax authorities' assessments of its 2011 and 2013 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 2009 through 2013. As a result, KGI filed tax appeals.

Income tax returns of KGI Insurance Brokers Co. and KGI Securities Investment Advisory Co., Ltd., and KGI Information Technology Co., Ltd. through 2016 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 2015 had been examined by the tax authorities.

CDIB Capital Group's income tax returns through 2012 had been examined by the tax authorities.

Income tax returns of CDIB Capital Management Inc., formerly R.O.C. Strategic Company Ltd., formerly CDIB Strategic Venture Fund Ltd. and formerly China Venture Management Inc., through 2015 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2013 had been examined by the tax authorities.

Income tax return of China Development Asset Management Corp., CHG 3, CHG4 and Development Industrial Bank Asset Management Corp., through 2015 had been examined by the tax authorities.

China Life Insurance's income tax returns through 2015 had been examined by the tax authorities.

45. EARNINGS PER SHARE

(New Taiwan Dollars)

	<u>For the Year Ended December 31</u>	
	<u>2017</u>	<u>2016</u>
Basic EPS	<u>\$ 0.80</u>	<u>\$ 0.40</u>
Diluted EPS	<u>\$ 0.80</u>	<u>\$ 0.40</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>	
	2017	2016
Earnings used in the computation of EPS	<u>\$ 11,695,285</u>	<u>\$ 5,923,081</u>

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

	<u>For the Year Ended December 31</u>	
	2017	2016
Weighted average number of common shares outstanding in computation of basic EPS	14,583,551	14,662,151
Effect of potentially dilutive common shares:		
Restricted shares	5,424	7,913
Employee share options	<u>3,260</u>	<u>1,137</u>
Weighted average number of common shares outstanding in computation of diluted EPS	<u>14,592,235</u>	<u>14,671,201</u>

50. 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			
	2017		2016	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	73,211	\$ 8.43	74,320	\$ 9.01
Options exercised	(1,077)	7.65	(410)	6.81
Options invalid	<u>(8,016)</u>	8.41	<u>(699)</u>	8.86
Balance at December 31	<u>64,118</u>	7.93	<u>73,211</u>	8.43
Options exercisable, end of year	<u>41,556</u>	7.92	<u>34,594</u>	8.38
Weighted-average remaining contractual life (years)	3.62		4.63	

The weighted-average share prices at the date of exercise of share options from January 1 to December 31, 2017 and 2016 were \$9.23 and \$7.83.

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, 2017 and 2016 were \$5,645 thousand and \$16,077 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 board of directors of the Corporation has decided to issue restricted shares plan which is \$13,216 thousand in total, and \$10 per face value totaled 1,322 thousand shares with issue price of \$0 (free issuance) at January 19, 2017. Further, the board of directors made January 25, 2017 as the base-date for capital increase. Fair value on the payment day of the stock was \$7.98.

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, 2017 and 2016, the Corporation recognized \$23,435 thousand and \$45,054 thousand as compensation cost.

51. 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, 2017	\$ 67,571	-
December 31, 2016	10,582	-

For the years ended December 31, 2017 and 2016, the interest revenues from cash in bank were \$223 thousand and \$3,363 thousand, respectively.

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

	Amount	%
December 31, 2017	\$ 262,228	-
December 31, 2016	240,836	1

For the years ended December 31, 2017 and 2016, the interest revenues from due from banks were both 0 thousand.

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

	Amount	%
December 31, 2016	\$ 31,609	-

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2017</u>		
Other related parties	\$ 701,044	\$ 299,896
<u>For the year ended December 31, 2016</u>		
Other related parties	97,143	1,689,580

5) Purchase and sale of securities

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

6) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2017	\$ 244,416	-
December 31, 2016	131,210	-

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

	Amount	%
December 31, 2017	\$ 23,919	-
December 31, 2016	12,245	-

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

	Amount	%
December 31, 2017	\$ 16,772	-
December 31, 2016	16,619	-

9) Other receivables (recognized as receivables, net)

	Amount	%
December 31, 2017	\$ 6,102	-
December 31, 2016	14,584	-

10) Discounts and loans, net

	Amount	%	Interest Rate (%)
December 31, 2017	\$ 962,341	-	1.54-15.00
December 31, 2016	912,472	-	1.54-15.00

For the years ended December 31, 2017 and 2016, the interest revenues from discounts and loans were \$15,117 thousand and \$15,293 thousand, respectively.

For the Year Ended December 31, 2017

(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	44	\$ 36,768	\$ 19,006	\$ 19,006	\$ -	None	Yes
Residential mortgage loans	78	1,183,655	933,659	933,659	-	Real estate	Yes
Others	16	30,209	9,676	9,676	-	Deposit/real estate	Yes

For the Year Ended 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

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	\$ 4,096,960	14	\$ 4,322,790	14

For the years ended December 31, 2017 and 2016, the interest expenses from call loans from banks were \$22,345 thousand and \$5,891 thousand, respectively.

12) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2017	\$ 61,219	-
December 31, 2016	715,372	1

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

	Amount	%
December 31, 2017	\$ 6,286	-
December 31, 2016	47,186	-

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

	Amount	%
December 31, 2017	\$ 6,902	-
December 31, 2016	52,173	-

15) Other payables (recognized as payables)

	Amount	%
December 31, 2017	\$ 69,938	-
December 31, 2016	20,113	-

16) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2017	\$ 1,278,464	-	0-5.58
December 31, 2016	866,299	-	0-5.80

For the years ended December 31, 2017 and 2016, the interest expenses from deposits and remittances were \$7,126 thousand and \$7,967 thousand, respectively.

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

	Amount	%
December 31, 2017	\$ 298,480	-

For the years ended December 31, 2017 and 2016, the interest expenses from short-term borrowings were \$5,159 thousand and \$3,432 thousand, respectively.

18) Customers' equity accounts - futures

	Amount	%
December 31, 2017	\$ 42,647	-
December 31, 2016	45,184	-

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

	For the Year Ended December 31	
	Amount	%
2017	\$ 19,710	-
2016	19,833	-

20) Consulting service revenue

	For the Year Ended December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	\$ 483,405	42	\$ 487,166	41

21) Net other noninterest profit and gain

	For the Year Ended December 31	
	Amount	%
2017	\$ 12,180	1
2016	13,799	1

22) Insurance revenue (recognized as net income from insurance operation)

	For the Year Ended December 31	
	Amount	%
2017	\$ 39,097	-

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

	For the Year Ended December 31	
	Amount	%
2017	\$ 40,000	1
2016	77,000	1

24) Outstanding derivative financial instruments

KGI Bank

December 31, 2017

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate contracts	March 17, 2017 - April 7, 2047	\$ 11,431,784	\$ (493,670)	Financial liabilities at FVTPL	\$ 493,670

China Life Insurance

**For the Year Ended
December 31**

	Amount	%
Financial assets at FVTPL	\$ 65,887	-

25) Compensation of key management personnel

For the Year Ended December 31

	2017	2016
Salary and short-term benefits	\$ 341,631	\$ 270,041
Share-based payment	20,976	34,369
Post-employment benefits	<u>2,527</u>	<u>15,193</u>
	<u>\$ 365,134</u>	<u>\$ 319,603</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 KGI Bank.

Based on the Banking Act 32 and 33, except for consumer loans and government loans, credits extended by 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:

KGI Bank and subsidiaries

<u>Related Party</u>	<u>Relationship with the Bank and Subsidiaries</u>
China Development Financial Holding Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Securities	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company (Note)
Others	Other related parties

Note: Since the public tender of the parent company, it became the related party.

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	\$ 262,228	2	\$ 234,544	3

2) Futures Contract (recognized as cash and cash equivalents and Financial assets at FVTPL)

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 391,201	-

3) Receivables from securities sale (recognized as receivables)

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 157,021	1

4) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2017</u>		
Subsidiary of the parent company	\$ 2,847,280	\$ 6,632,791
<u>For the year ended December 31, 2016</u>		
Subsidiary of the parent company	6,817,930	1,523,921

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	\$ 4,096,960	14	\$ 4,322,790	14

6) Deposits and remittances

	Amount	%	Interest Rate (%)
<u>December 31, 2017</u>			
Parent company	\$ 974,422	-	0-0.57
Subsidiary of the parent company	12,720,348	3	0-1.03
<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

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	\$ 412,845	100	\$ 379,060	100

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

8) Outstanding derivative financial instrument

December 31, 2017

(In Thousands of New Taiwan Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Valuation Gain (Loss)	Balance Sheet	
					Account	Balance
Other related parties	Interest rate swap contracts	March 17, 2017 - April 7, 2047	\$ 11,431,784	\$ (493,670)	Financial liabilities at FVTPL	\$ 493,670
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	March 23, 2016 - March 1, 2020	508,220	6,070	Financial assets at FVTPL	10,412
	Asset swap - option	March 23, 2016 - February 13, 2020	508,220	(72,664)	Financial liabilities at FVTPL	77,745
	Interest rate swap contracts	November 4, 2016 - January 24, 2020	955,136	(763)	Financial liabilities at FVTPL	4,883
	Currency swap contracts	February 15, 2017 - September 21, 2018	7,014,280	11,733	Financial liabilities at FVTPL	60,367

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

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
China Development Financial Holding Corporation	Parent company
CDIB Capital Group	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company (Note)
Others	Other related parties

Note: Since the public tender of the parent company, it became the related party.

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 4,360,264	28	\$ 2,663,508	16

2) Available-for-sale financial assets - current

	December 31			
	2017		2016	
	Amount	%	Amount	%
<u>Stock</u>				
Parent company	\$ 3,063,126	91	\$ 2,438,842	26

3) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2017</u>		
Subsidiary of the parent company	\$ 6,632,791	\$ 6,807,872
Other related parties	650,453	249,960
<u>For the year ended December 31, 2016</u>		
Subsidiary of the parent company	1,523,921	6,817,931
Other related parties	-	1,689,580

4) Purchase and sale of securities

	Purchase of Securities
<u>For the year ended December 31, 2017</u>	
Subsidiary of the parent company	\$ 112,345

5) Guarantee deposits received in futures contracts

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 2,042,540	9	\$ 846,673	2

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

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 192,353	-

7) Restricted assets (recognized as other assets)

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,036,153	2	\$ 1,427,905	5

8) Short-term borrowings

	December 31, 2017	
	Amount	%
Other related parties	\$ 298,480	1

9) Notes and bonds issued under repurchase agreement

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

10) Customers' equity accounts - futures

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 362,052	2

11) Payables

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 158,640	-

12) Current tax liabilities

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	\$ 340,456	46	\$ 275,787	39

13) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

	December 31	
	2017	2016
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 508,220	\$ 114,000

b) Asset swap option contracts - call

	December 31	
	2017	2016
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 508,220	\$ 114,000

c) Interest rate swap contracts

	December 31	
	2017	2016
	Contract Amount (Principal)	Contract Amount (Principal)
Subsidiary of the parent company	\$ 955,136	\$ 710,138

CDIB Capital Group and subsidiaries

Related Party	Relationship with the CDIB Capital Group and Subsidiaries
China Development Financial Holding Corporation	Parent company
KGI Securities	Subsidiary of the parent company
KGI Bank	Subsidiary of the parent company
China Life Insurance	Subsidiary of the parent company (Note)
Others	Other related parties

Note: Since the public tender of the parent company, it became the related party.

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 5,089,039	40	\$ 21,621,323	74

2) Revenue receivable (recognized as receivable, net)

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	\$ 118,497	22	\$ 128,793	23

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	\$ 339,279	98	\$ 461,986	99

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

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

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

5) Purchase and sale of securities

	Sale of Securities
<u>For the year ended December 31, 2017</u>	
Subsidiary of the parent company	\$ 112,345

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

	December 31			
	2017		2016	
	Amount	%	Amount	%
Parent company	\$ 323,549	97	\$ 386,864	98

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

7) Consulting service revenue

	December 31			
	2017		2016	
	Amount	%	Amount	%
Other related parties	\$ 242,153	43	\$ 257,763	50

China Life Insurance

Related Party	Relationship with the China Life Insurance
China Development Financial Holding Corporation	Parent company (Note)
KGI Securities	Subsidiary of the parent company (Note)
KGI Bank	Subsidiary of the parent company (Note)
CDIB Capital Group	Subsidiary of the parent company (Note)
Others	Other related parties

Note: Since the acquisition of China Development Financial Holding Corporation, the Company became the related party.

1) Available-for-sale financial assets

	December 31, 2017	
	Amount	%
Parent company	\$ 5,709,053	1

2) Receivable from securities sale (recognized as receivables)

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 104,227	1

52. 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	
	2017	2016
Available-for-sale financial assets - negotiable CDs	\$ 10,804,495	\$ -
Other assets - operating guarantee deposits	7,454,004	1,417,056
Due from the Central Bank and call loans to banks	6,520,000	21,230,000
Property and equipment, net	4,827,689	4,862,154
Receivables - lease receivables	2,541,307	2,983,362
Other financial assets - pledged time deposits	1,029,134	744,223
Financial assets at fair value through profit or loss - bonds and stocks	356,457	251,947
Investment property, net	348,297	353,477
Other assets - competitive bid transactions guarantee	299,258	419,426
Available-for-sale financial assets - bonds and stocks	180,596	3,015,063
Other assets - guarantee deposit paid	130,584	389,585
Restricted assets - impound account	62,258	48,012
Restricted assets - Checking accounts - restricted for agent's stock transfer purposes	52,128	62,566

Note: 88,500 thousand of China Life Insurance' shares held by KGI Securities have been pledged.

53. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 56 and 58 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\$370,737 thousand based on the exchange rate of December 31, 2017) was reclassified to “other financial liabilities”. The litigation had not yet been concluded as of December 31, 2017. 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. On June 14, 2010, the plaintiffs sued KGI Securities, Taiwan Kolin Co., Ltd., the principal of formerly management team, Moore Stephens and the auditor 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.
- 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. The case KGI Bank acted vigorously in regards to Prince Motors' overdue debt. In December 2012, a third party regards filed a lawsuit claiming that KGI Bank fraudulently infringed upon the property rights of creditors (credit litigation amounted to \$481,157 thousand) on Dun Nan building. On February 14, 2014, the Taipei District Court judged that KGI Bank lost the lawsuit and has to return the amount of \$1,786,318 thousand for re-allocation. KGI Bank has appealed on March 10, 2014, and the original adjudication in favor of the third party was revoked by the court, which indicated KGI Bank on the second trial. The third party filed an appeal but the court rejected the third party's appeal on July 26, 2017. Third party then filed appeal for third trial and the case was currently pending with the Supreme Court.
- f. 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 \$721,778 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, 2017.
- g. On December 16 2016, the Company signed the contract with CHUNG-LU Construction Co., Ltd. for the construction of Taipei Academy, and on March 1, 2016 signed the first contract change protocol, modify the total amount of the contract is \$5,623,913 thousand. As of December 31, 2017, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is \$308,187 thousand and unpaid amount is \$5,315,726 thousand.
- h. On October 19, 2017, China Life Insurance's board of directors approved the acquisition of the following from Allianz Taiwan Life Insurance Co., Ltd.: A portion of the traditional insurance policies and additional attachments valued at NT\$1 dollar (based on the evaluation as of December 31, 2016). China Life Insurance has undertaken from Allianz Taiwan Life Insurance's reserve of insurance policies of NT\$27.6 billion and the corresponding assets of NT\$49.8 billion. The acquisition of the assets will be adjusted on the actual settlement date. This acquisition has been approved by the authority.

54. BUSINESS COMBINATION

- a. 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	3,094
Assets subtotal	<u>229,912</u>
Liabilities	
Financial liabilities	(108,462)
Other liabilities	(21)
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.

b. China Life Insurance

To establish comprehensive domain of financial distribution, enhance operating ability and scale of assets and further enhance the return on equity, the Corporation acquired 25.33% shares of China Life Insurance through public tender offer. Thus, China Life Insurance is a subsidiary of the Corporation as defined by the Financial Holding Company Act. The 25.33% shares plus 9.63% of ordinary shares (excluding hedging accounts of financial derivative) held by a subsidiary, KGI Securities, equals to 34.96% shares of China Life Insurance.

- 1) The consideration of the acquisition distributed by cash was \$30,800,000 thousand.
- 2) Assets acquired and liabilities assumed on the acquisition date were as follows:

	Fair Value on Acquisition Date
Financial assets (include cash and cash equivalent \$16,959,162)	\$ 1,368,742,655
Property, equipment and investment property	39,102,635
Intangible assets	13,464,251
Other assets	25,198,203
Financial liabilities	(12,364,748)
Insurance liabilities	(1,237,772,554)
Other liabilities	<u>(79,263,575)</u>
	<u>\$ 117,106,867</u>

- 3) Non-controlling interests of China Life Insurance, which accounted for 65.04% of ownership, were measured at the fair value of \$79,733,854 thousand on the acquisition date. The fair value was estimated by market approach.
- 4) The goodwill of China Life Insurance of \$1,698,925 thousand was the consideration in the public tender offer and the value of shares held by a subsidiary and the value of non-controlling interests in total of \$118,805,792 thousand minus identifiable intangible assets of \$117,106,867 thousand.

5) The impact of business combination on business performance

From the acquisition date to December 31, 2017, net revenue and net profit attributable to the acquiree were \$51,090,406 thousand and \$959,337 thousand, respectively. Had the acquisition happened on January 1, 2017, the proforma net revenue and net profit of the subsidiary for the year ended December 31, 2017 would be \$193,769,305 thousand and \$16,586,212 thousand, respectively. The proforma amounts are for the illustration purpose only and could not reflect the actual revenue and operating performance of the entity. Neither should it be used to forecast the operating performance in the future.

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

Consolidated Profitability

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.88	0.81
	After income tax	0.75	0.68
Return on net worth	Before income tax	6.98	4.23
	After income tax	5.94	3.57
Profit margin		14.48	22.07

Profitability of CDFH

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	5.92	3.15
	After income tax	6.05	3.21
Return on net worth	Before income tax	6.87	3.50
	After income tax	7.06	3.60
Profit margin		94.31	90.41

Profitability of KGI Bank

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	0.87	0.87
	After income tax	0.55	0.69
Return on net worth	Before income tax	8.38	8.24
	After income tax	5.30	6.58
Profit margin		28.98	37.35

Profitability of KGI Securities

(%)

Items		December 31, 2017	December 31, 2016
Return on total assets	Before income tax	4.75	1.50
	After income tax	4.61	1.43
Return on net worth	Before income tax	14.05	4.30
	After income tax	13.64	4.09
Profit margin		55.64	25.69

Profitability of China Life Insurance

(%)

Items		December 31, 2017
Return on total assets	Before income tax	0.63
	After income tax	0.65
Return on net worth	Before income tax	9.91
	After income tax	10.30
Profit margin		3.56

56. 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 prices 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, 2017

(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	\$ 12,996,195	\$ -	\$ -	\$ 12,996,195
Bond investments	24,982,960	19,930,069	-	44,913,029
Others	785,808	19,244,125	-	20,029,933
Financial assets designated as at FVTPL	-	23,650,076	1,215,716	24,865,792

(Continued)

	Level I	Level II	Level III	Total
Available-for-sale financial assets				
Stock investments	\$ 146,337,350	\$ 555,487	\$ 17,091,036	\$ 163,983,873
Bond investments	123,530,695	231,267,706	-	354,798,401
Others	8,092,318	30,834,526	1,179,998	40,106,842
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,330,993	3,163,745	-	4,494,738
Financial liabilities designated as at FVTPL	-	17,417,983	-	17,417,983
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets held for trading	655,067	22,340,390	149,201	23,144,658
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	1,349,139	31,032,660	449,041	32,830,840
Financial liabilities designated as at FVTPL	-	986,143	-	986,143
				(Concluded)

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
<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

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 is commonly recognized by the industry. The type of relevant methodology can be roughly divided into analytical solution model (for example: Black-school model) and numerical method model (for example Monet Carlo simulation).

3) Reconciliation of fair value

a) The limitation of valuation techniques and uncertain inputs

Valuation techniques incorporate assumptions are dependent on the instrument type and available market data. However, certain model inputs may be less readily determinable from valuation techniques. In these circumstances, valuation model would adopt additional parameters and/or model assumptions such as model risk or Liquidity Risk and so on, to make fair value adjustment. According to our policies of Valuation management and relevant control procedure, the Corporation's management considers that Valuation adjustments are necessary and appropriate. To 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 classified into Credit value adjustments and Debit value adjustments, and definitions are 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 percent 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, 2017		For the Year Ended December 31, 2016	
	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	\$ -
Available-for-sale financial assets - bond investments	50,663	37,686,358	5,366,966	351,565
Available-for-sale financial assets - stock investments	-	-	-	394,954

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, 2017

(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	\$ 241,384	\$ (45,769)	\$ 77,220	\$ -	\$ (123,634)	\$ -	\$ 149,201
Financial assets designated as at FVTPL	174,265	69,608	971,843	-	-	-	1,215,716
Available-for-sale financial assets	366,045	(223,363)	18,139,175	-	(10,823)	-	18,271,034

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

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

For the Year Ended December 31, 2017

(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	\$ 237,850	\$ 37,889	\$ 1,049,780	\$ -	\$ (876,478)	\$ -	\$ 449,041

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

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, 2017 and 2016 included a gain of \$112,287 thousand and a loss of \$23,630 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)

KGI Bank and subsidiaries

The table below lists quantitative unobservable inputs of Level 3 financial instruments:

	Fair Value at December 31, 2017	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	\$ 143,196	HullWhite, Libor Market Model, discounted cash flow	Quality/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	140,494	HullWhite, Libor Market Model, discounted cash flow	Quality/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, 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	Quality/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	Quality/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.

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, 2017

	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	13.42%-69.92%	According to condition of contract, fair value of asset may be higher or lower.
Equity derivatives - premium - equity option (call option)	Martingale pricing technique	History volatility	19.70%-19.70%	
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.13%-56.98%	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	13.93%-59.80%	According to condition of contract, fair value of liabilities 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.

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.
<u>Financial liabilities</u>				
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.

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.

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, 2017

	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%	\$ 1,217	\$ 1,135
Equity derivative instruments - premium - options (call options)	History volatility	+25%/-25%	4	4
			_____	_____
			<u>\$ 1,221</u>	<u>\$ 1,139</u>
<u>Financial liabilities</u>				
Derivative instruments				
Structured notes - options	History volatility	-25%/+25%	\$ (210)	\$ (175)
Equity derivative instruments - premium - options (put options)	History volatility	-25%/+25%	971	1,103
			_____	_____
			<u>\$ 761</u>	<u>\$ 928</u>

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>

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, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range (Weighted average)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL					
Convertible (exchangeable) corporate bonds	\$ 265,609	Market approach	P/B Lack of liquidity discount	2.34 26%	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; when the higher growth rate, the higher of fair value
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	26% 11.44% 3.0%	
Associates	457,036	Recent strike price	-	-	-
Convertible (exchangeable) preferred stock	248,505	Net asset method	-	-	-
Available-for-sale financial assets	435,236	Recent strike price	-	-	-
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	20% 12.1%-15.4% 2.5%-7.0%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value
		Recent strike price	-	-	

	Fair Value at December 31, 2016	Valuation Technique(s)	Significant Unobservable Inputs	Range (Weighted average)	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	Recent strike price	-	-	-
Convertible preferred stock	16,139	Recent strike price	-	-	-
Available-for-sale financial assets	307,895	Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	20% 11.7% 2.5%-7.2%	When the higher lack of liquidity discount, the lower of fair value; when the higher WACC, the lower of fair value; when the higher growth rate, the higher of fair value
		Recent strike price	-	-	
Derivative financial assets					
Others	9,824	Recent strike price	-	-	-

China Life Insurance

Equity securities are classified into fair value Level 3 financial asset by China Life Insurance. Quantitative information about the significant unobservable input was set out below:

December 31, 2017				
	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Financial assets at fair value through profit or loss				
Private convertible bonds	Option	Volatility in stock price for the three-month period	26.727%	The higher the volatility in stock price for the three-month period, the higher the fair value of convertible bonds
<u>Available-for-sale</u>				
Stock	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value
Stock	Market approach	Control premium	0%-10%	The higher the control premium, the higher the estimated fair value
Stock	Discounted cash flow approach	Long-term operating profit, long-term average cost of capital	6.51%	The higher the long-term average cost of capital, the lower the estimated fair value
Stock	Net asset value approach	N/A	N/A	N/A
Private equity fund	Net asset value approach	N/A	N/A	N/A

7) Pricing process of Level III fair value

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.

KGI Securities and subsidiaries

When KGI Securities has derivatives that do not have available fair value or categorized as financial assets with no active market, reasonableness 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.

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.

China Life Insurance

China Life Insurance is responsible for validating the fair value measurements and ensuring that the results of the valuation are in line with market conditions and the sources are independent, reliable, based on independent and reliable inputs which are consistent with other information, and represent exercisable prices. China Life Insurance analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed according to China Life Insurance's accounting policies at each reporting date.

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, held to maturity financial assets, debt instruments with no active market investment properties, guarantee deposits paid, 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 20.

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 adopt valuation methods or counter-parties' quote as their fair value.

2) The fair value hierarchy of financial instruments were as follows:

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level I	Level II	Level III	Total
<u>Financial assets</u>				
Held to maturity financial assets	\$ 120,725,199	\$ 81,225,149	\$ -	\$ 201,950,348
Investments accounted for using the equity method	2,830,066	-	-	2,830,066
Debt instrument with no active market	74,365,024	575,027,180	-	649,392,204
<u>Non-financial assets</u>				
Investment property, net	-	-	25,123,845	25,123,845
<u>Financial liabilities</u>				
Bank debentures payable	-	1,002,863	-	1,002,863

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

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) Held-to-maturity financial assets with quoted price in an active market adopt market prices as fair value; held-to-maturity financial assets with no quoted price in an active market adopt valuation methods or counter-parties' quote as their fair value.
- e) The value of the debt instrument with no active market is referred to the estimated fair value from the counter-party.
- f) 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.
- g) For fair value measurement of investment property, refer to Note 20.

57. INFORMATION OF INSURANCE CONTRACTS

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

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

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

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

2) Risk management policies, procedures and methods:

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

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

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

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

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

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

- a) Risk identification related to matching of assets and liabilities.
- b) Risk measurement related to matching of assets and liabilities.
- c) Risk responses related to matching of assets and liabilities.

b. Information of insurance risks

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

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

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

As at December 31, 2017, assuming a 5% change in mortality, morbidity, surrender and expenses, and a decrease in investment return of 0.1%, all insurance contracts and financial instruments with discretionary participation feature will not cause China Life Insurance's insurance liability inadequate.

2) Interpretation for concentration of insurance risks

- a) China Life Insurance's insurance business is mainly in Taiwan, Republic of China and there is no significant difference in insurance risk between each region. China Life Insurance had set tolerable cumulative risk limits for each risk unit and incident. Insurance risks that exceed the limits will be transferred through reinsurance. Please refer to Note 31 for concentration of risk before and after the reinsurance for China Life Insurance.
- b) Furthermore, according to "Regulations Governing the Setting Aside of Various Reserves by Insurance Enterprises", the annual increased special capital reserve, excluding taxes, for major incidents and fluctuation of risks for abnormal changes in loss ratio and claims of each type of insurance needs to be recognized in special capital reserve under equity in accordance with IAS 12.

3) Claim development trend

a) Direct business loss development trend

Accident Year	Development Year (NTS)									Reserve for Claims
	1	2	3	4	5	6	7	8	9	
2009	\$ 2,243,111	\$ 2,870,648	\$ 2,924,110	\$ 2,934,461	\$ 2,936,046	\$ 2,939,451	\$ 2,940,095	\$ 2,940,209	\$ 2,940,748	
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902		
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824			
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256				
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355					
2014	3,448,229	4,203,186	4,284,682	4,298,217						
2015	3,518,471	4,403,823	4,479,887							
2016	3,696,639	4,617,098								
2017	4,300,693									\$ 982,988

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims 434,166
Claim reserve for discount on no claim 127,623

Reserve for claims balance \$ 1,544,777

b) Retained business loss development trend

Accident Year	Development Year (NTS)									Reserve for Claims
	1	2	3	4	5	6	7	8	9	
2009	\$ 2,204,858	\$ 2,820,114	\$ 2,862,350	\$ 2,868,022	\$ 2,869,572	\$ 2,872,900	\$ 2,873,529	\$ 2,873,640	\$ 2,874,167	
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699		
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936			
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173				
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405					
2014	3,387,852	4,123,055	4,197,276	4,200,902						
2015	3,456,864	4,319,866	4,388,499							
2016	3,631,913	4,529,075								
2017	4,225,389									\$ 982,081

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims 422,589
Claim reserve for discount on no claim 127,623

Reserve for claims balance \$ 1,532,293

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

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

4) Credit risk:

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

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

5) Liquidity risk:

As at December 31, 2017, the maturity analysis of liquidity risk for insurance contract liabilities are as follow:

December 31, 2017	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
Insurance liabilities of investment contracts with discretionary participation features	\$ (20,408,694)	\$ 9,987,603	\$ 111,026,996	\$ 457,700,212	\$ 2,985,206,011
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-

Note 1: This table estimates net cash flow of all related insurance liabilities at it starting point.

Note 2: The actual maturity date will change according to the exercise of termination right by the policyholders.

Note 3: The table cannot match with the liabilities of balance sheet because the above contracts use the undiscounted contractual cash flow analysis. In addition, it includes the cash inflows of future renewal premiums.

6) Market risk:

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

58. 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 quantitative and qualitative 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.

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.

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 non-subsidiary investments; and Merchandise Review Committee (MRC) sets up the reviewing system of KGI Securities for merchandising, consignment trading, management new business and financial instruments.

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.

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.

China Life Insurance

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

b. Credit risk

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:

	December 31	
	2017	2016
Irrevocable loan commitments, guarantees and letters of credit	\$ 93,355,823	\$ 102,215,434

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, 2017		December 31, 2016	
	Amount	%	Amount	%
Public and private enterprise	\$ 197,705,315	66.42	\$ 173,659,505	67.87
Natural person	99,643,651	33.47	81,877,228	32.00
Non-profit organization	325,866	0.11	342,811	0.13
Total	\$ 297,674,832	100.00	\$ 255,879,544	100.00

b) By region

Region	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Domestic	\$ 225,941,825	75.90	\$ 199,963,503	78.15
Overseas	71,733,007	24.10	55,916,041	21.85
Total	\$ 297,674,832	100.00	\$ 255,879,544	100.00

c) By collateral

Collateral	December 31, 2017		December 31, 2016	
	Amount	%	Amount	%
Non-collateral	\$ 178,769,206	60.06	\$ 159,432,165	62.31
Collateral				
Financial collateral	6,857,650	2.30	5,533,267	2.16
Property	89,144,353	29.95	69,541,082	27.18
Guarantee	16,997,483	5.71	15,837,714	6.19
Other	5,906,140	1.98	5,535,316	2.16
Total	\$ 297,674,832	100.00	\$ 255,879,544	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, 2017	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	\$ 15,698,179	\$ 43,486	\$ 64,953	\$ 15,806,618	\$ 37,122	\$ 194,872	\$ 15,574,624
- other	5,978,176	23,637	1,726,487	7,728,300	1,187,957	48,277	6,492,066
Discount and loans	295,523,731	1,215,585	935,516	297,674,832	486,258	3,438,273	293,750,301

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	2,905,962	252,449,872

Note: The total of discounts and loans is the original amount without the adjustments for premiums or discounts.

b) Credit quality analysis of discounts, loans and receivables of KGI Bank which is not overdue nor impaired by customer

December 31, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Consumer banking					
- mortgage loans	\$ 27,762,808	\$ 12,031,615	\$ 158,841	\$ -	\$ 39,953,264
- cash card	8,177,519	2,800,191	571,461	2,313,105	13,862,276
- micro credit loans	18,203,312	2,402,956	131,530	87,718	20,825,516
- other-secured	18,557,903	1,612,323	75,362	77,038	20,322,626
- other - unsecured	36,502	-	-	-	36,502
Corporate banking					
- secured	13,679,272	19,220,389	23,656,679	2,300,147	58,856,487
- unsecured	34,207,906	67,845,728	33,107,571	6,505,855	141,667,060
Total	\$ 120,625,222	\$ 105,913,202	\$ 57,701,444	\$ 11,283,863	\$ 295,523,731

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, 2017	Neither Overdue Nor Impaired				
	Excellent	Good	Normal	No Ratings	Total (A)
Credit card and credit business					
- credit card business	\$ 747,269	\$ 530,405	\$ 623,286	\$ 643,356	\$ 2,544,316
- forfeiting	803,084	1,399,341	-	2,197,695	4,400,120
- accounts receivable factoring - no recourse	5,220,381	2,545,856	414,862	313,992	8,495,091
- acceptances	-	233,900	24,752	-	258,652
Total	\$ 6,770,734	\$ 4,709,502	\$ 1,062,900	\$ 3,155,043	\$ 15,698,179

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

c) Securities investment credit quality analysis

December 31, 2017	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	\$ 91,497,295	\$ -	\$ -	\$ 91,497,295	\$ -	\$ -	\$ 91,497,295	\$ -	\$ 91,497,295
- negotiable certificates of deposit	30,834,526	-	-	30,834,526	-	-	30,834,526	-	30,834,526
Debt instrument with no active market	5,523,388	-	-	5,523,388	-	-	5,523,388	-	5,523,388

Note 1: Available-for-sale financial assets other than the above investment in bonds have an initial cost of \$5,865,555 thousand, loss on valuation of \$534,881 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, 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.

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, 2017		
	1 Month	Over 1 Month - 3 Months	Total
Credit card business	\$ 22,548	\$ 20,938	\$ 43,486
Discount and loans			
Consumer banking			
- mortgage loans	224,158	41,454	265,612
- cash card	264,761	58,552	323,313
- small-scale credit loans	303,909	92,686	396,595
- other - secured	116,562	41,731	158,293
- other - unsecured	654	-	654
Corporate banking			
- secured	46,112	625	46,737
- unsecured	24,172	209	24,381

	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

8) Analysis of impairment for financial assets

Analysis of KGI Bank and subsidiaries' impairment for discounts, loans and receivables and accumulated impairment are as follows:

Items		Discounts and Loans		Allowance for Bad Debts	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
With objective evidence of impairment	Assessment of individual impairment	\$ 184,525	\$ 376,736	\$ 42,374	\$ 72,202
	Assessment of collective impairment	750,991	766,935	443,884	451,508
Without objective evidence of impairment	Assessment of collective impairment	296,739,316	254,735,873	3,438,273	2,905,962
Total		297,674,832	255,879,544	3,924,531	3,429,672

Items		Receivables		Allowance for Bad Debts	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
With objective evidence of impairment	Assessment of individual impairment	\$ 1,707,936	\$ 1,900,712	\$ 1,173,526	\$ 1,315,493
	Assessment of collective impairment	83,504	76,569	51,553	49,452
Without objective evidence of impairment	Assessment of collective impairment	21,743,478	28,242,686	243,149	349,635
Total		23,534,918	30,219,967	1,468,228	1,714,580

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, 2017 and 2016, the carrying amounts of the collaterals both were \$0 thousand. The foreclosed collateral recognized as other assets in balance sheet. Besides, KGI Bank had gained on disposal of collaterals with amounts of \$128,237 thousand and \$0 thousand during 2017 and 2016, respectively, and recognized as other non-interest net income.

10) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Asset quality of KGI Bank and subsidiaries' nonperforming loan and overdue credits

Item		December 31, 2017					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 118,803	\$ 59,013,613	0.20%	\$ 706,728	594.87%	
	Unsecured	133,484	141,820,168	0.09%	1,691,518	1,267.20%	
Consumer loan	Mortgage (Note 4)	40,044	40,290,946	0.10%	544,139	1,358.85%	
	Cash card	159,427	14,516,318	1.10%	387,169	242.85%	
	Micro credit (Note 5)	151,855	21,492,486	0.71%	317,929	209.36%	
	Other (Note 6)	Secured	21,368	20,503,800	0.10%	276,542	1,294.20%
		Unsecured	345	37,501	0.92%	506	146.88%
Total		625,326	297,674,832	0.21%	3,924,531	627.60%	
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card		\$ 20,390	\$ 2,648,363	0.77%	\$ 48,842	239.54%	
Account receivable - factored without recourse (Note 7)		3,732	8,498,884	0.04%	116,949	3,134.11%	

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%	

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. 0945000494), allowance for bad debt is recognized once no compensation is made by a factor or insurance company within three months for accounts receivable factored without recourse.

b) Exemption of KGI Bank and subsidiaries’ nonperforming loans and overdue receivables

Items	December 31, 2017		December 31, 2016	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 12,862	\$ 137	\$ 36,467	\$ 182
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	46,561	4,276	29,330	3,928
Total	\$ 59,423	\$ 4,413	\$ 65,797	\$ 4,110

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 pre-negotiation, pre-mediation, rehabilitation, liquidation events and 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 KGI Bank’s credit extensions

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 011850 Manmade fiber manufacturing	\$ 5,899,179	9.64
2	B Group - 012711 Computer manufacturing	4,340,394	7.09
3	C Group -012711 Computer manufacturing	4,199,518	6.86
4	D Group - 012641 LCD and related components manufacturing	4,035,229	6.59
5	E Group - 016700 Real estate brokerage	3,825,000	6.25
6	F Group - 012411 Iron and steel smelting	3,625,759	5.92
7	G Group - 016700 Real estate brokerage	3,468,927	5.67
8	H Group - 012740 Data storage media	3,200,000	5.23
9	I Group - 011512 Manufacture of Paper	3,019,197	4.93
10	J Group - 014510 Merchandise Brokers	2,984,800	4.88

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	K Group - 015100 civil aviation transportation	4,025,770	6.86
4	J Group - 014510 merchandise brokers	3,227,900	5.50
5	D Group - 012641 LCD and related components manufacturing	3,064,630	5.22
6	I Group - 011599 other paper produces not elsewhere classified manufacturing	3,055,979	5.20
7	H Group - 012740 data storage media	2,950,000	5.02
8	G Group - 016700 real estate brokerage	2,779,993	4.73
9	L Group - 012611 integrated circuits manufacturing	2,628,808	4.48
10	M Group - 016811 real estate activities for sale and rental	2,628,185	4.48

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

Taiwan Ratings

Low risk

twAAA - twAA

Medium-low risk

twAA- - twA

Medium risk

twA- - twBBB-

High risk

twBB+ - under twC

3) Quality and past due of financial assets

December 31, 2017

(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	\$ 15,701,224	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,701,224
Financial assets measured at FVTPL - current	47,977,185	914,741	4,518,462	-	-	-	-	53,410,388
Available-for-sale financial assets - current	11,454	-	-	-	-	-	-	11,454
Bonds purchased under resell agreements	13,644,197	7,384,243	100,688	-	-	-	-	21,129,128
Receivables	50,122,706	11,984,186	986,950	3,228	-	-	-	63,097,070
Customers' margin accounts	23,061,445	-	-	-	-	-	-	23,061,445
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,044,464	484,544	-	-	-	-	-	2,529,008
Other financial assets - current	2,620,785	-	-	-	-	-	-	2,620,785
Other current assets	43,790,374	-	-	-	-	-	-	43,790,374
Financial assets measured at FVTPL - noncurrent	49,998	-	-	-	-	-	-	49,998
Held to maturity Financial assets - noncurrent	-	-	500,000	-	-	-	-	500,000
Others noncurrent assets	3,122,448	40,299	50,000	-	-	-	-	3,212,747
Total	\$ 202,146,280	\$ 20,808,013	\$ 6,156,100	\$ 3,228	\$ -	\$ -	\$ -	\$ 229,113,621
Percentage	88.23%	9.08%	2.69%	0.00%	-	-	-	100.00%

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	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%

Financial assets for KGI Securities and subsidiaries are divided into the following three categories based on their credit quality: Positions that are neither past due nor impaired, past due but unimpaired, and impaired.

a) Cash and cash equivalents

Cash and cash equivalents of KGI Securities mainly are the securities deposit for futures transactions which is stored in a specific account. KGI Securities related department will evaluate financial, operating and credit risk situations periodically and take it as reference to management of credit risks. However, assessment results show that just few credit ratings of futures companies are middle risk degree. Because the percentage of middle risk rating is low, the credit risk is believed on the Company's controllable range. Besides, subsidiaries routinely examine credit risk exposure of their bonds issued under repurchase agreements, so the credit risk is believed under KGI Securities' 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 130% to 140%) 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) Held-to-maturity financial assets - noncurrent

It refers to the principal and discounted value of coupon rate listed in unsecured subordinated debentures issued by Sunny Bank, Hwatai Bank, and Panhsin 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.

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.

The maximum exposure to credit risk of the financial instruments held by CDIB Capital Group and subsidiaries is equal to the book value.

China Life Insurance

- Credit risk analysis

- 1) Credit risk refers to the result of the issuer, the contract transaction counterpart and the debtor fail to fulfill responsibilities (obligations), or because of changes in credit quality, resulting in financial assets held by China Life Insurance's contractual default or the risk of loss of value. Credit risks from financial instruments transactions include issuer credit risk, counterparty risk and concentration risk.

Issuer credit risk represents that bond issuer, debtor and the guarantor does not pay its debts or declares bankruptcy, commit a crime or changes of tax law and accounting standards that lead to make credit deterioration hence unable to fulfill obligations of the repayment or comply with the terms of the issue of default risk of loss.

Counterparty credit risk refers to the risk of the counterparty, custodian banks, brokers, reinsurers and other participants in the transaction, for the present or the future cash flows, are unable or fail to fulfill the contract delivery responsibilities (obligations).

China Life Insurance prepares reports periodically to determine the credit conditions of counterparty and issuer. China Life Insurance also identifies internal rating indicators to comprehensively assess the credit risk of existing bond positions. The indicators are based on financial position and operational management performance. China Life Insurance manages the usage of different level of credit limit by internal rating.

China Life Insurance's credit risk limit includes counterparty credit risk limit and issuer credit risk limit. Counterparty credit risk limit can be divided into pre-settlement risk limit and settlement risk limit. Issuer credit risk limit can be determined according to long or short transaction terms.

With respect to credit risk assessment, China Life Insurance has established credit VaR model. The model is to calculate credit VaR, which includes estimated expected and unexpected credit loss, in order to assess the maximum loss of the credit positions due to changes of credit rating or default. Besides, China Life Insurance also evaluates credit risk and concentration risk based on issuer's region, industry and credit rating within portfolios.

- 2) Financial assets credit risk concentration analysis

- i. The largest credit risk exposure of the financial debt instrument investments held by China Life Insurance or deposit in the bank is listed in accordance with the regional distribution as follows:

December 31, 2017

Financial Assets	Taiwan	Asia	Europe	America	Global	Total
Cash and cash equivalents	\$ 37,942,583	\$ 2,655,757	\$ 4,113,469	\$ -	\$ -	\$ 44,711,809
Financial assets at fair value through profit or loss	244,566	-	-	-	-	244,566
Available-for-sale financial assets	130,195,274	47,346,210	32,785,699	51,139,887	1,662,034	263,129,104
Debt instrument investments for which no active market exists	90,963,102	140,614,283	156,877,446	228,488,478	15,508,541	632,451,850
Held-to-maturity financial assets	23,460,391	43,333,988	31,667,515	96,300,984	-	194,762,878
Refundable deposits - bonds	<u>5,982,395</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,982,395</u>
Total	<u>\$ 288,788,311</u>	<u>\$ 233,950,238</u>	<u>\$ 225,444,129</u>	<u>\$ 375,929,349</u>	<u>\$ 17,170,575</u>	<u>\$ 1,141,282,602</u>
Proportion	<u>25.30%</u>	<u>20.50%</u>	<u>19.75%</u>	<u>32.94%</u>	<u>1.51%</u>	<u>100.00%</u>

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

December 31, 2017

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	\$ 825,222	\$ 416,195	\$ 389,765	\$ 1,631,182
Overdue receivables	-	-	-	-
Total	<u>\$ 825,222</u>	<u>\$ 416,195</u>	<u>\$ 389,765</u>	<u>\$ 1,631,182</u>
Proportion	<u>50.59%</u>	<u>25.52%</u>	<u>23.89%</u>	<u>100.00%</u>

3) Financial asset credit quality and overdue impairment analysis

- i. Grading of financial instrument credit risk quality

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

- i) Investment grade means credit rating reaches at least BBB- granted by a credit rating agency.
- ii) Non-investment grade means no credit rating or credit rating lower than BBB-granted by a credit rating agency.
- iii) Impaired means China Life Insurance or the object fails to perform its obligations. China Life Insurance estimates the impairment criteria in accordance with potential losses.

China Life Insurance's financial instruments are classified into normal assets, past due but not impaired, impaired according to credit quality, listed as follows:

December 31, 2017

Financial Assets	Normal Assets Investment Grade	Non-investment Grade	Past Due But Not Impaired	Impaired	Total
Cash and cash equivalents	\$ 44,711,809	\$ -	\$ -	\$ -	\$ 44,711,809
Financial assets at fair value through profit or loss	244,566	-	-	-	244,566
Available-for-sale financial assets	263,129,104	-	-	-	263,129,104
Debt instrument investments for which no active market exists	632,451,850	-	-	-	632,451,850
Held-to-maturity financial assets	194,762,878	-	-	-	194,762,878
Refundable deposits	5,982,395	-	-	-	5,982,395
	<u>\$ 1,141,282,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,141,282,602</u>
Proportion	<u>100.00%</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100.00%</u>

ii. China Life Insurance classifies the risk of secured loans to evaluate whether there is objective evidence indicating impairment and whether there is observable information indicating credit deterioration of the borrower. The credit classification is defined as follows:

- i) Normal users: The borrower makes monthly payment within 30 days after the due date. There is no sign of credit deterioration, so the borrower can make payments continuously.
- ii) Worsening solvency: There is no objective evidence indicating impairment. However, the borrower has financial difficulty and credit deterioration. The borrower enters in financial reorganization such as conducting a repayment agreement, preceding compromise, liquidation or debt settlement proceedings, indicating the borrower's capacity to make payment worsens.
- iii) Delayed users: The borrower makes monthly payment in 31 to 90 days after the due date. The borrower is lack of contractual capacity since the borrower fails to make payment on time under the terms of the loan contract.
- iv) Past due but not impaired: The borrower makes monthly payment over 91 days after the due date. There is objective evidence indicating impairment and China Life Insurance should evaluate the asset for impairment. The present value of estimated future cash flows (including disposal of collateral) is higher than the book value of the loan, indicating the asset is not impaired.
- v) Past due and impaired: The overdue day meets the standard of overdue loans. There is objective evidence indicating impairment and China Life Insurance should evaluate the asset for impairment. The present value of estimated future cash flows (including disposal of collateral) is lower than the book value of the loan, indicating the asset is impaired.

Secured loans listed according to the above levels are as follows:

December 31, 2017

Secured Loans and Overdue Receivables	Normal Users	Worsening Solvency	Delayed Users	Past Due But Not Impaired	Past Due and Impaired	Provision for Impairment	Total
Consumer finance	\$ 1,646,887	\$ 18,938	\$ 7,307	\$ -	\$ -	\$ 41,950	\$ 1,631,182
Corporate finance	-	-	-	-	-	-	-
	<u>\$ 1,646,887</u>	<u>\$ 18,938</u>	<u>\$ 7,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,950</u>	<u>\$ 1,631,182</u>

Aging analysis for net amount of secured loans is as follows:

	Neither Delayed Nor Impaired	Delayed But Not Impaired	Past Due or Impaired		Total
	Within 30 Days	31-90 Days	91-180 Days	Over 181 Days	
2017.12.31	\$ 1,624,021	\$ 7,161	\$ -	\$ -	\$ 1,631,182

c. Liquidity risk

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, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 13,674,126	\$ 228,883	\$ 247,104	\$ 332,409	\$ -	\$ 14,482,522
Notes and bonds issued under repurchase agreement	3,860,000	1,471,476	-	-	-	5,331,476
Deposits and remittances	48,460,575	81,507,923	44,251,682	52,244,104	22,537,387	249,001,671
Bank debentures payable	-	-	-	-	1,000,000	1,000,000
Other capital outflow on maturity	2,441,434	719,738	412,288	440,011	544,546	4,558,017
Total	\$ 68,436,135	\$ 83,928,020	\$ 44,911,074	\$ 53,016,524	\$ 24,081,933	\$ 274,373,686

(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 U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 270,000	\$ 140,000	\$ 45,000	\$ -	\$ -	\$ 455,000
Notes and bonds issued under repurchase agreement	242,013	978,842	67,705	-	-	1,288,560
Deposits and remittances	1,543,470	696,629	458,433	998,432	89	3,697,053
Bank debentures payable	-	-	-	-	583,556	583,556
Other capital outflow on maturity	33,284	18,330	6,844	1,961	84,454	144,873
Total	\$ 2,088,767	\$ 1,833,801	\$ 577,982	\$ 1,000,393	\$ 668,099	\$ 6,169,042

(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

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, 2017	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	\$ (199,409,025)	\$ (277,117,930)	\$ (135,180,509)	\$ (91,264,010)	\$ (4,671,300)	\$ (707,642,774)
Cash inflow	189,405,927	255,970,080	133,687,744	88,661,268	4,671,300	672,396,319
Interest rate derivatives instruments						
Cash outflow	(192,636)	(414,702)	(318,008)	(2,424)	(14,701,217)	(15,628,987)
Cash inflow	176,526	430,372	14,089	-	-	620,987
Cash outflow subtotal	(199,601,661)	(277,532,632)	(135,498,517)	(91,266,434)	(19,372,517)	(723,271,761)
Cash inflow subtotal	189,582,453	256,400,452	133,701,833	88,661,268	4,671,300	673,017,306
Net cash flow	\$ (10,019,208)	\$ (21,132,180)	\$ (1,796,684)	\$ (2,605,166)	\$ (14,701,217)	\$ (50,254,455)

(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 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 U.S. Dollars)

December 31, 2017	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	\$ (7,089,091)	\$ (9,185,379)	\$ (4,702,153)	\$ (3,255,039)	\$ (174,400)	\$ (24,406,062)
Cash inflow	7,808,458	9,763,212	4,716,875	3,294,657	174,400	25,757,602
Interest rate derivatives instruments						
Cash outflow	(27,159)	(61,388)	(54,912)	(6,757)	(22,015)	(172,231)
Cash inflow	28,842	61,674	35,369	550	-	126,435
Others						
Cash outflow	(2)	-	-	-	-	(2)
Cash inflow	15	-	-	-	-	15
Cash outflow subtotal	(7,116,252)	(9,246,767)	(4,757,065)	(3,261,796)	(196,415)	(24,578,295)
Cash inflow subtotal	7,837,315	9,824,886	4,752,244	3,295,207	174,400	25,884,052
Net cash flow	\$ 721,063	\$ 578,119	\$ (4,821)	\$ 33,411	\$ (22,015)	\$ 1,305,757

(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

5) Maturity analysis of off-balance sheet items

The table below shows KGI Bank's 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, 2017	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	\$ 5,439,604	\$ 7,515,960	\$ 7,969,697	\$ 28,447,836	\$ 43,982,726	\$ 93,355,823

(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

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 was as follows:

(In Thousands of New Taiwan Dollars)

December 31, 2017	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	\$ 2,111,269	\$ 2,053,551	\$ -	\$ 4,164,820
Financial lease present value income (lessor)	1,994,828	1,956,206	-	3,951,034
Operating lease payment (lessee)	324,587	577,781	73,273	975,641
Operating lease income (lessor)	11,481	11,466	-	22,947
Present value of financial lease payment (lessee)	8	3,154	-	3,162

(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

7) Disclosures required by the Regulations Governing the Preparation of Financial Reports by Public Banks

a) Maturity analysis of KGI Bank's assets and liabilities in New Taiwan dollars

(In Thousands of New Taiwan Dollars)

December 31, 2017	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	\$ 127,058,823	\$ 219,715,996	\$ 295,579,614	\$ 163,632,779	\$ 128,864,381	\$ 117,527,786	\$ 1,052,379,379
Main capital outflow on maturity	95,731,910	183,638,358	383,761,033	208,991,914	213,997,515	205,014,186	1,291,134,916
Gap	31,326,913	36,077,638	(88,181,419)	(45,359,135)	(85,133,134)	(87,486,400)	(238,755,537)

(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)

b) Maturity analysis of KGI Bank's assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

December 31, 2017	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 9,056,306	\$ 10,980,822	\$ 5,171,771	\$ 3,691,720	\$ 2,485,901	\$ 31,386,520
Main capital outflow on maturity	9,399,859	11,470,249	5,792,896	5,043,384	2,215,725	33,922,113
Gap	(343,553)	(489,427)	(621,125)	(1,351,664)	270,176	(2,535,593)

(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)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 6,197,630	\$ 9,503,594	\$ -	\$ -	\$ -	\$ 15,701,224
Financial assets measured at FVTPL - current	52,603,579	1,680,289	11,839,587	298,687	105,692	66,527,834
Financial assets at cost - current	464,219	-	-	-	-	464,219
Available-for-sale financial assets - current	3,074,580	-	294,439	-	-	3,369,019
Securities purchased under resell agreement	-	21,145,230	-	-	-	21,145,230
Receivable	32,683,905	5,802,279	21,436,030	3,174,856	-	63,097,070
Customers' margin accounts	23,061,445	-	-	-	-	23,061,445
Stock borrowing collateral price and stock borrowing margin	642,043	781,381	1,105,584	-	-	2,529,008
Other financial assets - current	-	-	2,620,785	-	-	2,620,785
Current tax assets	-	-	5,428	2,188	569,624	577,240
Other current assets	42,812,176	516,276	461,922	-	-	43,790,374
Financial assets measured at FVTPL - noncurrent	-	-	50,188	-	-	50,188
Financial assets at cost - noncurrent	-	-	-	-	987,613	987,613
Available-for-sale financial assets - noncurrent	-	-	-	336,654	456,900	793,554
Held-to-maturity financial assets - noncurrent	-	-	-	-	500,000	500,000
Investments accounted for using the equity method	-	-	-	-	13,535,865	13,535,865
Others noncurrent assets	-	100,000	-	469,402	2,683,642	3,253,044
Total	\$ 161,539,577	\$ 39,529,049	\$ 37,813,963	\$ 4,281,787	\$ 18,839,336	\$ 262,003,712
Percentage	61.66%	15.09%	14.43%	1.63%	7.19%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2017	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 20,036,492	\$ -	\$ -	\$ -	\$ 20,036,492
Commercial papers payable, net	-	8,625,804	-	-	-	8,625,804
Financial liabilities measured at FVTPL - current	2,763,476	1,687,810	6,535,931	1,149,735	105,692	12,242,644
Bonds issued under repurchase agreements	-	54,764,877	-	-	-	54,764,877
Payables	59,132,885	1,190,292	5,390,025	156,221	-	65,869,423
Securities lending refundable deposits	-	4,781,100	7,648,001	-	-	12,429,101
Futures customers' equity	23,041,948	-	-	-	-	23,041,948
Other current liabilities	831,705	1,182,278	2,656,192	298	-	4,670,473
Other financial liabilities - current	-	4,101,044	-	231,030	-	4,332,074
Current tax liabilities	-	-	123,071	-	574,191	697,262
Noncurrent liabilities due in one year or an operating cycle	-	-	2,200,000	-	-	2,200,000
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	22,878	197,705	220,583
Others noncurrent liabilities	-	-	-	729,102	133,782	862,884
Total	\$ 85,770,014	\$ 96,369,697	\$ 24,553,220	\$ 7,089,264	\$ 1,011,370	\$ 214,793,565
Percentage	39.93%	44.87%	11.43%	3.30%	0.47%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2017	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 161,539,577	\$ 39,529,049	\$ 37,813,963	\$ 4,281,787	\$ 18,839,336	\$ 262,003,712
Cash outflow	85,770,014	96,369,697	24,553,220	7,089,264	1,011,370	214,793,565
Amount of cash flow gap	\$ 75,769,563	\$ (56,840,648)	\$ 13,260,743	\$ (2,807,477)	\$ 17,827,966	\$ 47,210,147

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 stock borrowing margin	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
Securities lending refundable deposits	-	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

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, 2017 and 2016, show that the sums from deducting cash outflow from cash inflow are \$47,210,147 thousand and \$48,799,408 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 61.66% 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, 2017 and 2016, net cash inflow calculated from net spot financial assets are respectively \$75,769,563 thousand and \$83,846,528 thousand, which are sufficient to cover the net cash outflows of \$59,648,125 thousand and \$49,996,349 thousand from the 3 months and 1-5 years, 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.

CDIB Capital Group and subsidiaries

The management of liquidity risk is aimed to deal with financing CDIB Capital Group's operations and mitigate the effects of fluctuations in cash flows by monitoring and maintaining a level of cash and cash equivalents.

CDIB Capital Group's Management policies of liquidity risk are as follows:

- 1) Dispose of surplus capital should consider possible future capital requirements, deconcentration of capital sources and reasonable liquidity of liability Structure.
- 2) Pursuant to liquidity risk control, CDIB Capital Group uses performance index of financial structure and dispatching of funds to set up a system to monitor daily funding gap.

As of December 31, 2017 and 2016, CDIB Capital Group and subsidiaries' other financial liabilities are \$370,737 thousand and \$386,632 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are \$909,527 thousand and \$1,685,283 thousand, respectively, and are mainly all current liabilities.

China Life Insurance

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

China Life Insurance assesses the characteristics of business, monitors short-term cash flows, and constructs the completed mechanism of liquidity risk management. Furthermore, China Life Insurance manages market liquidity risk cautiously by considering market trading volumes and adequacy of holding positions with symmetric. To decentralize market risk when investment and to maintain investment each aspect (such as asset category, maturity, region, currency and tools) diversification. Planning emergency financing plan in order to assess how China Life Insurance in the long term illiquid environment still regularly operate to pay emergency and major funding requirements.

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

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

- a) Financial assets held for managing liquidity risk

China Life Insurance holds cash, highly liquid and superior assets to deal with payment obligation and the potential urgent funds needs to dispatch in the market environment. Financial assets for managing liquidity risk are cash and cash equivalents, financial assets at fair value through profit or loss, loans and receivables, available-for-sale financial assets, held-to-maturity financial assets and debt instrument investments for which no active market exists, etc.

- b) Maturity analysis of non-derivative financial liabilities

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

Non-derivative financial instruments

	December 31, 2017		
	In 1 Year	Over 1 Year	Total
Payables	\$ 8,547,929	\$ -	\$ 8,547,929

c) Maturity analysis of derivative financial liabilities

China Life Insurance operates derivatives including foreign exchange derivative instruments (such as currency forward contracts, foreign exchange forward).

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

Maturity structure of derivative financial liabilities is as follows:

	December 31, 2017				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	<u>\$ 406,856</u>	<u>\$ 117,292</u>	<u>\$ 11,706</u>	<u>\$ -</u>	<u>\$ 535,854</u>

3) Maturity analysis of lease commitment

a) Operating lease commitment - China Life Insurance as the lessee

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2017 is as follows:

	December 31, 2017
Less than one year	\$ 121,955
More than one year but less than five years	451,549
More than five years	<u>5,250,407</u>
	<u>\$ 5,823,911</u>

The minimum lease payments of operating lease for the year ended December 31, 2017 amounted to \$68,207 thousand.

b) Operating lease commitment - China Life Insurance as the lessor

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

In accordance with the non-cancellable operating lease, the total amount of the minimum lease payment as at December 31, 2017 is as follows:

	December 31, 2017
Less than one year	\$ 401,125
More than one year but less than five years	1,000,913
More than five years	<u>232,402</u>
	<u>\$ 1,634,440</u>

c) Finance lease commitment - China Life Insurance as the lessee

China Life Insurance has entered into a finance lease contract on certain equipment. The execution date of the contract was November 1, 2015 for a term of 5 years. As of October 31, 2020 of the expiration date, China Life Insurance can acquire the equipment with no payment.

In accordance with the non-cancellable finance lease, the total amount of the minimum lease payment as at December 31, 2017 is as follows:

	December 31, 2017
Less than one year	\$ 51,874
More than one year but less than five years	<u>85,012</u>
	<u>\$ 136,886</u>

d. Market risk

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 stress testing to evaluate the potential and 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, 2017			For the Year Ended December 31, 2016		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 98,810	\$ 187,181	\$ 29,201	\$ 33,310	\$ 74,214	\$ 17,157
Equity risk	8,254	13,354	4,918	5,951	12,389	2,336
Exchange rate risk	10,860	44,645	2,060	36,105	80,973	6,133

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, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,914,373	29.85	\$ 176,532,206
RMB	2,382,398	4.58	10,908,763
EUR	191,275	35.67	6,822,783
HKD	1,338,076	3.82	5,110,111
JPY	6,663,892	0.26	1,765,265
GBP	41,090	40.21	1,652,217
SGD	20,243	22.32	451,818
ZAR	180,741	2.42	437,031
Nonmonetary items			
HKD	568,390	3.82	2,170,682
<u>Financial liabilities</u>			
Monetary items			
USD	7,027,583	29.85	209,759,297
RMB	3,032,704	4.58	13,886,450
ZAR	1,594,860	2.42	3,856,371
EUR	88,468	35.67	3,155,661
AUD	63,370	23.26	1,473,986
JPY	4,329,719	0.26	1,146,943
HKD	178,360	3.82	681,156
NZD	16,677	21.20	353,544
GBP	2,665	40.21	107,141

	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

Financial liabilities

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

9) Disclosure required by the Regulations Governing the Preparation of Financial Reports by Public Banks.

a) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (New Taiwan dollars)

December 31, 2017

(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	\$ 259,156,710	\$ 15,038,530	\$ 4,733,678	\$ 74,345,633	\$ 353,274,551
Interest rate-sensitive liabilities	143,550,855	96,800,437	22,051,229	3,812,474	266,214,995
Interest rate sensitivity gap	115,605,855	(81,761,907)	(17,317,551)	70,533,159	87,059,556
Net worth					59,218,356
Ratio of interest rate-sensitive assets to liabilities (%)					132.70
Ratio of interest rate-sensitive gap to net worth (%)					147.01

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

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, 2017

(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	\$ 3,113,094	\$ 155,835	\$ 42,177	\$ 1,554,905	\$ 4,866,011
Interest rate-sensitive liabilities	4,276,669	469,709	694,146	583,645	6,024,169
Interest rate sensitivity gap	(1,163,575)	(313,874)	(651,969)	971,260	(1,158,158)
Net worth					66,874
Ratio of interest rate-sensitive assets to liabilities (%)					80.77
Ratio of interest rate-sensitive gap to net worth (%)					(1,731.85)

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)

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).

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, 2017	December 31, 2016
Interest rate risk	\$ 4,820	\$ 2,321
Equity securities risk	9,081,111	18,656,595
Exchange rate risk	199,480	1,416,056
Commodity risk	95,944	(2,051)

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 portfolio held by KGI Securities and subsidiaries are as follows:

	For the Year Ended December 31, 2017			December 31, 2017
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 286,226	\$ 101,239	\$ 629,367	\$ 185,196
Interest rate	84,874	43,376	164,328	98,072
Exchange rate	7,031	3,002	16,488	5,553
Commodity	6,517	59	33,934	4,240

	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

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, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,533,281	29.83	\$ 45,733,639
JPY	10,660,054	0.26	2,822,099
RMB	181,517	4.58	831,136
HKD	130,431	3.81	497,062
Nonmonetary items			
USD	948,179	29.85	28,301,257
RMB	332,660	4.58	1,523,219
AUD	30,770	23.26	715,714
Investments accounted for using the equity method			
USD	73,746	29.85	2,201,177

(Continued)

	December 31, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 3,737,065	29.84	\$ 111,512,461
JPY	10,364,108	0.26	2,744,556
AUD	24,696	23.26	574,426
HKD	99,931	3.81	380,589
Nonmonetary items			
USD	212,777	29.85	6,350,974
RMB	31,864	4.58	145,903
			(Concluded)

	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	23.30	105,539
Investments accounted for using the equity method			
USD	67,639	32.28	2,183,329

	December 31, 2016		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<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

CDIB Capital Group and subsidiaries

Market risk is defined as an unfavorable change in 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. The influence were as follows:

1) 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, 2017		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 268,954	29.848	\$ 8,027,743
HKD	125,165	3.819	478,007
RMB	70,069	4.579	320,838
KRW	6,938,074	0.028	194,162
JPY	429,684	0.265	113,823
Investment accounted for using the equity method			
RMB	664,905	4.579	3,044,534
USD	92,247	29.848	2,753,391
<u>Financial liabilities</u>			
Monetary items			
USD	40,011	29.848	1,194,258

(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
Investment accounted for using the equity method			
RMB	459,967	4.622	2,125,923
USD	65,502	32.279	2,114,355
<u>Financial liabilities</u>			
Monetary items			
USD	18,733	32.279	604,671

Sensitivity analysis

The following table details CDIB Capital Group and subsidiaries' sensitivity to a 1% increase and decrease in New Taiwan dollars (the functional currency) against the relevant foreign currencies.

	Impact to Profit or Loss	
	For the Year Ended December 31	
	2017	2016
Monetary items		
USD	\$ 68,335	\$ 73,251
HKD	4,780	4,746
RMB	3,208	2,818
KRW	1,942	1,975
JPY	1,138	1,183

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of December 31, 2017 and 2016 were cash in banks. Management believes that interest rate changes would have been no significant effect on CDIB Capital Group and subsidiaries.

3) 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, 2017 and 2016 would increase/decrease by \$107,667 thousand and \$92,113 thousand, respectively, as a result of the changes in fair value of available-for-sale shares.

China Life Insurance

1) Market risk analysis

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

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

2) Exchange rate risk

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

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

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

3) Interest rate risk

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

4) Equity price risk

China Life Insurance holds equity securities of listed and unlisted companies, and OTC-traded and non-OTC traded companies. The price of such equity securities will be affected by uncertainties about the future value of the underlying investment. The equity securities of listed and OTC-traded companies held by China Life Insurance fall into held-for-trading and available-for-sale categories, respectively. Equity securities of non-listed and non-OTC traded companies fall into available-for-sale category. China Life Insurance diversified its investment and set investment limits for a single equity security to manage price risk of equity securities. Portfolio information of equity securities is required to be regularly reported to senior executives of China Life Insurance. The Board of Directors should authorize the senior executives to review and approve the equity securities of all investment decisions.

5) Value at risk

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

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

6) Stress testing

China Life Insurance measures and evaluates potential risks of the occurrence of extreme and abnormal events regularly in addition to Value at Risk models. Stress testing measures the potential impact on the value of the investment portfolio when extreme fluctuations of financial variables occur.

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

a) Simple sensitivity

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

b) Scenario analysis

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

i. Historical scenario:

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

ii. Hypothetical scenario:

China Life Insurance makes hypothesis with rational expectations from the extreme market movements to assess the dollar amount of losses for the investment position by taking into consideration the movement of relevant risk factors. Risk management department performs the stress testing with historical and hypothetical scenarios regularly. China Life Insurance's risk analysis, early warning, and business management are in accordance with the stress testing report.

**Summarization of Simple Sensitivity
December 31, 2017**

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	\$ -	\$ 1,193,279
Interest rate risk (yield curve)	+1BP	(35)	(381,892)
Exchange risk (foreign exchange rate)	+1% (USD for each currency appreciates 1%)	1,017,499	56,501

7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of December 31, 2017 are as follows:

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	NTD
<u>Financial assets</u>			
Monetary items			
USD	\$ 27,567,151	29.8480	\$ 822,824,310
Non-monetary items			
USD	211,293	29.8480	6,306,678
<u>Financial liabilities</u>			
USD	76,240	29.8480	2,275,612

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

e. Transfers of financial assets

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, 2017					
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	\$ 4,824,192	\$ 4,582,517	\$ 4,824,192	\$ 4,582,517	\$ 241,675
Available-for-sale financial assets	43,558,559	40,043,756	43,558,559	40,043,756	3,514,803

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					
Financial assets at FVTPL	\$ 35,227,572	\$ 33,509,311	\$ 35,227,572	\$ 33,509,311	\$ 1,718,261
Available-for-sale financial assets	30,023,890	28,629,003	30,023,890	28,629,003	1,394,887

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, 2017					
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	\$ 55,612,999	\$ 54,732,813	\$ 55,612,999	\$ 54,732,813	\$ 880,186
Securities borrowing transactions	153,986	215,580	153,986	215,580	(61,594)

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)
Securities borrowing transactions	46,749	65,449	46,749	65,449	(18,700)

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, and has 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 derecognizes them since counterparties have the ability to sell financial assets to third party and no restrictions will be made to counterparties. 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, 2017					
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	\$ 10,430,900	\$ 1,128,581	\$ 1,128,581	\$ -	\$ 1,128,581

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

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, 2017						
Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
Call option	\$ -	\$ 437,400	\$ 2,807,800	\$ 7,185,700	\$ -	\$ 10,430,900

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

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, 2017			
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	\$ (2,167)	\$ 210,551	\$ 208,384

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

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank have 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, 2017						
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	\$ 18,829,142	\$ -	\$ 18,829,142	\$ 18,829,142	\$ -	\$ -
Derivative financial instruments	16,405,402	-	16,405,402	5,634,398	1,327,598	9,443,406
Total	\$ 35,234,544	\$ -	\$ 35,234,544	\$ 24,463,540	\$ 1,327,598	\$ 9,443,406

December 31, 2017						
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	\$ 45,444,814	\$ -	\$ 45,444,814	\$ 45,251,592	\$ 193,222	\$ -
Derivative financial instruments	25,866,698	-	25,866,698	5,634,398	3,709,337	16,522,963
Total	\$ 71,311,512	\$ -	\$ 71,311,512	\$ 50,885,990	\$ 3,902,559	\$ 16,522,963

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

Note: Financial instruments include master netting arrangements and non-cash collateral.

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, 2017						
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	\$ 2,258,637	\$ -	\$ 2,258,637	\$ -	\$ 70,133	\$ 2,188,504
Securities purchased under resell agreements	21,129,128	-	21,129,128	21,129,128	-	-
Total	\$ 23,387,765	\$ -	\$ 23,387,765	\$ 21,129,128	\$ 70,133	\$ 2,188,504

December 31, 2017						
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	\$ 5,259,084	\$ -	\$ 5,259,084	\$ -	\$ 453,886	\$ 4,805,198
Notes and bonds issued under repurchase agreements	54,732,813	-	54,732,813	54,732,813	-	-
Total	\$ 59,991,897	\$ -	\$ 59,991,897	\$ 54,732,813	\$ 453,886	\$ 4,805,198

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

Note: Financial instruments include master netting arrangements and non-cash collateral.

China Life Insurance

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

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

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

December 31, 2017						
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	Cash Collateral Received	
Derivative financial instruments	\$ 4,287,344	\$ -	\$ 4,287,344	\$ 493,857	\$ -	\$ 3,793,487

December 31, 2017						
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	Cash Collateral Received	
Derivative financial instruments	\$ 535,854	\$ -	\$ 535,854	\$ 493,857	\$ 2,275,612	\$ (2,233,615)

59. CAPITAL MANAGEMENT

a. Objectives

The basic management objective includes eligible 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, the Group conducts risk management based on the risk portfolio and the assessment of risk characteristics to design the best capital allocation.

b. Capital management procedures

The Group had met the authorities' minimum requirements for capital adequacy ratio and reported to the authority quarterly. Eligible capital and legal capital were calculated according to the "Regulations Governing the Capital Adequacy and Capital Category of Banks".

c. Group's capital adequacy ratio (CAR)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2017		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 177,675,815	\$ 201,842,194
CDIB Capital Group	100.00	52,975,226	27,081,901
KGI	100.00	18,167,949	9,237,377
KGI Bank	100.00	57,719,776	37,661,494
China Development Asset Management Corp.	100.00	2,421,554	1,627,981
China Life Insurance	34.96	28,422,520	16,262,902
Deduct items		227,132,016	200,445,118
Subtotal		110,250,824 (A)	93,268,731 (B)
Group's CAR (C)=(A)÷(B)			118.21 (C)

(In Thousands of New Taiwan Dollars; %)

Items Company	December 31, 2016		
	% 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)

Note: Group's capital adequacy ratio = Group's eligible capital, net/Group's legal capital demand.

d. Financial holding companies' net eligible capital

(In Thousands of New Taiwan Dollars)

	December 31	
	2017	2016
Common stock	\$ 149,763,034	\$ 149,744,203
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	10,000,000	-
Reserve for raising capital	5,162	10
Capital surplus	1,173,719	1,104,521
Legal reserve	5,606,606	5,014,298
Special reserve	2,078,602	3,228,296
Retained earnings	13,184,948	8,556,188
Equity adjustment	73,567	(1,782,652)
Deduction: Capital items	<u>(4,209,823)</u>	<u>(2,382,388)</u>
	<u>\$ 177,675,815</u>	<u>\$ 163,482,476</u>

The Group's CARs were 118.21% and 150.87% as of December 31, 2017 and 2016, 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.

60. TRUST BUSINESS OPERATIONS UNDER THE TRUST ENTERPRISES ACT

- a. 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	2017	2016	Trust Liabilities	2017	2016
Bank deposits	\$ 371,243	\$ 310,897	Payables	\$ 152,685	\$ 153,951
Short-term investment	29,283,250	30,860,207	Payables on securities under custody	2,571,397	1,909,451
Financial assets at FVTPL	241,655	2,660,355	Other liabilities	5,730	30,906
Receivables	193	26,191	Donated assets received	1,811	-
Financial assets measured at cost	7,650	687,150	Trust capital	30,555,629	34,693,769
Real estate, net	534,259	417,202	Accumulated earnings	<u>707,034</u>	<u>1,067,910</u>
Intangible assets - surface rights	984,534	984,534			
Securities under custody	2,571,397	1,909,451			
Other assets	<u>105</u>	<u>-</u>			
Total	<u>\$ 33,994,286</u>	<u>\$ 37,855,987</u>	Total	<u>\$ 33,994,286</u>	<u>\$ 37,855,987</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
Trust income and gains		
Dividend income	\$ 96,752	\$ 86,041
Interest income	1,347,506	1,385,573
Rental income	29,583	30,624
Gain or loss on financial assets at FVTPL, net	30,536	480,409
Other income	<u>9,653</u>	<u>23,470</u>
Total trust income and gains	<u>1,514,030</u>	<u>2,006,117</u>
Trust expenses		
Property transaction losses	(717,270)	(1,461,127)
Administrative expenses	(40,561)	(24,329)
Interest expenses	-	(39,754)
Service fee	(79)	(712)
Other expenses	<u>(11,854)</u>	<u>(29,591)</u>
Total trust expenses	<u>(769,764)</u>	<u>(1,555,513)</u>
Net income	<u>\$ 744,266</u>	<u>\$ 450,604</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	
	2017	2016
Bank deposits	\$ 371,243	\$ 310,897
Short-term investments		
Funds	27,956,024	29,104,043
Bonds	1,013,666	1,468,806
Common shares	75,900	78,300
Structured notes	93,766	93,766
ETF	143,894	115,292
Financial assets at FVTPL	241,655	2,660,355
Financial assets measured at cost	7,650	687,150
Real estate, net	534,259	417,202
Intangible assets - surface right	984,534	984,534
Securities under custody	2,571,397	1,909,451
Other assets	298	26,191
 Total	 \$ 33,994,286	 \$ 37,855,987

- 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, 2017 and 2016

(In Thousands of New Taiwan Dollars)

Trust Assets	2017	2016	Trust Liabilities	2017	2016
Bank deposits	\$1,136,142	\$ 809,142	Payables	\$ 59,962	\$ 16,097
Financial assets	26,411,297	22,988,241	Trust capital	25,510,294	23,786,620
Receivables	127,032	72,988	Reserves and retained earnings	2,104,215	67,654
 Total	 \$27,674,471	 \$23,870,371	 Total	 \$27,674,471	 \$23,870,371

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
Trust income	\$ 3,230,873	\$ 2,077,401
Trust expenses	(2,184,859)	(2,712,400)
 Income (loss) before income tax	 \$ 1,046,014	 \$ (634,999)

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	
	2017	2016
Bank deposits	\$ 1,136,142	\$ 809,142
Stocks	14,493,874	13,755,119
Funds	11,532,078	9,227,067
Structured notes	385,345	6,055
Receivables	<u>127,032</u>	<u>72,988</u>
Total	<u>\$ 27,674,471</u>	<u>\$ 23,870,371</u>

61. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

Please refer to Table 9 (attached).

62. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 10 (attached).

63. 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 51 to the consolidated financial statements.

64. CONTINGENCIES AND COMMITMENT, DISASTROUS DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 53 to the consolidated financial statements. Information on disaster damages: None.

65. SUBSIDIARIES' ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 55 and 58 to the consolidated financial statements.

66. 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.

67. 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
		2017		2016			
		Formula	%	Formula	%		
17	Equities	\$1,855,943	= 2.93	\$1,784,471	= 4.53	≥ 1	Yes
	Total liabilities minus customers' equity accounts	\$633,222		\$394,084			
17	Current assets	\$2,443,795	= 7.58	\$2,133,932	= 12.81	≥ 1	Yes
	Current liabilities	\$322,389		\$166,579			
22	Equities	\$1,855,943	= 463.99%	\$1,784,471	= 446.12%	≥ 60%	Yes
	Capital stock	\$400,000		\$400,000			
22	Adjusted net capital	\$1,327,438	= 389.35%	\$1,322,873	= 469.74%	≥ 20%	Yes
	Client and proprietary account	\$340,935		\$281,618			

b. KGI Futures Corp.

Rule No.	Formula	December 31				Standard	Meet Standard
		2017		2016			
		Formula	%	Formula	%		
17	Equities	\$2,609,695	= 8.28	\$2,735,161	= 9.15	≥ 1	Yes
	Total liabilities minus customers' equity accounts	\$315,167		\$298,763			
17	Current assets	\$23,777,258	= 1.09	\$22,820,898	= 1.10	≥ 1	Yes
	Current liabilities	\$21,871,639		\$20,694,894			
22	Equities	\$2,609,695	= 343.38%	\$2,735,161	= 359.89%	≥ 60%	Yes
	Capital stock	\$760,000		\$760,000			
22	Adjusted net capital	\$2,387,412	= 53.85%	\$2,338,562	= 69.25%	≥ 20%	Yes
	Client and proprietary account	\$4,433,304		\$3,376,756			

68. 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, 2017 were as follows:

	<u>December 31, 2017</u>	
	Carrying Amount	Fair Value
<u>KGI Securities and subsidiaries</u>		
Available-for-sale financial assets	\$ 1,405,997	\$ 1,405,997

The gains or losses recorded for the reclassified financial assets (excluding those that had been derecognized before December 31, 2017) for the year ended December 31, 2017 and the pro forma gains or losses assuming no reclassifications had been made were as follows:

	<u>For the Year Ended December 31, 2017</u>	
	Gains (Losses) Recorded	Pro Forma Losses
<u>KGI Securities and subsidiaries</u>		
Available-for-sale financial assets	\$ -	\$ 291,203

69. 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. Securities held:

	(In US Dollars)	
	<u>Number of Shares</u>	<u>Carrying Amount</u>
Financial assets measured at cost		
Dragon Investment Fund I Co.	4,375,142	\$ 326,351
He Ding Venture Capital Investment Corporation	775,000	218,759
Lien Ding Venture Capital Investment Corporation	600,000	<u>166,266</u>
		<u>\$ 711,376</u>

b. Derivative instruments and related capital resources:

KGI Asia (Holdings) Pte. Ltd.

	(In US Dollars)		
<u>Type of derivative</u>	<u>Capital resources</u>	<u>Nominal amount</u>	<u>Carrying Value</u>
Foreign Exchange	Borrowing	\$ 56,880	\$ (461,081)

c. Asset management revenues, service and litigation matters: Note 53(c).

d. Balance sheet: Tables 13-1 to 13-4 (attached).

e. Income statement: Tables 14-1 to 14-4 (attached).

f. Related party transactions or dealings among foreign enterprises: None.

70. ADDITIONAL DISCLOSURES

a. and b. following are the additional disclosures required for the Group:

- 1) Financing provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 1 (attached).
- 2) Collaterals/guarantees provided: Not applicable to the Corporation, KGI Bank and China Life Insurance. For other subsidiaries' information: Please refer to Table 2 (attached).
- 3) Marketable securities held: Not applicable to the Corporation, KGI Bank, KGI Securities and subsidiaries and China Life Insurance. 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 and China Life Insurance. 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 51 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, 56 and 58 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).

71. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Capital group and Insurance. 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. Under the Securities and Exchange Act and relevant regulations, Securities engaged in wealth management business, trading business and investment banking business. Venture capital engaged in investment business. Insurance department operates life insurance business based on the provisions of the insurance law.

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 and income before income tax 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:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the year ended December 31, 2017						
Interest profit (loss), net	\$ 6,505,438	\$ 1,973,291	\$ 106,530	\$ 13,980,452	\$ (495,299)	\$ 22,070,412
Noninterest profit, net	<u>5,040,665</u>	<u>17,850,819</u>	<u>4,538,077</u>	<u>38,348,097</u>	<u>(2,434,419)</u>	<u>63,343,239</u>
Net profit (loss)	11,546,103	19,824,110	4,644,607	52,328,549	(2,929,718)	85,413,651
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(463,439)	(153,712)	-	(2,948)	6,349	(613,750)
Net changes in insurance liabilities	-	-	-	(48,277,392)	-	(48,277,392)
Operating expenses	<u>(5,728,408)</u>	<u>(11,667,404)</u>	<u>(1,411,019)</u>	<u>(1,423,865)</u>	<u>(1,772,015)</u>	<u>(22,002,711)</u>
Income (loss) before income tax	5,354,256	8,002,994	3,233,588	2,624,344	(4,695,384)	14,519,798
Income tax benefit (expense)	<u>(1,874,675)</u>	<u>(400,902)</u>	<u>(131,689)</u>	<u>(218,978)</u>	<u>471,913</u>	<u>(2,154,331)</u>
Net income (loss)	<u>\$ 3,479,581</u>	<u>\$ 7,602,092</u>	<u>\$ 3,101,899</u>	<u>\$ 2,405,366</u>	<u>\$ (4,223,471)</u>	<u>\$ 12,365,467</u>
For the year ended December 31, 2016						
Interest profit (loss), net	\$ 5,881,614	\$ 1,720,087	\$ 61,228	\$ -	\$ (603,427)	\$ 7,059,502
Noninterest profit, net	<u>4,949,024</u>	<u>12,223,572</u>	<u>2,840,575</u>	<u>-</u>	<u>55,055</u>	<u>20,068,226</u>
Net profit (loss)	10,830,638	13,943,659	2,901,803	-	(548,372)	27,127,728
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(258,744)	(535,491)	42,757	-	-	(751,478)
Operating expenses	<u>(5,569,586)</u>	<u>(10,881,734)</u>	<u>(1,529,421)</u>	<u>-</u>	<u>(1,284,680)</u>	<u>(19,265,421)</u>
Income (loss) before income tax	5,002,308	2,526,434	1,415,139	-	(1,833,052)	7,110,829
Income tax benefit (expense)	<u>(927,070)</u>	<u>(250,695)</u>	<u>(125,488)</u>	<u>-</u>	<u>179,328</u>	<u>(1,123,925)</u>
Net income (loss)	<u>\$ 4,075,238</u>	<u>\$ 2,275,739</u>	<u>\$ 1,289,651</u>	<u>\$ -</u>	<u>\$ (1,653,724)</u>	<u>\$ 5,986,904</u>

b. 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	
	2017	2016
Taiwan	\$ 76,959,194	\$ 21,239,678
Hong Kong	5,251,343	4,152,461
British Virgin Islands	1,850,313	567,842
Malaysia	794,774	548,229
China	293,918	265,304
Grand Cayman	166,068	249,392
Others	<u>98,041</u>	<u>104,822</u>
	<u>\$ 85,413,651</u>	<u>\$ 27,127,728</u>

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2017 and 2016.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	\$ 3,581,760	\$ 3,581,760	\$ 1,790,880	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 12,005,690 (Note 1)	\$ 12,005,690 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,074,160	5,074,160	1,790,880	Floating	Short-term financing	-	Working capital	-	-	-	12,005,690	-
		KGI Investment Advisory (Shanghai) Company Limited	Receivables, net	Yes	23,878	-	-	Floating	Short-term financing	-	Working capital	-	-	-	-	12,005,690
2	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	447,720	447,720	-	Floating	Short-term financing	-	Working capital	-	-	-	11,917,172 (Note 2)	11,917,172 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,492,400	1,492,400	-	Floating	Short-term financing	-	Working capital	-	-	-	15,476,248 (Note 3)	15,476,248 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	746,200	596,960	537,264	Floating	Short-term financing	-	Working capital	-	-	-	15,476,248	-
4	KGI International Finance Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	59,696	59,696	-	Floating	Short-term financing	-	Working capital	-	-	-	190,221 (Note 4)	190,221 (Note 4)

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: KG Investments 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: 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 4: KGI International Finance 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 5: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COLLATERALS/GUARANTEES PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2017
(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.	Note 1	\$ 5,816,078	\$ 1,107,770	\$ 736,560	\$ 736,560	\$ -	1.27%	\$ 23,264,310 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	15,476,248	1,934,322	740,074	46,153	-	4.78%	15,476,248 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	15,476,248	3,223,584	3,223,584	1,145,694	-	20.83%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	15,476,248	194,012	194,012	-	-	1.25%		No	No	No
		KGI Finance Limited	Note 1	15,476,248	128,346	128,346	-	-	0.83%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	15,476,248	1,850,576	1,850,576	-	-	11.96%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	15,476,248	596,960	596,960	-	-	3.86%		No	No	No
3	KG Investments Holdings Limited	PT KGI Sekuritas Indonesia	Note 1	11,917,172	89,544	-	-	-	-	11,917,172 (Note 4)	No	No	No
4	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,621,075	2,591,005	1,480,527	477,568	-	160.19%	4,621,075 (Note 5)	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 KG 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: 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 6: 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, 2017

(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, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	<u>Stocks</u>							
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	15,000,000	\$ 144,255	35.71	\$ 144,255	
	China Metal Products Co., Ltd.	-	Available-for-sale financial assets	12,381,003	351,620	3.21	351,620	
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	1,400,248	189,003	0.85	189,003	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	1,541,211	129,462	1.29	129,462	
	Qisda Corporation	-	Available-for-sale financial assets	148,867,816	3,148,554	7.57	3,148,554	
	Powertech Industrial Co., Ltd.	-	Available-for-sale financial assets	3,712,596	58,102	3.78	58,102	
	Innolux Corporation	-	Available-for-sale financial assets	7,932,740	98,366	0.08	98,366	
	Darfon Electronics Corp.	-	Available-for-sale financial assets	986,000	29,235	0.35	29,235	
	Chipbond Technology Corporation	-	Available-for-sale financial assets	7,971,229	449,577	1.22	449,577	
	Chime Ball Technology Co., Ltd.	-	Available-for-sale financial assets	584,393	36,408	1.25	36,408	
	Copartner Technology Corporation	-	Available-for-sale financial assets	11,024,340	254,662	12.97	254,662	
	King Yuan Electronics Co., Ltd.	-	Available-for-sale financial assets	6,671,695	201,819	0.55	201,819	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	5,449,006	64,298	1.94	64,298	
	Formosa Taffeta Co., Ltd.	-	Available-for-sale financial assets	2,017,000	63,435	0.46	63,435	
	Green Energy Technology Inc.	-	Available-for-sale financial assets	371,561	6,539	0.09	6,539	
	Aspeed Technology Inc.	-	Available-for-sale financial assets	104,276	74,870	0.31	74,870	
	Solartech Energy Corp.	-	Available-for-sale financial assets	7,857,266	117,073	2.09	117,073	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	14,012,424	186,151	1.37	186,151	
	FocalTech Systems Co., Ltd.	-	Available-for-sale financial assets	3,568,061	110,967	1.20	110,967	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	11,040,065	294,770	2.16	294,770	
	Globalwafers. Co., Ltd.	-	Available-for-sale financial assets	1,758,072	698,834	0.40	698,834	
	Gallant Precision Machining Co., Ltd.	-	Available-for-sale financial assets	8,709,358	185,074	5.27	185,074	
	Kuangli Photoelectric Technology Co., Ltd.	-	Available-for-sale financial assets	5,224,326	78,626	11.45	78,626	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	3,423,956	261,248	0.58	261,248	
	Topview Optromics Corporation	-	Available-for-sale financial assets	1,569,000	57,190	6.82	57,190	
	Sunko Ink Co., Ltd.	-	Available-for-sale financial assets	11,381,788	161,052	5.12	161,052	
	EPISTAR Corporation	-	Available-for-sale financial assets	2,442,607	110,284	0.22	110,284	
	Utechzone Co., Ltd.	-	Available-for-sale financial assets	2,778,496	140,314	4.52	140,314	
	Donpon Precision Inc.	-	Available-for-sale financial assets	6,793,493	103,601	6.82	103,601	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	1,492,910	32,098	0.94	32,098	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	1,233,000	74,966	2.57	74,966	
	Aces Electronics Co., Ltd.	-	Available-for-sale financial assets	1,134,483	28,589	0.93	28,589	
	Coland Holdings Limited	-	Available-for-sale financial assets	561,402	19,425	0.72	19,425	
	Entery Industrial Co., Ltd.	-	Available-for-sale financial assets	8,364,000	59,804	11.22	59,804	
	Taiwan Stock Exchange	-	Financial assets measured at cost	48,604,914	8,400	7.00	3,505,195	
	Logitech Inc.	-	Financial assets measured at cost	2,965,248	23,862	10.69	36,413	
	Solar Fine Chemical Co., Ltd.	-	Financial assets measured at cost	4,828,064	61,960	10.83	50,679	
	Gold Peak Industries (Taiwan) Ltd.	-	Financial assets measured at cost	30,616,980	24,494	15.04	17,842	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	4,225,979	120,761	6.04	75,730	
	National Glory Development Corp.	-	Financial assets measured at cost	646,884	4,993	6.47	7,523	
	TopGreen Technology Co., Ltd.	-	Financial assets measured at cost	633,377	17,499	1.17	7,271	
	Everest Display Inc.	-	Financial assets measured at cost	408,760	4,297	2.49	1,975	
	Insrea Game Center Corporation	-	Financial assets measured at cost	3,000,000	8,610	17.65	2,565	
	Hair O'right International Corp.	-	Financial assets measured at cost	1,835,837	89,120	9.02	93,189	
	DaBomb Protein Corp.	-	Financial assets measured at cost	3,284,568	83,032	12.86	92,953	
	Power Venture Co.	-	Financial assets measured at cost	769,597	7,696	5.68	7,395	
	Ori Vita Bio Application Inc.	-	Financial assets measured at cost	858,690	8,587	0.42	4,465	
	Echem Hightech Co., Ltd.	-	Financial assets measured at cost	1,535,934	22,600	11.69	19,743	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	4,000,000	\$ 42,000	9.91	\$ 29,502	
	E-one Moli Energy Corp.	-	Financial assets measured at cost	6,035,000	63,360	2.40	9,292	
	Jouge Technology Co., Ltd.	-	Financial assets measured at cost	1,568,700	32,625	9.68	1,221	
	HealthStream Taiwan Inc.	-	Financial assets measured at cost	4,774,523	59,980	13.96	56,213	
	Subtron Technology Co., Ltd.	-	Financial assets measured at cost	12,316,000	193,819	4.31	87,320	
	Orgchem Technologies, Inc.	-	Financial assets measured at cost	1,067,220	49,000	1.86	17,653	
	General Life Biotechnology Co., Ltd.	-	Financial assets measured at cost	2,520,000	54,000	8.40	21,623	
	Mec Imex Inc.	-	Financial assets measured at cost	4,802,000	107,853	10.52	84,835	
	Chain Yarn Corporation	-	Financial assets measured at cost	15,828,324	222,642	10.30	146,729	
	Yieh United Steel Corp.	-	Financial assets measured at cost	11,506,622	94,021	0.44	77,900	
	Hua-jie (Taiwan) Corp.	-	Financial assets measured at cost	1,300,403	13,395	6.45	13,997	
	AMIA Co.	-	Financial assets measured at cost	6,000,000	210,000	9.54	130,140	
	Up Scientech Materials Corp.	-	Financial assets measured at cost	4,651,344	252,200	6.85	114,136	
	PlexBio Co., Ltd.	-	Financial assets measured at cost	3,526,000	88,150	6.93	72,142	
	Riselink Restructuring Fund Corporation	-	Financial assets measured at cost	5,771,370	57,714	12.50	63,746	
	5V Technologies, Ltd.	-	Financial assets measured at cost	159,435	10,172	0.99	1,594	
	Top Green Energy Technologies, Inc.	-	Financial assets measured at cost	16,240,740	292,333	12.99	16,676	
	Lager Network Technologies Inc.	-	Financial assets measured at cost	1,500,000	30,000	5.00	(1,439)	
	Awise Fiber Technology Co., Ltd.	-	Financial assets measured at cost	3,500,000	43,750	18.15	2,621	
	Biodenta Corporation	-	Financial assets measured at cost	150,000	3,750	3.58	1,500	
	Orient Pharma Co., Ltd.	-	Financial assets measured at cost	2,857,800	55,307	2.19	52,183	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets measured at cost	1,170,000	11,106	3.44	9,734	
	ARCOA Communication Co., Ltd.	-	Financial assets measured at cost	7,567,424	101,207	5.64	96,443	
	Eastern Electronic Co., Ltd.	-	Financial assets measured at cost	4,348,680	46,598	6.47	61,091	
	HCT Logistics Co., Ltd.	-	Financial assets measured at cost	4,920,876	113,705	1.97	240,307	
	Vita Genomics, Inc.	-	Financial assets measured at cost	77,720	777	0.13	630	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets measured at cost	3,224,867	139,899	4.03	209,616	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	2,118,764	41,289	6.27	5,176	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	4,746,720	145,462	5.83	84,634	
	Kaohsiung Rapid Transit Corporation.	-	Financial assets measured at cost	3,845,330	39,703	1.38	41,975	
	STL Technology Co., Ltd.	-	Financial assets measured at cost	5,455,881	191,968	7.83	65,743	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets measured at cost	1,293,232	105,000	1.19	179,837	
	DragonJet Corporation	-	Financial assets measured at cost	4,300,000	178,450	4.77	77,015	
	Vactronics Technologies Inc.	-	Financial assets measured at cost	2,494,309	48,060	5.28	38,652	
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	1,915,288	7,853	4.56	4,018	
	Terawins, Inc.	-	Financial assets measured at cost	1,913,996	27,173	6.30	26,483	
	Feature Integration Technology Inc.	-	Financial assets measured at cost	1,341,803	52,585	4.03	13,163	
	Mosart Semiconductor Corp.	-	Financial assets measured at cost	2,731,098	60,056	10.57	25,997	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	2,150,536	39,176	10.43	13,376	
	Luxtaltek Corporation	-	Financial assets measured at cost	1,535,188	27,094	2.47	6,690	
	Overseas Investment & Development Corp.	-	Financial assets measured at cost	2,600,000	26,000	2.89	25,976	
	Microprogram Co., Ltd.	-	Financial assets measured at cost	2,550,000	68,000	7.95	32,390	
	Lefram Technology Corporation	-	Financial assets measured at cost	7,484,454	54,757	17.48	47,152	
	Core Pacific City Co., Ltd.	-	Financial assets measured at cost	2,500,000	15,625	0.16	21,750	
	TAK Technology Co., Ltd.	-	Financial assets measured at cost	2,467,706	2,665	4.14	12,894	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	4,609,749	43,594	6.90	42,066	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets measured at cost	4,216	2	-	3	
Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	147,857	4.81	120,769		
JHL. Biotech, Inc.	-	Financial assets measured at cost	8,382,844	144,842	3.81	503,054		
Easten Power and Electric Company Limited	-	Financial assets measured at cost	3,201,019	295,572	12.00	324,770		
Beauty Essentials International Ltd.	-	Financial assets measured at cost	86,503,067	179,045	8.79	48,746		
Engineering & IP Advanced Technologies Ltd. - preferred stock	-	Financial assets measured at cost	6,392,765	2,354	0.35	4,864		
Lightel Technologies, Inc. - preferred stock	-	Financial assets measured at cost	3,000,000	89,700	43.44	63,342		
Apexigen, Inc. - preferred stock	-	Financial assets measured at cost	4,970,588	75,847	9.59	8,181		
Leyou, Inc. - preferred stock D	-	Financial assets measured at cost	663,958,732	450,150	75.00	120,775		
CDIB Capital Management Inc.	Subsidiary	Investments accounted for using the equity method	33,093,889	649,945	100.00	649,945		
CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	5,152,133	28.71	5,152,133		
CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	58,200,000	530,836	38.80	530,836		
CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	58,250,000	558,505	33.29	558,505		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Group	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	\$ 10,245,258	100.00	\$ 10,245,258	
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	5,351,939	46,363	20.00	46,363	
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,913	30.00	3,913	
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,282,133	100.00	1,282,133	
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	6,513,181	100.00	6,513,181	
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	7,377,674	100.00	7,377,674	
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	601,196	100.00	601,196	
	<u>Government bonds</u>							
	A00109	-	Available-for-sale financial assets	7,000,000	7,161	-	7,161	
	A01105	-	Available-for-sale financial assets	100,000,000	102,724	-	102,724	
	A03115	-	Available-for-sale financial assets	50,000,000	50,663	-	50,663	
	<u>Corporate bond</u>							
	Belta (Cayman) Holding Limited	-	Debt instruments with no active markets	11,959,916	358,439	-	36,403	
	<u>Fund</u>							
	CommLaunch	-	Financial assets measured at cost	-	40,092	-	41,214	
	ARCH Venture Fund V, L.P.	-	Financial assets measured at cost	-	25,951	-	6,278	
	Forward Venture IV, L.P.	-	Financial assets measured at cost	-	15,719	-	11,767	
	Forward Venture V	-	Financial assets measured at cost	-	64,388	-	34,491	
	MPM Bioventures III L.P.	-	Financial assets measured at cost	-	61,506	-	15,949	
	Sanderling	-	Financial assets measured at cost	-	31,839	-	13,549	
Samara Capital Partners Fund I Limited	-	Financial assets measured at cost	-	193,164	-	138,370		
THL Equity Fund VI Investors (Ceridan) L.P.	-	Financial assets measured at cost	-	228,510	-	269,829		
CDIB Capital Management Inc.	<u>Stocks</u>							
	Tong Hsing Electronic Industries, Ltd.	-	Available-for-sale financial assets	260,000	35,100	0.16	35,100	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	65,660	5,515	0.05	5,515	
	Pili International Multimedia Co., Ltd.	-	Available-for-sale financial assets	300,000	18,240	0.63	18,240	
	Kwan's International Co., Ltd.	-	Available-for-sale financial assets	101,240	4,075	0.13	4,075	
	MCM Stamping Co., Ltd.	-	Financial assets measured at cost	70,000	2,100	0.22	660	
	ARCOA Communication Co., Ltd.	-	Financial assets measured at cost	783,000	7,493	0.58	9,979	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	235,474	4,485	0.70	575	
	EVA Technologies Co., Ltd.	-	Financial assets measured at cost	297,623	4,824	1.44	1,851	
	Luminous Town Electric Co., Ltd.	-	Financial assets measured at cost	719,883	6,808	1.08	6,569	
	CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	276,238	100.00	276,238	
	CDIB CME Fund Ltd.	Associate	Investments accounted for using the equity method	1,500,000	13,681	1.00	13,681	
	CDIB Biomedical Venture Capital Corporation	Associate	Investments accounted for using the equity method	1,750,000	16,779	1.00	16,779	
	CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	13,129	60.00	13,129	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	9,777	0.10	9,777	
	CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u>						
CDIB Private Equity (China) Corporation		Subsidiary	Investments accounted for using the equity method	-	HK\$ 53,960	100.00	HK\$ 53,960	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)		Subsidiary	Investments accounted for using the equity method	-	HK\$ 3,830	27.08	HK\$ 3,830	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HK\$ 8,362	56.00	HK\$ 8,362	
CDIB Private Equity (China) Corporation	<u>Stocks</u>							
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 8,575	65.00	CNY 8,575	
	CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 18,864	70.00	CNY 18,864	
CDIB Private Equity (Fujian) Co., Ltd.	<u>Stocks</u>							
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 2,491	20.00	CNY 2,491		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	<u>Stocks</u> CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	CNY 6,880	58.33	CNY 6,880	
CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	<u>Funds</u> CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 9,964	1.00	CNY 9,964	
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	<u>Funds</u> CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	CNY 10,361	1.00	CNY 10,361	
CDIB Venture Capital Corporation	<u>Stocks</u>							
	Viscovery (Cayman) Holding Company Limited - preferred stock	-	Financial assets at fair value through profit or loss	304,878	14,924	8.20	14,924	
	ATEN International Co., Ltd.	-	Available-for-sale financial assets	2,283,567	191,820	1.91	191,820	
	Anpec Electronics Corporation	-	Available-for-sale financial assets	3,709,011	167,091	3.61	167,091	
	HIM International Music Inc.	-	Available-for-sale financial assets	997,656	101,262	2.12	101,262	
	Macroblock, Inc.	-	Available-for-sale financial assets	262,500	17,036	0.75	17,036	
	Dynamic Electronics Co., Ltd.	-	Available-for-sale financial assets	3,285,131	38,765	1.17	38,765	
	Dyaco Co., Ltd.	-	Available-for-sale financial assets	5,575,500	249,782	6.00	249,782	
	Solartech Energy Corp.	-	Available-for-sale financial assets	5,215,328	65,072	1.39	65,072	
	Neo Solar Power Corp.	-	Available-for-sale financial assets	4,555,307	60,028	0.45	60,028	
	FocalTech Systems Co., Ltd.	-	Available-for-sale financial assets	495,352	15,405	0.17	15,405	
	Lextar Electronics Corp.	-	Available-for-sale financial assets	2,608,065	69,635	0.51	69,635	
	Gallant Precision Machining Co., Ltd.	-	Available-for-sale financial assets	1,247,499	26,509	0.76	26,509	
	Shin Zu Shing Co., Ltd.	-	Available-for-sale financial assets	613,462	46,010	0.34	46,010	
	Enterex International Limited	-	Available-for-sale financial assets	1,751,000	58,659	1.74	58,659	
	Sum Max Tech. Limited	-	Available-for-sale financial assets	2,875,481	258,793	12.13	258,793	
	Regal Holding Co., Ltd.	-	Available-for-sale financial assets	2,200,000	112,200	5.77	112,200	
	Sino-American Silicon Products Inc.	-	Available-for-sale financial assets	5,708,562	435,563	0.96	435,563	
	Sunfun Info Co., Ltd.	-	Available-for-sale financial assets	810,000	35,033	5.68	35,033	
	ASRock Inc.	-	Available-for-sale financial assets	424,462	29,118	0.35	29,118	
	Share Hope Medicine Co., Ltd.	-	Available-for-sale financial assets	234,846	8,701	0.30	8,701	
	Topoint Technology Co., Ltd.	-	Available-for-sale financial assets	2,513,383	54,038	1.58	54,038	
	Aces Electronics Co., Ltd.	-	Available-for-sale financial assets	2,850,421	71,831	2.33	71,831	
	Shane Global Holding Inc.	-	Available-for-sale financial assets	1,715,700	174,115	1.72	174,115	
	Kwan's International Co., Ltd.	-	Available-for-sale financial assets	202,480	17,575	0.25	17,575	
	4Gamers Entertainment Inc. - preferred stock	-	Available-for-sale financial assets	24,000	11,939	20.00	11,939	
	Citiesocial Holding Cayman Co., Ltd. - preferred stock	-	Available-for-sale financial assets	479,635	14,925	18.18	14,925	
	Uimbo CV Inc. - preferred stock	-	Available-for-sale financial assets	1,394,145	20,894	10.29	20,894	
	CCMODA Corp. - preferred stock	-	Available-for-sale financial assets	666,666	14,924	20.00	14,924	
	Kneron, Inc.	-	Available-for-sale financial assets	1,546,391	44,772	10.00	44,772	
	Achieve Made International Limited - preferred stock	-	Available-for-sale financial assets	168,138	12,898	6.67	12,898	
	Dee Van Enterprise Co., Ltd.	-	Financial assets measured at cost	1,408,659	35,751	2.01	25,243	
	AMPAK Technology Inc.	-	Financial assets measured at cost	1,208,650	24,795	1.44	21,429	
	Azotek Co., Ltd.	-	Financial assets measured at cost	824,500	27,645	1.65	9,990	
	Yenyo Technology Co., Ltd.	-	Financial assets measured at cost	500,000	5,250	1.24	3,688	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets measured at cost	1,500,000	33,000	4.22	5,583	
	Fukuta Co., Ltd.	-	Financial assets measured at cost	1,608,600	139,860	4.80	39,354	
	Chain Yarn Corporation	-	Financial assets measured at cost	843,653	11,504	0.55	7,821	
	Handa Pharmaceuticals Inc.	-	Financial assets measured at cost	2,809,000	89,888	2.69	101,714	
	Top Green Energy Technologies, Inc.	-	Financial assets measured at cost	1,111,111	16,667	0.89	51	
	DL-tek Co., Ltd.	-	Financial assets measured at cost	3,772,331	51,100	1.03	28,485	
	Biodenta Corporation	-	Financial assets measured at cost	129,999	3,250	3.10	(1,386)	
	Fusheng Precision Co., Ltd.	-	Financial assets measured at cost	800,000	98,000	0.68	98,000	
	M2Communication, Inc.	-	Financial assets measured at cost	6,477,527	96,810	16.73	26,695	
	Cvie Therapeutics Limited	-	Financial assets measured at cost	846,351	40,262	4.15	4,407	
	GSD Technologies Co., Ltd.	-	Financial assets measured at cost	5,841,702	108,946	19.47	128,940	
	Beyond Innovation Technology Co., Ltd.	-	Financial assets measured at cost	630,518	8,995	1.87	1,540	
	Jochu Technology Co., Ltd.	-	Financial assets measured at cost	3,725,007	107,176	4.57	66,417	
	Trea Xtal Technology Corp.	-	Financial assets measured at cost	2,781,000	1,669	1.46	(11,513)	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note	
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)		
CDIB Venture Capital Corporation	STL Technology Co., Ltd.	-	Financial assets measured at cost	7,002,053	\$ 255,605	9.97	\$ 84,375		
	Chipsip Technology Co., Ltd.	-	Financial assets measured at cost	428,928	1,759	1.02	900		
	Greatland Electronics Taiwan Ltd.	-	Financial assets measured at cost	1,920,000	6,720	5.50	11,925		
	Luxtaltek Corporation	-	Financial assets measured at cost	124,474	2,197	0.20	542		
	Shengzhuang Holding Limited	-	Financial assets measured at cost	610,590	151,150	6.11	14,386		
	Excelsior Medical Co., Ltd.	-	Financial assets measured at cost	33,000	146,075	4.81	130,865		
	CBA Sports International Ltd.	-	Financial assets measured at cost	514,821	78,046	-	94,286		
	Cvie Therapeutics Company Limited	-	Financial assets measured at cost	560,000	21,708	4.15	(564)		
	Hartec Asia Pte. Ltd.	-	Financial assets measured at cost	2,800,000	99,603	10.23	74,566		
	iCHEF Co., Ltd. - preferred stock	-	Financial assets measured at cost	11,167,513	73,874	40.74	(1,848)		
	Zentera System, Inc.	-	Financial assets measured at cost	1,324,503	61,900	39.35	115,685		
	FUNP Co., Ltd. - preferred stock	-	Financial assets measured at cost	400,000	48,283	20.00	7,615		
	Derbysoft Holdings Limited - preferred stock A	-	Financial assets measured at cost	28,000,000	91,938	5.90	47,705		
	Derbysoft Holdings Limited - preferred stock B	-	Financial assets measured at cost	4,643,469	15,297	0.98	7,911		
	CDIB Venture Capital (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	870,000,000	3,298,634	100.00	3,298,634		
		<u>Funds</u>							
		CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	303,004	-	303,004	
	<u>Option</u>								
	CBA Sports International Ltd.	-	Financial assets measured at cost	-	142,819	-	24,281		
	<u>Convertible (exchangeable) Corporate bond</u>								
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	2,000	146,217	-	146,217		
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Funds</u>								
	CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 426,099	-	HK\$ 426,099		
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 350,645	-	HK\$ 350,645		
CDIB Capital Investment I Limited	<u>Stocks</u>								
	Mestay Cayman Islands Limited - preferred stock	-	Financial assets at fair value through profit or loss	13,722,047	US\$ 7,826	3.40	US\$ 7,826		
	DaChan Food (Asia) Ltd.	-	Available-for-sale financial assets	37,142,000	US\$ 2,661	3.66	US\$ 2,661		
	Global Sweeteners Holdings Ltd.	-	Available-for-sale financial assets	22,428,000	US\$ 597	1.47	US\$ 597		
	CCAP Best Logistics Holdings Limited	-	Available-for-sale financial assets	1,000	US\$ 4,716	11.11	US\$ 4,716		
	Casper Sleep, Inc.	-	Financial assets measured at cost	266,690	US\$ 7,500	20.05	US\$ 7,500		
	Great Team Backend Foundry Inc. - preferred stock	-	Financial assets measured at cost	1,636,800	US\$ 818	1.91	US\$ 796		
	Rock Mobile (Cayman) Co. - preferred stock C	-	Financial assets measured at cost	840,336	US\$ 1,000	3.26	US\$ 180		
	Subicvest Inc.	Subsidiary	Investments accounted for using the equity method	200,000	US\$ 80	100.00	US\$ 80		
		<u>Funds</u>							
		Carlyle Asia Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 2,819	-	US\$ 444	
		MSD Sports Partners, L.P.	-	Financial assets measured at cost	-	US\$ 8,144	-	US\$ 9,148	
		CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US\$ 92,116	-	US\$ 92,116	
		<u>Option</u>							
		Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets measured at cost	-	US\$ 1,785	-	US\$ 7,904	
		<u>Corporate bonds</u>							
		Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	41,875,000	US\$ 6,398	-	US\$ 6,519	
	<u>Convertible (exchange) corporate bond</u>								
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US\$ 4,000	-	US\$ 4,000		
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Debt instruments with no active markets	28,094,510	US\$ 4,368	-	US\$ 4,310		
Subicvest, Inc.	<u>Stocks</u>								
	SPEC Protertices, Inc.	-	Financial assets measured at cost	242,683	PHP 2,590	3.44	PHP 2,590		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Capital Investment II Limited	<u>Stocks</u>							
	Neo-neon Holdings Ltd.	-	Available-for-sale financial assets	14,000,000	US\$ 1,487	0.66	US\$ 1,487	
	Great Rich Technologies Limited	-	Available-for-sale financial assets	1,660,000	US\$ 5,191	2.46	US\$ 5,191	
	CBA Sports International Ltd.	-	Financial assets measured at cost	508,929	US\$ 2,733	0.89	US\$ 3,123	
	Indostar Capital	-	Financial assets measured at cost	992,674	US\$ 9,927	4.53	US\$ 13,294	
	Indostar Everstone - preferred stock	-	Financial assets measured at cost	992,332	US\$ 9,923	9.37	US\$ 12,656	
	<u>Option</u>							
CBA Sports International Ltd.	-	Financial assets measured at cost	-	US\$ 4,867	-	US\$ 804		
CDIB Global Markets Limited	<u>Stocks</u>							
	Facebook Inc.	-	Available-for-sale financial assets	575	US\$ 101	-	US\$ 101	
	GoPro, Inc.	-	Available-for-sale financial assets	51,878	US\$ 392	0.04	US\$ 392	
	Light Sciences Oncology, Inc.	-	Financial assets measured at cost	250,000	US\$ 6	0.28	US\$ (1)	
	Optoplex Corporation	-	Financial assets measured at cost	55	US\$ -	-	US\$ -	
	Optoplex Corporation - preferred stock A	-	Financial assets measured at cost	7,956	US\$ 23	0.42	US\$ 2	
	Optoplex Corporation - preferred stock B	-	Financial assets measured at cost	20,602	US\$ 31	0.75	US\$ 6	
	Sonics, Inc. - preferred stock B	-	Financial assets measured at cost	114,359	US\$ 333	14.74	US\$ 10	
	Microfabrica, Inc. - preferred stock B	-	Financial assets measured at cost	13,091	US\$ 27	0.12	US\$ 10	
	Microfabrica, Inc. - preferred stock AC	-	Financial assets measured at cost	7,749	US\$ 13	0.48	US\$ 6	
	Flemingo International (BVI) Ltd. - preferred stock	-	Debt instruments with no active markets	1,048	US\$ 19,980	50.19	US\$ 38,060	
	<u>Fund</u>							
	Huaxing Capital Partners II LP	-	Financial assets measured at cost	-	US\$ 6,444	-	US\$ 6,601	
	GS TDN Investors Offshore, L.P.	-	Financial assets measured at cost	-	US\$ 21,000	-	US\$ 1,050	
	CX Partners Fund Alpha Limited	-	Financial assets measured at cost	-	US\$ 7,252	-	US\$ 9,346	
	Carlyle Asia Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 5,970	-	US\$ 5,660	
	Riverwood Capital Partners L.P.	-	Financial assets measured at cost	-	US\$ 5,462	-	US\$ 5,508	
	ECP II (Cayman) Ltd. A	-	Financial assets measured at cost	-	US\$ 6,178	-	US\$ 8,533	
	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\$ 6,492	-	US\$ 8,264	
	Carlyle Asia Partners IV, L.P.	-	Financial assets measured at cost	-	US\$ 11,559	-	US\$ 15,540	
	Carlyle Giovanna Partners, L.P.	-	Financial assets measured at cost	-	US\$ 12,858	-	US\$ 52,369	
	Tenaya Capital V, L.P.	-	Financial assets measured at cost	-	US\$ 5,597	-	US\$ 4,722	
	THL EQUITY FUND VI INVESTORS (CERIDIAN), L.P.	-	Financial assets measured at cost	-	US\$ 3,523	-	US\$ 4,520	
	Platinum Equity Capital Partners II, L.P.	-	Financial assets measured at cost	-	US\$ 7,294	-	US\$ 3,835	
	THL Equity Fund VI Investors (Clear Channel), L.P.	-	Financial assets measured at cost	-	US\$ 12,477	-	US\$ 625	
	Industry Ventures Fund VI, L.P.	-	Financial assets measured at cost	-	US\$ 3,811	-	US\$ 4,369	
	Platinum Equity Capital Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 5,753	-	US\$ 8,291	
	Tenaya Capital VI, LP	-	Financial assets measured at cost	-	US\$ 6,807	-	US\$ 6,753	
	Formation8 Partners Fund I, L.P.	-	Financial assets measured at cost	-	US\$ 2,365	-	US\$ 7,915	
	Blue Point Capital Partners III, L.P.	-	Financial assets measured at cost	-	US\$ 6,898	-	US\$ 5,581	
	Riverwood Capital Partners II L.P.	-	Financial assets measured at cost	-	US\$ 11,806	-	US\$ 10,973	
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets measured at cost	-	US\$ 5,006	-	US\$ 8,951	
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\$ 6,799	100.00	US\$ 6,799	
	CDIB Capital International (Korea) Corporation	Subsidiary	Investments accounted for using the equity method	1,848,000	US\$ 6,039	100.00	US\$ 6,039	
	CDIB Capital International (USA) Corporation	Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 1,719	100.00	US\$ 1,719	
CDIB Capital Asia Partners Limited	Subsidiary	Investments accounted for using the equity method	-	US\$ (61)	100.00	US\$ (61)		
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	110,562	100.00	110,562	
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,560,004	100.00	2,560,004	
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	194,051	100.00	194,051	
	Pine Street Asset Management Corp.	-	Financial assets measured at cost	3,886,190	43,438	12.25	43,438	
Waterland Securities Co., Ltd.	-	Financial assets measured at cost	8,034,740	7,147	1.07	108,718		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2017				Note
				Shares/Face Value/Units	Carrying Value (Note 2)	Percentage of Ownership	Market Value or Net Asset Value (Note 3)	
CDIB Management Consulting Corp.	<u>Stocks</u> CDC Finance & Leasing Corp. CDIB International Leasing Corp.	Subsidiary Subsidiary	Investments accounted for using the equity method	58,238,460	\$ 621,085	76.04	\$ 621,085	
			Investments accounted for using the equity method	-	189,033	100.00	189,033	
CDC Finance & Leasing Corp.	<u>Stocks</u> Hwahong Corporation	Associate	Investments accounted for using the equity method	23,750	476	19.00	476	
Global Securities Finance Corporation	<u>Stocks</u> Chunghwa Telecom Co., Ltd. Taiwan Mobile Co., Ltd. Taishin Financial Holding Co., Ltd. - preferred stock LiteOn Technology Corporation Advanced Semiconductor Engineering, Inc. Pegatron Corporation <u>Mutual funds</u> Yuanta/P-shares Taiwan Dividend Plus ETE PineBridge Preferred Securities Income Fund-B (TWD) NB AR Taiwan Equity Fund T Inc. <u>Bank debentures</u> Sunny Bank Second Subordinated Bank Debentures issued in 2015 Hwatai Commercial Bank 2nd Subordinate Financial Debentures issued in 2015 Bank of Panhsin 3th Unsecured Subordinate Financial Debentures issued in 2017 Bank SinoPac Third Subordinated Bank Debentures issued in 2011 E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014 <u>Government bonds</u> A05113 A06102	-	Available-for-sale financial assets	1,454,000	154,124	-	154,124	
		-	Available-for-sale financial assets	515,000	55,363	-	55,363	
		-	Available-for-sale financial assets	200,000	10,580	-	10,580	
		-	Available-for-sale financial assets	950,000	38,570	-	38,570	
		-	Available-for-sale financial assets	561,000	21,402	-	21,402	
		-	Available-for-sale financial assets	200,000	14,400	-	14,400	
		-	Available-for-sale financial assets	2,540,000	63,500	-	63,500	
		-	Available-for-sale financial assets	26,040,000	253,633	-	253,633	
		-	Available-for-sale financial assets	2,000,000	19,520	-	19,520	
		-	Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
		-	Held-to-maturity financial assets	100,000,000	100,000	-	100,000	
		-	Held-to-maturity financial assets	200,000,000	200,000	-	199,993	
		-	Other financial assets	150,000,000	150,463	-	150,507	
		-	Other financial assets	50,000,000	50,000	-	50,145	
-	Other financial assets	100,000,000	99,544	-	100,037			
-	Other financial assets	100,000,000	99,714	-	100,481			

Note 1: The Group 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, 2017. 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, 2017
(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 Corporation	<u>Stocks</u> China Development Asset Management Corp.	Investment accounted for using the equity method	CDIB Capital Group	Subsidiary	-	\$ -	200,000,000	\$ 2,421,554 (Note 1)	-	\$ -	\$ -	\$ -	200,000,000	\$ 2,421,554
	China Life Insurance Co., Ltd.	Investment accounted for using the equity method	Public tender offer	Subsidiary	-	-	959,200,000	30,101,081 (Note 2)	-	-	-	-	959,200,000	30,101,081
	CDIB Capital Group	Investment accounted for using the equity method	-	-	2,060,399,410	69,863,440	-	-	-	19,283,497	16,990,309 (Note 3)	-	2,041,115,913	52,873,131
	KGI Securities	Investment accounted for using the equity method	-	-	3,498,812,320	55,568,778	-	-	-	500,000,000	3,653,706 (Note 4)	-	2,998,812,320	51,915,072
CDIB Capital Group	<u>Stocks</u> CDIB Venture Capital Corporation	Investment accounted for using the equity method	-	-	922,790,915	8,864,695	100,000,000	1,380,563 (Note 5)	-	-	-	-	1,022,790,915	10,245,258
	China Development Asset Management Corp.	Investment accounted for using the equity method	China Development Financial Holding Corp.	Parent	200,000,000	2,396,955	-	-	200,000,000	2,321,887	2,396,955 (Note 6)	-	-	-
	Tuntex Gas Corporation	Investment accounted for using the equity method	-	-	104,066,400	50,000	-	-	104,066,400	1,063,662	50,000	1,013,662	-	-
	CDIB Capital Investment II Limited	Investment accounted for using the equity method	-	-	80,000,000	2,582,414	-	-	35,000,000	-	1,300,281 (Note 7)	-	45,000,000	1,282,133
	JHL Biotech, Inc.	Financial assets measured at cost	-	-	12,894,844	222,803	-	-	4,512,000	301,243	77,961	223,282	8,382,844	144,842
CDIB Venture Capital Corporation	<u>Stock</u> CDIB Venture Capital (Hong Kong) Corporation Limited	Investment accounted for using the equity method	-	-	650,000,000	2,435,332	220,000,000	863,302 (Note 8)	-	-	-	-	870,000,000	3,298,634
CDIB Capital Investment I Limited	<u>Stock</u> CDIB Capital Asia Partner Fund	Investment accounted for using the equity method	-	-	-	US\$ 65,356	-	US\$ 26,760 (Note 9)	-	-	-	-	-	US\$ 92,116
	BP SCI LLC	Financial assets measured at cost	-	-	42,000	US\$ 15,000	-	-	42,000	US\$ 41,946	US\$ 15,000	US\$ 26,946	-	-
	Chewy, Inc.	Financial assets measured at cost	-	-	12,368	US\$ 11,699	-	-	12,368	US\$ 28,873	US\$ 11,699	US\$ 17,174	-	-
CDIB Global Markets Limited	<u>Fund</u> Carlyle Giovanna Partners, L.P.	Financial assets measured at cost	-	-	-	US\$ 14,773	-	-	-	US\$ 14,737	US\$ 1,915	US\$ 12,802	-	US\$ 12,858
CDIB Venture Capital (Hong Kong) Corporation Limited	<u>Fund</u> CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK\$ 272,045	-	HK\$ 154,054 (Note 10)	-	-	-	-	-	HK\$ 426,099
	CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Investment accounted for using the equity method	-	-	-	HK\$ 226,654	-	HK\$ 123,991 (Note 11)	-	-	-	-	-	HK\$ 350,645

Note 1: Consists of cost of purchase \$2,321,887 thousand, investment gain \$99,708 thousand, additional paid-in capital increase \$19 thousand and actuarial loss on defined benefit plans of \$60 thousand.

Note 2: Consists of cost of purchase \$30,800,000 thousand, cash dividends of \$704,000 thousand, investment gain \$243,027 thousand, treasury stocks \$1,329,422 thousand, unrealized gain on available-for-sale financial assets of \$1,048,324 thousand, exchange loss on translating foreign operations of \$2,647 thousand, actuarial loss on defined benefit plans of \$8,064 thousand and other comprehensive income related to income tax \$53,863 thousand.

Note 3: Consists of additional paid-in capital cash payment \$20,000,000 thousand, cash dividends of \$2,343,237 thousand, exchange loss on translating foreign operations of \$1,571,337 thousand, investment gain \$3,240,314 thousand, unrealized gain on available-for-sale financial assets of \$3,687,356 thousand, actuarial loss on defined benefit plans of \$15,712 thousand and additional paid-in capital increase \$12,307 thousand.

Note 4: Consists of reduction of the Corporation's capital of \$5,000,000 thousand, cash dividends of \$1,702,179 thousand, exchange loss on translating foreign operations of \$890,804 thousand, investment gain \$6,180,838 thousand, unrealized loss on available-for-sale financial assets of \$1,743,813 thousand, additional paid-in capital increase \$54,596 thousand, actuarial loss on defined benefit plans of \$82,185 thousand, treasury stocks \$499,397 thousand and other comprehensive income related to income tax \$29,238 thousand.

Note 5: Consists of cash dividends of \$131,150 thousand, \$1,000,000 thousand from new issue, exchange loss on translating foreign operations of \$13,826 thousand, investment gain \$63,438 thousand, unrealized gain on available-for-sale financial assets of \$480,915 thousand and reduction of retained earnings \$18,814 thousand about adjustment of organizational structure.

Note 6: Consists of cash dividends of \$76,488 thousand, investment gain \$1,416 thousand, additional paid-in capital increase \$4 thousand and cost of selling \$2,321,887 thousand.

(Continued)

- Note 7: Consists of reduction of the Corporation's capital of \$1,058,750 thousand, investment loss \$13,658 thousand, exchange loss on translating foreign operations of \$180,160 thousand and unrealized loss on available-for-sale financial assets of \$47,713 thousand.
- Note 8: Consists of \$860,420 thousand from new issue, exchange loss on translating foreign operations of \$13,825 thousand and investment gain \$35,521 thousand and reduction of retained earnings \$18,814 thousand about adjustment of organization structure.
- Note 9: Consists of US\$19,014 thousand from new issue, and investment gain US\$7,746 thousand.
- Note 10: Consists of HK\$116,586 thousand from new issue, exchange gain on translating foreign operations of HK\$28,813 thousand and investment gain HK\$8,655 thousand.
- Note 11: Consists of HK\$99,827 thousand from new issue, exchange gain on translating foreign operations of HK\$23,829 thousand and investment gain HK\$335 thousand.
- Note 12: 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, 2017

(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	\$ 339,279	-	\$ -	-	\$ -	\$ -
The Corporation	CDIB Capital Group	Subsidiary	323,549	-	-	-	-	-
	KGI Bank	Subsidiary	412,845	-	-	-	-	-
	KGI Securities	Subsidiary	340,456	-	-	-	-	-
CDIB Capital Group	CDIB Global Markets Limited	Subsidiary	598,900	-	-	-	-	-

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, 2017

(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	Venture fund	100.00	\$ 52,873,131	\$ 3,240,314	2,041,115,913	-	2,041,115,913	100.00	
	KGI Securities	Taiwan	Financial service	100.00	51,915,072	6,180,838	2,998,812,320	-	2,998,812,320	100.00	
	KGI Bank	Taiwan	Commercial bank	100.00	63,134,280	2,921,686	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taiwan	Trading and management of nonperforming loans of financial institutions	100.00	2,421,554	99,708	200,000,000	-	200,000,000	100.00	
	China Life Insurance Co., Ltd.	Taiwan	Financial insurance	25.33	30,101,081	243,027	1,323,663,887	-	1,323,663,887	34.96	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

Note 2: a. The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.

b. The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.

c. The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IAS 39, for example, stock option.

Note 3: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**SOLD NONPERFORMING LOANS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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
2017.06.09	A	Unsecured loans	\$ -	\$ 3,000	\$ 3,000	-	-
2017.11.28	B	Unsecured loans	-	1,000	1,000	-	-
2017.12.20	C	Secured loans	9,344	85,000	75,656	-	-

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, 2017

Consolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2017	December 31, 2016	
The Corporation	CDIB Capital Group	Venture fund	100.00	100.00	(Note 1)
	KGI Securities	Financial service	100.00	100.00	
	KGI Bank	Commercial bank	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	-	
	China Life Insurance Co., Ltd.	Financial insurance	25.33	-	
CDIB Capital Group	CDIB Capital Management Corporation	Management and consulting	100.00	100.00	(Note 2)
	CDIB Venture Capital Corporation	Venture fund	100.00	100.00	
	China Development Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	-	100.00	
	CDIB Global Markets Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment I Limited	Venture fund	100.00	100.00	
	CDIB Capital Investment II Limited	Venture fund	100.00	100.00	
	CDIB Capital International Corporation	Management company of venture fund	100.00	100.00	
CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	Management company of venture fund	100.00	100.00	(Note 2)
	CDIB Capital International (USA) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital International (Korea) Corporation	Management company of venture fund	100.00	100.00	
	CDIB Capital Asia Partners Limited	Management of private equity fund	100.00	100.00	
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 (Fujian) Co., Ltd.	Management and consulting	-	70.00	
CDIB Private Equity (Fujian) Co., Ltd.	CDIB 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	Management and consulting	100.00	100.00	
	CDIB Capital Innovative Advisors Corporation	Management and consulting	60.00	60.00	
CDIB Private Equity (Hong Kong) Corporation Limited	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	27.08	27.08	
	CDIB Private Equity (China) Corporation	Management and consulting	100.00	100.00	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting	56.00	56.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2017	December 31, 2016	
KGI International Limited	KGI Asia (Holdings) Pte. Ltd. KGI Capital (Singapore) Pte. Ltd.	Investment holdings Futures investment services	100.00 100.00	100.00 100.00	(Note 5)
KGI Capital Asia Limited	KGI Alliance Corporation KGI International (Hong Kong) Limited KGI Finance Limited PT KGI Sekuritas Indonesia	Investment services Derivative product services Investment and financing services Securities investment	100.00 100.00 100.00 99.00	100.00 100.00 100.00 99.00	(Note 6)
Grand Cathay Securities (Hong Kong) Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	100.00	(Note 7)
KGI Asia Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	100.00	-	(Note 7)
KGI Asia (Holdings) Pte. Ltd.	KGI Futures (Singapore) Pte. Ltd. (formerly KGI Ong Capital Pte. Ltd.) KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Futures investment and foreign - currency services Securities investment	- 100.00	100.00 100.00	(Note 8) (Note 8)
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp. CDIB International Leasing Corp.	Leasing Leasing	76.04 100.00	76.04 100.00	
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	

Note 1: The Corporation and the subsidiary, KGI securities, jointly held 34.96% of shares of China Life Insurance Co., Ltd.

Note 2: 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, 2017.

Note 3: KGI Securities held 21.99% of the shares of Global Securities Finance Corporation (GSFC) and obtained more than half of the seats in the board of director. Therefore, GSFC should be included in the consolidated financial statements.

Note 4: KGI 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, 2017.

Note 5: KGI Capital (Singapore) Pte. Ltd. has suspended its operations.

Note 6: 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.

Note 7: To integrate internal resources and improve the effectiveness of funding operation, the overseas investee enterprises of KGI Limited, which included KGI Securities (Hong Kong) Limited, KGI Asia Limited, Grand Cathay Securities (Hong Kong) Limited and KGI Wealth Management Limited, were merged. KGI Asia Limited was the survivor company after the merger. The effective date of the merger was October 3, 2017.

Note 8: To integrate internal resources, strengthen capital and enhance refinancing ability, the overseas investee enterprises of KGI Asia (Holdings) Ptd. Ltd., which included KGI Futures (Singapore) Pte. Ltd. and KGI Securities (Singapore) Pte. Ltd., were merged. KGI Securities (Singapore) Pte. Ltd. was the survivor company after the merger. The effective date of the merger was October 2, 2017.

(Continued)

Unconsolidated subsidiaries

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2017	December 31, 2016	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	50.00	50.00	As of December 31, 2017, 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 approbated 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, 2017, 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 approbated 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 approbated 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, 2017****(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.	\$ 141,497	84.39
Taipower Corporation	14,994	8.94
KG Investment Holdings Limited	12,332	7.35
AT&T Inc.	11,074	6.60
FANNIE MAE	10,593	6.32
VERIZON COMMUNICATIONS	8,370	4.99
JPMORGAN CHASE & CO	8,280	4.94
WELLS FARGO & COMPANY	8,136	4.85
DEUTSCHE BANK AG	7,534	4.49
GOLDMAN SACHS GROUP INC.	7,473	4.46
Hon Hai Precision Industry Co., Ltd.	7,414	4.42
CITIGROUP INC.	7,354	4.39
FREDDLE MAC	6,956	4.15
MORGAN STANLEY	6,787	4.05
BANK OF AMERICA CORP	6,682	3.98
Chunghwa Telecom Co., Ltd.	6,158	3.67
CDIB & Partners Investment Holding Corporation	5,998	3.58
COMCAST CORP.	5,852	3.49
SOCIETE GENERALE, PARIS, FRANCE	5,739	3.42
HSBC	5,472	3.26
China Development Bank	5,253	3.13
BARCLAYS BANK PLC	5,222	3.11
RABOBANK NEDERLAND	5,144	3.07
CREDIT SUISSE	5,042	3.01
NATIONAL BANK OF CANADA	4,906	2.93
ANHEUSER-BUSCH INBEV	4,882	2.91
LLOYDS BANK PLC	4,864	2.90
TSMC	4,804	2.86
Chailease International Financial Services	4,363	2.60
ROYAL BANK OF CANADA	4,339	2.59

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
GOVERNMENT NATL MORTGAGE ASSOCIATION	\$ 4,203	2.51
KOMMUNALBANKEN AS	4,174	2.49
NATIONAL BK OF ABU DHABI	3,965	2.36
NOMURA	3,902	2.33
NAN YA PLASTICS CORPORATION	3,880	2.31
Yuanta Securities Co., Ltd.	3,877	2.31
Natixis S.A.	3,849	2.30
ADCB FINANCE CAYMAN LTD	3,793	2.26
BNP-PARIBAS SA	3,749	2.24
MALAYAN BANKING BHD	3,684	2.20
Microsoft Corporation	3,659	2.18
STANDARD CHARTERED PLC	3,558	2.12
CTBC Financial Holding Co., Ltd.	3,340	1.99
Farglory Land Development Co., Ltd.	3,297	1.97
Alibaba Group Holding Limited	3,282	1.96
Qisda Corporation	3,214	1.92
Netronix, INc.	3,200	1.91
WESTPAC BANKING CORP	3,194	1.90
DBS BANK LTD.	3,183	1.90
Intel Corp.	3,177	1.89
Cathay United Commercial Bank	3,089	1.84
Total	\$ 418,783	249.75
2. The same group		
Foxconn Technology Group	\$ 11,340	6.76
Far Tastern Group	8,580	5.12
Fubon Group	8,035	4.79
BenQ Group	7,699	4.59
CTBC Group	7,084	4.22
YFY Group	6,307	3.76
Formosa Plastic Group	6,199	3.70
Chunghwa Telecom Group	6,158	3.67
LinYuan Group	6,001	3.58
Chailease Group	5,625	3.35
TSMC Group	4,949	2.95
Yuanta Group	4,497	2.68
Qsan Technology Group	4,313	2.57
Ruentex Group	4,062	2.42
Nanya Plastics Group	4,045	2.41
Tashin Group	3,749	2.24
Evergreen Group	3,622	2.16
Formosa Chemicals and Fiber Group	3,619	2.16
Mega Group	3,615	2.16
Farglory Group	3,469	2.07
PECOS Group	3,340	1.99
Netronix Group	3,200	1.91
Total	\$ 119,508	71.27

(Concluded)

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONDENSED BALANCE SHEETS AND STATEMENTS OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2017 AND 2016 (In Thousands of New Taiwan Dollars)

The Corporation

1. Balance sheets

	(In Thousands of New Taiwan Dollars)	
	December 31	
	2017	2016
Assets		
Cash and cash equivalents	\$ 1,014,547	\$ 1,357,441
Available-for-sale financial assets	1,344,910	1,199,734
Receivables, net	4,689	115
Current tax assets	1,234,121	1,436,182
Investments accounted for using the equity method, net	200,445,118	186,391,735
Other financial assets	300	300
Property and equipment, net	21,488	9,906
Other assets, net	<u>29,946</u>	<u>541,742</u>
Total	<u>\$ 204,095,119</u>	<u>\$ 190,937,155</u>
Liabilities and Equity		
Commercial paper payable	\$ 9,899,365	\$ 3,999,774
Payables	699,065	554,345
Current tax liabilities	472,630	857,328
Bonds payable	22,000,000	18,000,000
Other borrowings	3,299,950	3,999,892
Provisions	41,362	37,290
Other liabilities	<u>2,675</u>	<u>409</u>
Total liabilities	<u>36,415,047</u>	<u>27,449,038</u>
Equity		
Capital		
Common stock	149,763,034	149,744,203
Advance receipts for capital stock	5,162	10
Capital surplus	1,173,719	1,104,521
Retained earnings		
Legal reserve	5,606,606	5,014,298
Special reserve	2,078,602	3,228,296
Unappropriated earnings	13,184,948	8,556,188
Other		
Exchange differences on translation of foreign financial statements	(2,031,949)	494,377
Unrealized losses on available-for-sale financial assets	2,113,838	(2,255,818)
Others	(8,322)	(21,211)
Treasury shares	<u>(4,205,566)</u>	<u>(2,376,747)</u>
Total equity	<u>167,680,072</u>	<u>163,488,117</u>
Total	<u>\$ 204,095,119</u>	<u>\$ 190,937,155</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>	
	2017	2016
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	\$ 12,687,096	\$ 6,787,470
Others	<u>51,725</u>	<u>68,441</u>
Total revenues	<u>12,738,821</u>	<u>6,855,911</u>
EXPENSES AND LOSSES		
Operating expenses	(1,026,932)	(807,444)
Others	<u>(338,275)</u>	<u>(304,713)</u>
Total expenses and losses	<u>(1,365,207)</u>	<u>(1,112,157)</u>
NET PROFIT BEFORE INCOME TAX	11,373,614	5,743,754
INCOME TAX BENEFIT	<u>321,671</u>	<u>179,327</u>
NET PROFIT FOR THE YEAR	<u>11,695,285</u>	<u>5,923,081</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	(1,063)	(3,323)
Share of the other comprehensive loss of subsidiaries, associates and joint ventures	(143,832)	(146,266)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	15,253	9,506
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized gain (loss) on available-for-sale financial assets	257,619	(27,239)
Share of other comprehensive income of subsidiaries, associates and joint ventures	1,511,643	984,232
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>74,068</u>	<u>(3,790)</u>
Other comprehensive income for the year, net of income tax	<u>1,713,688</u>	<u>813,120</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ 13,408,973</u>	<u>\$ 6,736,201</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.80</u>	<u>\$ 0.40</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.80</u>	<u>\$ 0.40</u>

(Continued)

3. Statements of changes in equity

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Equity Attributable to Owners of the Parent						Other Equity			Total Equity Attributable to Owners of the Parent	
	Capital			Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Others		Treasury Shares
	Common Stock	Advance Receipts for Share Capital - Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings					
BALANCE AT JANUARY 1, 2016	\$ 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 the 2015 earnings	-	-	-	-	-	-	-	-	-	-	-
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)
	-	-	-	852,823	2,463,255	(10,803,084)	-	-	-	-	(7,487,006)
Other changes 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
Appropriation of the 2016 earnings	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	592,308	-	(592,308)	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	(7,487,871)	-	-	-	-	(7,487,871)
Special reserve reversed	-	-	-	-	(949,694)	949,694	-	-	-	-	-
	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	(7,487,871)
Other changes in capital surplus	-	-	59,948	-	-	-	-	-	-	-	59,948
Net profit for the year ended December 31, 2017	-	-	-	-	-	11,695,285	-	-	-	-	11,695,285
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(129,642)	(2,526,326)	4,369,656	-	-	1,713,688
Total comprehensive income for the year ended December 31, 2017	-	-	-	-	-	11,565,643	(2,526,326)	4,369,656	-	-	13,408,973
Reorganization	-	-	(93)	-	-	-	-	-	-	-	(93)
Purchasing parent shares, as treasury shares	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)
Disposal of the Corporation shares, as treasury shares	-	-	2,402	-	-	-	-	-	-	5,739	8,141
Share-based payments	18,831	5,152	6,941	-	-	(6,398)	-	-	12,889	-	37,415
Trading loss reserve of subsidiaries reversed	-	-	-	-	(200,000)	200,000	-	-	-	-	-
BALANCE AT DECEMBER 31, 2017	\$ 149,763,034	\$ 5,162	\$ 1,173,719	\$ 5,606,606	\$ 2,078,602	\$ 13,184,948	\$ (2,031,949)	\$ 2,113,838	\$ (8,322)	\$ (4,205,566)	\$ 167,680,072

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 11,373,614	\$ 5,743,754
Adjustments for:		
Depreciation and amortization expenses	4,854	4,840
Interest expense	310,432	287,220
Interest income	(26,577)	(6,968)
Dividend income	(45,810)	(60,668)
Share-based payment compensation cost	23,237	52,166
Share of profit of subsidiaries, associates and joint ventures	(12,685,573)	(6,786,318)
Others	23,159	46
Changes in operating assets and liabilities		
Receivable	(19,888)	291,795
Other assets	777,992	(2,204)
Payables	44,111	(475,375)
Provision	3,008	2,341
Other liabilities	2,266	100
Dividend received	6,496,394	5,153,844
Interest paid	(321,768)	(290,128)
Interest received	26,577	6,968
Income tax returned (paid)	<u>(1,838)</u>	<u>108,423</u>
Net cash generated from operating activities	<u>5,979,190</u>	<u>4,029,836</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equity investment under equity method	(33,121,887)	-
Proceeds of capital return on investments accounted for using the equity method	5,000,000	3,000,000
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	20,000,000	-
Disposal of available-for-sale financial assets	89,246	-
Acquisition of property and equipment	<u>(14,462)</u>	<u>(3,519)</u>
Net cash generated from (used in) investing activities	<u>(8,047,103)</u>	<u>2,996,481</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	5,899,591	(1,099,971)
Proceeds from issue of corporate bonds	10,000,000	-
Repayments of corporate bonds	(6,000,000)	-
Repayments of other borrowings	(699,942)	-
Increase in other borrowings	-	1,400,045
Cash dividend paid	(7,487,871)	(7,487,006)
Exercise of employee share options	8,241	2,789
Buyback of ordinary shares	<u>-</u>	<u>(1,150,440)</u>
Net cash generated from (used in) financing activities	<u>1,720,019</u>	<u>(8,334,583)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(342,894)	(1,308,266)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,357,441</u>	<u>2,665,707</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,014,547</u>	<u>\$ 1,357,441</u>

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2017	2016
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 47,564,313	\$ 78,234,125
Financial assets at fair value through profit or loss	54,441,219	97,833,395
Securities purchased under resell agreements	18,829,142	795,850
Receivables, net	18,552,904	23,040,675
Assets held for sale, net	-	12,290
Discount and loans, net	293,656,990	252,376,992
Available-for-sale financial assets	127,662,495	88,722,046
Investments accounted for using the equity method, net	1,738,613	1,823,461
Other financial assets, net	7,862,447	3,882,514
Property and equipment, net	5,518,787	5,536,616
Investment property, net	932,134	712,146
Deferred tax assets	2,855,924	4,302,232
Other assets, net	<u>5,884,365</u>	<u>8,535,898</u>
Total assets	<u>\$ 585,499,333</u>	<u>\$ 565,808,240</u>
Deposits from the Central Bank and banks	\$ 28,330,692	\$ 30,917,374
Financial liabilities at fair value through profit or loss	43,284,681	39,408,142
Notes and bonds issued under repurchase agreements	45,444,814	62,138,314
Payables	6,787,707	4,087,128
Current tax liabilities	412,845	379,060
Deposits and remittances	376,649,751	343,497,464
Bank debentures payable	1,000,000	2,684,236
Principal received on structured notes	20,147,989	21,875,414
Other financial liabilities	3,162	877
Provisions	213,712	220,615
Deferred tax liabilities	243,838	78,585
Other liabilities	<u>1,758,392</u>	<u>1,795,742</u>
Total liabilities	<u>524,277,583</u>	<u>507,082,951</u>
Common stock	46,061,623	46,061,623
Capital surplus	7,250,553	7,249,280
Retained earnings	8,166,473	6,719,227
Others	<u>(256,899)</u>	<u>(1,304,841)</u>
Total equity	<u>61,221,750</u>	<u>58,725,289</u>
Total liabilities and equity	<u>\$ 585,499,333</u>	<u>\$ 565,808,240</u>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2017	2016
Interest revenue	\$ 10,273,997	\$ 8,721,110
Interest expense	<u>(4,029,867)</u>	<u>(3,197,731)</u>
Interest profit, net	6,244,130	5,523,379
Noninterest profits and gains, net	<u>4,729,434</u>	<u>4,721,647</u>
Total net revenues	10,973,564	10,245,026
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	(288,239)	37,498
Operating expenses	<u>(5,661,258)</u>	<u>(5,485,672)</u>
Net profit before income tax	5,024,067	4,796,852
Income tax expense	<u>(1,844,062)</u>	<u>(969,829)</u>
Net profit for the year	3,180,005	3,827,023
Other comprehensive income (loss) for the year net of income tax	<u>1,016,351</u>	<u>(986,455)</u>
Total comprehensive income for the year	<u>\$ 4,196,356</u>	<u>\$ 2,840,568</u>
Basic earnings per share	<u>\$ 0.69</u>	<u>\$ 0.83</u>

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2017	2016
Current assets	\$ 132,216,805	\$ 140,174,696
Noncurrent assets	<u>43,216,936</u>	<u>35,049,534</u>
Total assets	<u>\$ 175,433,741</u>	<u>\$ 175,224,230</u>
Current liabilities	\$ 110,425,142	\$ 106,141,192
Noncurrent liabilities	<u>6,847,824</u>	<u>8,838,991</u>
Total liabilities	<u>117,272,966</u>	<u>114,980,183</u>
Common stock	29,988,123	34,988,123
Capital surplus	8,646,690	8,644,122
Retained earnings	20,657,851	14,356,868
Others	<u>(1,131,889)</u>	<u>2,254,934</u>
Total equity	<u>58,160,775</u>	<u>60,244,047</u>
Total liabilities and equity	<u>\$ 175,433,741</u>	<u>\$ 175,224,230</u>

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2017	2016
Operating revenues	\$ 14,519,046	\$ 9,665,802
Operating expenses	<u>(8,507,084)</u>	<u>(7,822,997)</u>
Profit from operations	<u>6,011,962</u>	<u>1,842,805</u>
Share of profit (loss) of subsidiaries, associates and joint ventures	1,575,345	(53,362)
Other income and loss	<u>733,497</u>	<u>822,541</u>
Total non-operating income or loss	<u>2,308,842</u>	<u>769,179</u>
Net profit before income tax	8,320,804	2,611,984
Income tax expense	<u>(243,119)</u>	<u>(128,438)</u>
Net profit for the year	8,077,685	2,483,546
Other comprehensive income (loss)	<u>(3,461,346)</u>	<u>1,099,844</u>
Total comprehensive income for the year	<u>\$ 4,616,339</u>	<u>\$ 3,583,390</u>
Basic earnings per share	<u>\$ 2.45</u>	<u>\$ 0.68</u>

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2017	2016
Current assets	\$ 5,089,560	\$ 20,277,266
Noncurrent assets	<u>49,413,520</u>	<u>51,341,667</u>
Total assets	<u>\$ 54,503,080</u>	<u>\$ 71,618,933</u>
Current liabilities	\$ 723,199	\$ 768,747
Noncurrent liabilities	<u>804,655</u>	<u>817,044</u>
Total liabilities	<u>1,527,854</u>	<u>1,585,791</u>
Common stock	20,411,159	20,603,994
Capital surplus	4,688,261	24,703,001
Retained earnings	28,585,639	27,592,053
Others	<u>(709,833)</u>	<u>(2,865,906)</u>
Total equity	<u>52,975,226</u>	<u>70,033,142</u>
Total liabilities and equity	<u>\$ 54,503,080</u>	<u>\$ 71,618,933</u>

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2017	2016
Operating revenues	\$ 4,896,413	\$ 2,882,794
Operating costs	<u>(871,724)</u>	<u>(943,371)</u>
Gross profit	4,024,689	1,939,423
Operating expenses	<u>(528,601)</u>	<u>(549,324)</u>
Profit from operations	3,496,088	1,390,099
Non-operating income and expenses	<u>(43,636)</u>	<u>160,501</u>
Net profit before income tax	3,452,452	1,550,600
Income tax expense	<u>(99,917)</u>	<u>(82,705)</u>
Net profit for the period	3,352,535	1,467,895
Other comprehensive income for the period, net of income tax	<u>2,140,361</u>	<u>675,342</u>
Total comprehensive income for the period	<u>\$ 5,492,896</u>	<u>\$ 2,143,237</u>
Basic earnings per share	<u>\$ 1.63</u>	<u>\$ 0.71</u>

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2017	2016
Current assets	\$ 44,161	\$ 28,170
Noncurrent assets	<u>3,211,800</u>	<u>3,194,215</u>
Total assets	<u>\$ 3,255,961</u>	<u>\$ 3,222,385</u>
Current liabilities	\$ 832,695	\$ 824,758
Noncurrent liabilities	<u>1,712</u>	<u>672</u>
Total liabilities	<u>834,407</u>	<u>825,430</u>
Common stock	2,000,000	2,000,000
Capital surplus	8,735	8,711
Retained earnings	<u>412,819</u>	<u>388,244</u>
Total equity	<u>2,421,554</u>	<u>2,396,955</u>
Total liabilities and equity	<u>\$ 3,255,961</u>	<u>\$ 3,222,385</u>

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2017	2016
Revenues and gains	\$ 183,792	\$ 165,809
Expenses and losses	<u>(82,668)</u>	<u>(82,239)</u>
Net profit before income tax	101,124	83,570
Income tax expense	<u>-</u>	<u>-</u>
Net profit for the period	101,124	83,570
Other comprehensive income for the period, net of income tax	<u>(60)</u>	<u>1,276</u>
Total comprehensive income for the period	<u>\$ 101,064</u>	<u>\$ 84,846</u>
Basic earnings per share	<u>\$ 0.05</u>	<u>\$ 0.04</u>

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31, 2017
Assets	
Cash and cash equivalents	\$ 44,717,613
Receivables	12,998,829
Financial assets at fair value through profit or loss	4,531,910
Available-for-sale financial assets	424,694,976
Debt instruments with no active market	632,451,850
Held-to-maturity financial assets	194,762,878
Investment property	23,149,852
Loans	31,490,373
Reinsurance assets	302,104
Property and equipment	9,387,145
Intangible assets	186,275
Deferred tax assets	5,689,044
Other assets	19,546,345
Separate account product assets	<u>61,824,990</u>
Total assets	<u>\$ 1,465,734,184</u>
Payables	\$ 8,547,929
Current tax liabilities	4,934,199
Financial liabilities at fair value through profit or loss	535,854
Insurance liabilities	1,284,198,018
Foreign exchange valuation reserve	2,703,763
Provisions	120,084
Deferred tax liabilities	2,553,444
Other liabilities	4,978,156
Separate account product liabilities	<u>61,824,990</u>
Total liabilities	<u>1,370,396,437</u>
Common stock	37,863,984
Capital surplus	2,289,273
Retained earnings	44,077,239
Others	<u>11,107,251</u>
Total equity	<u>95,337,747</u>
Total liabilities and equity	<u>\$ 1,465,734,184</u>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31, 2017
Operating revenue	\$ 255,328,334
Operating costs	(242,182,893)
Operating expense	<u>(4,405,260)</u>
Profit from operations	8,740,181
Non-operating income and expenses	<u>(897)</u>
Income from continuing operations before income tax	8,739,284
Income tax benefit	<u>344,688</u>
Net income	9,083,972
Other comprehensive income for the period net of income tax	<u>7,960,686</u>
Total comprehensive income for the period	<u>\$ 17,044,658</u>
Basic earnings per share	<u>\$ 2.40</u>

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENT IN MAINLAND CHINA
DECEMBER 31, 2017
(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, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Beauty Essential International Ltd.	Sale and R&D the cosmetic.	US\$ 2,000 thousand	Note 1,b,1)	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,2)	US\$ 3,267 thousand	-	-	US\$ 3,267 thousand	Note 3	6.87	-	107,235	-
Triplex International Biosciences (Fujian)	Manufacture, sale and R&D medical diagnostic reagents and instruments.	US\$ 35,200 thousand	Note 1,b,3)	US\$ 1,400 thousand	-	-	US\$ 1,400 thousand	Note 3	1.66	-	45,003	-
Hartec Technology (Kunshan) Co., Ltd.	NB EMI sputtering.	US\$ 17,130 thousand	Note 1,b,4)	US\$ 3,000 thousand	-	-	US\$ 3,000 thousand	Note 3	10.23	-	99,603	-
Great Team Backend Foundry (Dongguan) Ltd.	Analog IC testing and packaging.	US\$ 87,070 thousand	Note 1,b,5)	US\$ 228 thousand	-	-	US\$ 228 thousand	Note 3	1.79	-	6,805	-
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,6)	US\$ 182 thousand	-	-	US\$ 182 thousand	Note 3	5.00	-	6,495	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 27,700 thousand	Note 1,b,5)	US\$ 882 thousand	US\$ 59 thousand	-	US\$ 941 thousand	Note 3	2.16	-	6,936	-
Chengdu Le Me Shi Jia Information Technology Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 3,000 thousand	Note 1,b,5)	US\$ 33 thousand	-	-	US\$ 33 thousand	Note 3	2.16	-	245	-
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.	CNY 165,249 thousand	Note 1,b,5)	CNY 1,016 thousand	CNY 716 thousand	-	CNY 1,732 thousand	Note 3	2.16	-	1,888	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US\$ 500 thousand	Note 1,b,5)	US\$ 42 thousand	-	-	US\$ 42 thousand	Note 3	2.16	-	307	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film	CNY 19,812 thousand	Note 1,b,23)	-	US\$ 4,938 thousand	-	US\$ 4,938 thousand	Note 3	3.89	-	36,392	-
CDIB Private Equity (China) Corporation	Management and consulting.	US\$ 7,000 thousand	Note 1,b,8)	US\$ 7,000 thousand	-	-	US\$ 7,000 thousand	23,787	100.00	23,787	206,073	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 11	CNY 7,000 thousand	-	CNY 7,000 thousand	-	21,377	70.00	14,964	86,378	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 6,686 thousand	\$ -	\$ -	CNY 6,686 thousand	\$ 695	70.00	\$ 487	\$ 39,918	\$ -
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 247,100 thousand	CNY 102,900 thousand	-	CNY 350,000 thousand	98,512	-	34,479	1,674,714	-
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 12	CNY 4,550 thousand	-	CNY 4,550 thousand	-	12,357	65.00	8,032	39,263	-
CDIB Yida Private Equity Management (Kushan) Enterprise (Limited Partnership)	Management and consulting.	CNY 12,000 thousand	Note 1,b,8)	CNY 3,250 thousand	-	-	CNY 3,250 thousand	13	65.00	8	35,106	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 212,450 thousand	CNY 87,550 thousand	-	CNY 300,000 thousand	4,457	-	1,337	1,369,820	-
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,9)	US\$ 16,612 thousand	-	-	US\$ 16,612 thousand	Note 3	0.94	-	495,841	-
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,9)	US\$ 4,371 thousand	-	-	US\$ 4,371 thousand	Note 3	0.94	-	130,471	-
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,9)	US\$ 875 thousand	-	-	US\$ 875 thousand	Note 3	0.94	-	26,107	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent.	US\$ 400 thousand	Note 1,b,9)	US\$ 174 thousand	-	-	US\$ 174 thousand	Note 3	0.94	-	5,195	-
GSD Industrial Co., Ltd.	Pumps manufacture and sale.	CNY 50,000 thousand	Note 1,b,10)	US\$ 2,235 thousand	-	-	US\$ 2,235 thousand	Note 3	19.86	-	68,353	-
Shengzhuang Co., Ltd.	Cosmetics sales.	CNY 54,300 thousand	Note 1,b,11)	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\$ 4,100 thousand	Note 1,b,12)	US\$ 337 thousand	-	-	US\$ 337 thousand	Note 3	11.58	-	10,076	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
Guohui (China) Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 313,432 thousand	Note 1,b,6),13)	US\$ 2,311 thousand	\$ -	\$ -	US\$ 2,311 thousand	Note 3	7.73	\$ -	\$ 68,982	\$ -
Fujian Guohui Footwear Co., Ltd.	Manufacturing and sale sport apparel, footwear and accessories.	HK\$ 195,686 thousand	Note 1,b,6),13)	US\$ 1,678 thousand	-	-	US\$ 1,678 thousand	Note 3	7.73	-	50,095	-
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,5)	US\$ 1,837 thousand	US\$ 7,411 thousand	-	US\$ 9,248 thousand	Note 3	4.05	-	68,162	-
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,5),14)	US\$ 4,722 thousand	-	-	US\$ 4,722 thousand	Note 3	2.37	-	153,746	13,594
Hangzhou Rilong Leather Co., Ltd.	Business in toys sale and doing wholesale and import business in furniture	US\$ 1,000 thousand	Note 1,b,5)14)	US\$ 20	-	-	US\$ 20	Note 3	2.46	-	-	-
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,15)	US\$ 2,613 thousand	-	-	US\$ 2,613 thousand	Note 3	12.13	-	77,993	-
Dongguan TaiYi Electronics Co., Ltd.	Engaged in computer radiator, electronic products wholesale, commission agency (except auction), import and export and related business.	CNY 9,500 thousand	Note 1,b,15)	US\$ 431 thousand	US\$ 131 thousand	-	US\$ 562 thousand	Note 3	12.13	-	16,775	-
Dongguan Yi Quan Electronics Co., Ltd.	Business in computer radiators, electronic products, and provide after-sales service, commission agent (except auction), business of import and export.	CNY 3,000 thousand	Note 1,b,15)	-	US\$ 63 thousand	-	US\$ 63 thousand	Note 3	12.13	-	1,886	-
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.	CNY 350,379 thousand	Note 1,b,16)	US\$ 7,417 thousand	-	-	US\$ 7,417 thousand	Note 3	2.67	-	54,664	-
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,17)	US\$ 211 thousand	-	-	US\$ 211 thousand	Note 3	0.42	-	6,313	-
Loyou, Inc.	Children's products.	US\$ 62,150 thousand	Note 1,b,18)	US\$ 963 thousand	-	-	US\$ 963 thousand	Note 3	5.24	-	29,206	-
Viscovery	Business in development of image and video, provide identification of patent and video service.	US\$ 3,500 thousand	Note 1,b,19)	-	US\$ 36 thousand	-	US\$ 36 thousand	Note 3	1.80	-	1,075	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2017	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2017 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2017	Accumulated Inward Remittance of Earnings as of December 31, 2017
					Outflow	Inflow						
CDIB International Leasing Corporation	Financial Leasing and management business consulting.	CNY 187,750 thousand	Note 1,a	US\$ 30,000 thousand	\$ -	\$ -	US\$ 30,000 thousand	\$ (229,924)	100.00	\$ (229,924)	\$ 189,033	\$ -
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US\$ 4,000 thousand	Note 1,b,20)	US\$ 4,000 thousand	-	-	US\$ 4,000 thousand	(24,933)	100.00	(24,933)	48,707	-
CCB Life Insurance Company Limited	Life insurance.	CNY 4,495,789 thousand	Note 1,a	7,401,464	-	-	7,401,464	1,699,221	19.90	-	14,049,353	-
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US\$ 6,000 thousand	Note 1,b,21)	-	US\$ 360 thousand	-	US\$ 360 thousand	Note 3	0.88	-	10,868	-
Cheng Zong Environmental Protection Technology (Shanghai) Co., Ltd.	Business in Packaging materials, plastic products, machinery and equipment, providing molds and related products wholesale, commission agents.	US\$ 5,000 thousand	Note 1,b,21)	-	US\$ 107 thousand	-	US\$ 107 thousand	Note 3	0.88	-	3,212	-
Sauneng Bakeware (Wuxi) Co., Ltd.	Development, manufacture and sale of food and baking appliances	US\$ 32,000 thousand	Note 1,b,22)	US\$ 1,540 thousand	-	-	US\$ 1,540 thousand	Note 3	0.01	-	-	-

Accumulated Investment in Mainland China as of December 31, 2017	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$14,195,666	US\$789,550 thousand	\$140,566,767

Note 1: The investment types are as follows:

- a. Direct investments.
- b. Reinvested through a third place by:
 - 1) Beauty Essentials International Ltd.
 - 2) Derbysoft Holdings Limited.
 - 3) Capital Excel Investments Limited.
 - 4) Hartec Asia Pet Ltd.
 - 5) CDIB Capital Investment I Limited.
 - 6) CDIB Capital Investment II Limited
 - 7) CDIB Venture Capital (Hong Kong) Corporation Limited.
 - 8) CDIB Private Equity (Hong Kong) Corporation Limited.
 - 9) CDIB Global Markets Limited.
 - 10) GSD Technologies Co., Ltd.
 - 11) Shengzhuang Holdings Limited.
 - 12) Lightel Technologies, Inc.
 - 13) CBA Sport International Limited.
 - 14) Shane Global Holding Inc.
 - 15) Sun Max Tech Limited.
 - 16) CCAP Tutwo Holdings (Hong Kong) Limited.
 - 17) Best Logistics.
 - 18) Leyou, Inc.
 - 19) Viscovery (Cayman) Holding Company Limited.
 - 20) Richpoint Company Limited.
 - 21) Deluxe Technology Group Co., Ltd.
 - 22) San Neng Group Holdings Co., Ltd.
 - 23) CDIB Capital Asia Partners L.P.
- 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 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 6: 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 7: 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 8: 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 9: Subsidiary of the Corporation formerly indirectly invested in China Peptides (Wuhan) Co., Ltd. through its subsidiary's investment in JHL Biotech, Inc. has been listed on the Taipei Exchange on September 17, 2015, refer to its financial report for the information.
- Note 10: Subsidiary of the Corporation formerly indirectly invested in Touch Equipment Leasing (Shanghai) Co., Ltd. and Touch Multimedia Technology (Shanghai) Co., Ltd. through its subsidiary's investment in Touch Media International Holdings, and the amount of investment in Touch Media International Holdings by subsidiary has been totally recognized as impairment loss in 2017.
- Note 11: Invested by CDIB Private Equity (China) Corporation, which was formerly reinvested by CDIB Venture Capital (Hong Kong) Corporation Limited.
- Note 12: Invested by CDIB Private Equity (China) Corporation, which was formerly reinvested by CDIB Private Equity (Hong Kong) Corporation Limited.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

**BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2017
(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	\$ 323,549	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	323,549	Note 4	0.01%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	339,279	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	339,279	Note 4	0.01%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	974,422	Note 4	0.04%
2	KGI Bank	The Corporation	2	Deposits and remittances	974,422	Note 4	0.04%
0	The Corporation	KGI Bank	1	Current tax assets	412,845	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	412,845	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	340,456	Note 4	0.01%
3	KGI Securities	The Corporation	2	Current tax liabilities	340,456	Note 4	0.01%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	3,992,127	Note 4	0.17%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	3,992,127	Note 4	0.17%
1	CDIB Capital Group	CDIB Global Markets Limited	3	Receivables, net	598,900	Note 4	0.03%
4	CDIB Global Markets Limited	CDIB Capital Group	3	Payables	598,900	Note 4	0.03%
5	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenues	147,558	Note 4	0.17%
4	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating Expenses	147,558	Note 4	0.17%
5	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating Expenses	256,877	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)
6	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenues	\$ 256,877	Note 4	0.30%
7	CDIB Venture Capital Corporation	CDIB Capital Management Inc.	3	Operating Expenses	100,672	Note 4	0.12%
8	CDIB Capital Management Inc.	CDIB Venture Capital Corporation	3	Consulting service revenues	100,672	Note 4	0.12%
2	KGI Bank	KGI Securities and its subsidiaries	3	Financial assets at fair value through profit or loss	303,160	Note 4	0.01%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other financial liabilities	303,160	Note 4	0.01%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	4,360,264	Note 4	0.18%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	4,360,264	Note 4	0.18%
2	KGI Bank	KGI Securities	3	Deposits and remittances	2,042,540	Note 4	0.09%
3	KGI Securities	KGI Bank	3	Other financial assets	2,042,540	Note 4	0.09%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,036,153	Note 4	0.04%
3	KGI Securities	KGI Bank	3	Restricted assets	1,036,153	Note 4	0.04%
2	KGI Bank	KGI Securities	3	Deposits and remittances	192,353	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Other assets	192,353	Note 4	0.01%
2	KGI Bank	KGI Securities	3	Receivables, net	157,201	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Payables	157,201	Note 4	0.01%
2	KGI Bank	CDIB Global Markets Limited	3	Deposits and remittances	492,634	Note 4	0.02%
4	CDIB Global Markets Limited	KGI Bank	3	Cash and cash equivalents	492,634	Note 4	0.02%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	284,838	Note 4	0.01%
7	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	284,838	Note 4	0.01%
2	KGI Bank	CDIB Capital Investment I Limited	3	Deposits and remittances	209,590	Note 4	0.01%
9	CDIB Capital Investment I Limited	KGI Bank	3	Cash and cash equivalents	209,590	Note 4	0.01%
2	KGI Bank	CDIB Capital International Corporation	3	Deposits and remittances	109,849	Note 4	0.00%

(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)
5	CDIB Capital International Corporation	KGI Bank	3	Cash and cash equivalents	\$ 109,849	Note 4	0.00%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee and commission, income	251,755	Note 4	0.29%
10	KGI Futures Co., Ltd.	KGI Securities	3	Service fee and commission, expense	251,755	Note 4	0.29%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit	290,183	Note 4	0.34%
11	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Net other noninterest profit	290,183	Note 4	0.34%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Operating expense	152,000	Note 4	0.18%
12	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Consulting service revenue	152,000	Note 4	0.18%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	493,870	Note 4	0.02%
10	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	493,870	Note 4	0.02%
13	Richpoint Company Limited (BVI Holding Co.)	KG Investments Holdings Limited	3	Receivables, net	1,793,872	Note 4	0.07%
14	KG Investments Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	1,793,872	Note 4	0.07%
13	Richpoint Company Limited (BVI Holding Co.)	KGI International Holdings Limited	3	Receivables, net	1,793,872	Note 4	0.07%
15	KGI International Holdings Limited	Richpoint Company Limited (BVI Holding Co.)	3	Other borrowings	1,793,872	Note 4	0.07%
10	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	125,393	Note 4	0.01%
16	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	125,393	Note 4	0.01%
10	KGI Futures Co., Ltd.	KGI Futures (Singapore) Pte. Ltd.	3	Other financial assets	114,574	Note 4	0.00%
17	KGI Futures (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	114,574	Note 4	0.00%
10	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	1,546,454	Note 4	0.06%
16	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	1,546,454	Note 4	0.06%

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**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2017****(Expressed in U.S. Dollars/CYN)**

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	\$ 178,365	\$ 15,724	\$ 50,896	\$ -	\$ 10,425,402
Receivables, net	-	-	18,000,000	-	-
Other receivable - related parties	120,000,000	-	26,132,123	-	-
Other current assets	<u>201,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>146,114</u>
Total current assets	<u>120,379,485</u>	<u>15,724</u>	<u>44,183,019</u>	<u>-</u>	<u>10,571,516</u>
NONCURRENT ASSETS					
Financial assets measured at cost - noncurrent	711,376	-	-	-	-
Investments accounted for using the equity method	415,977,185	519,465,282	537,245,573	-	-
Property and equipment	-	-	-	-	11,490
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>218,163</u>
Total noncurrent assets	<u>416,688,561</u>	<u>519,465,282</u>	<u>537,245,573</u>	<u>-</u>	<u>229,653</u>
TOTAL	<u>\$ 537,068,046</u>	<u>\$ 519,481,006</u>	<u>\$ 581,428,592</u>	<u>\$ -</u>	<u>\$ 10,801,169</u>
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Short-term borrowings	\$ 134,750,000	\$ -	\$ -	\$ -	\$ -
Commercial paper payable	-	-	2,634,615	-	-
Other payable	90,413	100,235	292,279	-	22,869
Other payable - related parties	<u>-</u>	<u>120,119,212</u>	<u>60,000,000</u>	<u>-</u>	<u>-</u>
Total current liabilities	<u>134,840,413</u>	<u>120,219,447</u>	<u>62,926,894</u>	<u>-</u>	<u>22,869</u>
NONCURRENT LIABILITIES					
Other noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Total liabilities	<u>134,840,413</u>	<u>120,219,447</u>	<u>62,926,894</u>	<u>-</u>	<u>174,869</u>
EQUITY					
Common stock	147,043,557	156,864,163	209,248,261	-	25,278,600
Capital reserve	870,885	76,198	54,660,905	-	10,818
Special reserve	-	9,759,135	387,913	-	-
Retained earnings (accumulated deficit)	248,248,440	226,416,656	248,059,212	-	(14,663,118)
Other equity	<u>6,064,751</u>	<u>6,145,407</u>	<u>6,145,407</u>	<u>-</u>	<u>-</u>
Total equity	<u>402,227,633</u>	<u>399,261,559</u>	<u>518,501,698</u>	<u>-</u>	<u>10,626,300</u>
TOTAL	<u>\$ 537,068,046</u>	<u>\$ 519,481,006</u>	<u>\$ 581,428,592</u>	<u>\$ -</u>	<u>\$ 10,801,169</u>

TABLE 13-2**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2017****(Expressed in U.S. Dollars)**

ASSETS	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 500
Total current assets	-	-	500
NONCURRENT ASSETS			
Investments accounted for using the equity method	362,734,794	-	72,743,596
Total noncurrent assets	362,734,794	-	72,743,596
TOTAL	\$ 362,734,794	\$ -	\$ 72,744,096
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Other payable - related parties	\$ 81,586,534	\$ -	\$ 3,337,011
Total liabilities	81,586,534	-	3,337,011
EQUITY			
Common stock	308,341,129	100	81,511,717
Accumulated deficit	(27,192,869)	(100)	(12,104,632)
Total equity	281,148,260	-	69,407,085
TOTAL	\$ 362,734,794	\$ -	\$ 72,744,096

TABLE 13-3**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2017****(Expressed in U.S. Dollars)**

ASSETS	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited.
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 902,753	\$ -
Prepayments	-	-	1,426,752	-
Other receivable - related parties	-	-	-	1
Other current assets	-	-	1,996,876	-
Total current assets	-	-	4,326,381	1
NONCURRENT ASSETS				
Property and equipment	-	-	3,609,939	-
TOTAL	\$ -	\$ -	\$ 7,936,320	\$ 1
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	\$ -	\$ -	\$ 19,501,536	\$ -
Other payable - related parties	-	-	4,315,425	-
Total current liabilities	-	-	23,816,961	-
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	1,516,584	-
Total liabilities	-	-	25,333,545	-
EQUITY				
Common stock	2	-	15,000	1
Special reserve	-	-	57,222	-
Accumulated deficit	(2)	-	(17,469,447)	-
Total equity	-	-	(17,397,225)	1
TOTAL	\$ -	\$ -	\$ 7,936,320	\$ 1

TABLE 13-4**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2017****(Expressed in U.S. Dollars)**

ASSETS	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ 27,972	\$ 5,080
Other receivable - related parties	72,750	-	3,737,693
Prepayments	<u>-</u>	<u>165</u>	<u>-</u>
Total current assets	<u>72,750</u>	<u>28,137</u>	<u>3,742,773</u>
NONCURRENT ASSETS			
Investments accounted for using the equity method	<u>-</u>	<u>174,625,081</u>	<u>-</u>
TOTAL	<u>\$ 72,750</u>	<u>\$ 174,653,218</u>	<u>\$ 3,742,773</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Short-term borrowings	\$ -	\$ 33,680,114	\$ -
Financial liabilities at fair value through profit or loss - current	-	461,081	-
Other payable	-	26,648	10,539
Other payable - related parties	<u>-</u>	<u>84,291,779</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>118,459,622</u>	<u>10,539</u>
Total liabilities	<u>-</u>	<u>118,459,622</u>	<u>10,539</u>
EQUITY			
Common stock	10,000	75,749,306	5,738,175
Retained earnings (accumulated deficit)	62,750	(2,115,015)	(1,787,548)
Other equity	<u>-</u>	<u>(17,440,695)</u>	<u>(218,393)</u>
Total equity	<u>72,750</u>	<u>56,193,596</u>	<u>3,732,234</u>
TOTAL	<u>\$ 72,750</u>	<u>\$ 174,653,218</u>	<u>\$ 3,742,773</u>

TABLE 14-1**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars/CYN)**

	Richpoint Company Limited	KG Investments Holdings Limited	KGI International Holdings Limited	ANEW Holdings Limited	KGI Investment Advisory (Shanghai) Co., Ltd.
REVENUES					
Other profit from operations	\$ (304)	\$ (159,690)	\$ (6,451)	\$ (18,450)	\$ (614,330)
Total revenues	<u>(304)</u>	<u>(159,690)</u>	<u>(6,451)</u>	<u>(18,450)</u>	<u>(614,330)</u>
COSTS AND EXPENSES					
Financial cost	1,308,010	674,165	1,871,608	-	-
Other operating expenditure	-	-	-	-	373,095
Other operating expenses	<u>29,381</u>	<u>32,170</u>	<u>157,933</u>	<u>-</u>	<u>4,557,708</u>
Total costs and expenses	<u>1,337,391</u>	<u>706,335</u>	<u>2,029,541</u>	<u>-</u>	<u>4,930,803</u>
LOSS FROM OPERATIONS	<u>(1,337,695)</u>	<u>(866,025)</u>	<u>(2,035,992)</u>	<u>(18,450)</u>	<u>(5,545,133)</u>
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	27,207,878	28,882,500	30,705,164	-	-
OTHER PROFITS	<u>2,058,845</u>	<u>10,407</u>	<u>231,778</u>	<u>-</u>	<u>10,819</u>
NON-OPERATING REVENUE AND EXPENSE	<u>29,266,723</u>	<u>28,892,907</u>	<u>30,936,942</u>	<u>-</u>	<u>10,819</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>27,929,028</u>	<u>28,026,882</u>	<u>28,900,950</u>	<u>(18,450)</u>	<u>(5,534,314)</u>
OTHER COMPREHENSIVE INCOME	<u>6,657,951</u>	<u>6,532,559</u>	<u>6,532,559</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 34,586,979</u>	<u>\$ 34,559,441</u>	<u>\$ 35,433,509</u>	<u>\$ (18,450)</u>	<u>\$ (5,534,314)</u>

TABLE 14-2**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars)**

	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES			
Other profit from operations	\$ <u>12,017</u>	\$ <u>-</u>	\$ <u>(2,275,951)</u>
Total revenues	<u>12,017</u>	<u>-</u>	<u>(2,275,951)</u>
COST AND EXPENSES			
Other operating expenses	<u>-</u>	<u>-</u>	<u>-</u>
Total cost and expenses	<u>-</u>	<u>-</u>	<u>-</u>
PROFIT (LOSS) FROM OPERATIONS	<u>12,017</u>	<u>-</u>	<u>(2,275,951)</u>
OTHER PROFITS	<u>-</u>	<u>-</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>12,017</u>	<u>-</u>	<u>(2,275,951)</u>
OTHER COMPREHENSIVE INCOME	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 12,017</u>	<u>\$ -</u>	<u>\$ (2,275,951)</u>

TABLE 14-3**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars)**

	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
REVENUES				
Other profit from operations	\$ -	\$ -	\$ 3,332,160	\$ -
Total revenues	-	-	3,332,160	-
COSTS AND EXPENSES				
Employee benefits	-	-	70,077,876	-
Depreciation and amortization	-	-	1,654,938	-
Other operating expenses	-	-	19,640,749	-
Total costs and expenses	-	-	91,373,563	-
LOSS FROM OPERATIONS	-	-	(88,041,403)	-
OTHER REVENUE AND EXPENSE	-	-	93,101,258	-
NET PROFIT FOR THE YEAR	-	-	5,059,855	-
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	\$ -	\$ -	\$ 5,059,855	\$ -

TABLE 14-4**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2017
(In U.S. Dollars)**

	KGI Korea Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES			
Derivative gains - OTC	\$ -	\$ 72,423	\$ -
Other profit from operations	<u>-</u>	<u>4,433,951</u>	<u>93</u>
Total revenues	<u>-</u>	<u>4,506,374</u>	<u>93</u>
COSTS AND EXPENSES			
Financial cost	-	636,778	-
Other operating expenses	<u>-</u>	<u>815,286</u>	<u>9,945</u>
Total costs and expenses	<u>-</u>	<u>1,452,064</u>	<u>9,945</u>
PROFIT (LOSS) FROM OPERATIONS	<u>-</u>	<u>3,054,310</u>	<u>(9,852)</u>
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	-	7,832,477	-
OTHER REVENUE AND EXPENSE	<u>-</u>	<u>(13,746,008)</u>	<u>-</u>
NON-OPERATING REVENUE AND EXPENSE	<u>-</u>	<u>(5,913,531)</u>	<u>-</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>-</u>	<u>(2,859,221)</u>	<u>(9,852)</u>
OTHER COMPREHENSIVE INCOME (LOSS)	<u>-</u>	<u>(12,923,775)</u>	<u>285,100</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ -</u>	<u>\$ (15,782,996)</u>	<u>\$ 275,248</u>

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	
	2017.12.31	2016.12.31	Amount	%
Cash and cash equivalents, Due from the central bank and call loans to financial institutions	97,636,786	100,196,911	(2,560,125)	(3)
Financial assets at fair value through profit or loss	125,949,607	159,280,102	(33,330,495)	(21)
Available-for-sale financial assets	558,889,116	106,359,065	452,530,051	425
Securities purchased under resell agreements	55,150,889	29,883,158	25,267,731	85
Receivables, net	100,219,420	92,190,214	8,029,206	9
Current tax assets	745,603	855,145	(109,542)	(13)
Discount and loans, net	325,147,363	252,376,992	72,770,371	29
Reinsurance assets, net	302,104	0	302,104	NA
Held-to-maturity financial assets, net	198,886,022	300,000	198,586,022	66,195
Investments accounted for using the equity method, net	16,375,012	12,675,804	3,699,208	29
Restricted assets	40,973,737	27,933,924	13,039,813	47
Other financial assets	752,610,493	64,285,076	688,325,417	1,071
Investment property, net	25,450,094	2,179,356	23,270,738	1,068
Property and equipment, net	30,880,691	14,512,916	16,367,775	113
Intangible assets, net	22,169,720	7,948,378	14,221,342	179
Deferred tax assets	9,081,862	4,912,053	4,169,809	85
Other assets, net	32,055,871	16,308,415	15,747,456	97
Total assets	2,392,524,390	892,197,509	1,500,326,881	168
Deposits from the central bank and banks	28,867,956	31,078,769	(2,210,813)	(7)
Financial liabilities at fair value through profit or loss	55,729,704	51,565,266	4,164,438	8
Notes and bonds issued under repurchase agreements	100,177,627	119,560,443	(19,382,816)	(16)
Commercial paper payable, net	20,549,392	17,549,797	2,999,595	17
Payables	85,630,607	60,337,328	25,293,279	42
Current tax liabilities	5,443,513	826,620	4,616,893	559
Deposits and remittances	362,729,069	315,451,964	47,277,105	15
Bonds payable	30,000,000	27,684,236	2,315,764	8
Other borrowings	25,704,261	19,878,458	5,825,803	29
Provisions	1,288,449,104	1,373,667	1,287,075,437	93,696
Other financial liabilities	109,126,375	62,753,830	46,372,545	74

Deferred tax liabilities	9,391,454	1,487,885	7,903,569	531
Other liabilities	21,501,190	15,552,208	5,948,982	38
Total liabilities	2,143,300,252	725,100,471	1,418,199,781	196
Equity attributable to owners of parent				
Common stock	149,768,196	149,744,213	23,983	0
Capital surplus	1,173,719	1,104,521	69,198	6
Retained earnings	20,870,156	16,798,782	4,071,374	24
Other equity	73,567	(1,782,652)	1,856,219	104
Treasury shares	(4,205,566)	(2,376,747)	(1,828,819)	77
Non-controlling interests	81,544,066	3,608,921	77,935,145	2,160
Total equity	249,224,138	167,097,038	82,127,100	49

Analysis of changes in financial ratios:

1. The decrease of financial assets at fair value through profit or loss was mainly due to the decrease of government bonds as of December 31, 2017.
2. The increase of available-for-sale financial assets, reinsurance assets, net, held-to-maturity financial assets, net, , other financial assets, investment property, net, property and equipment, net, intangible assets, net, deferred tax assets, other assets, net, current tax liabilities, provisions, other financial liabilities, deferred tax liabilities and other liabilities of 2017 were mainly due to the consolidation of China Life Insurance, being a subsidiary for insurance, in 2017.
3. The increase of discount and loans, net was mainly due to the increase of loans as of December 31, 2017.
4. The increase of investments accounted for using the equity method, net was mainly due to the increase of investment of 2017.
5. The increase of securities purchased under resell agreements was mainly due to better use of working capital.
6. The increase of restricted assets was mainly due to the increase of restricted demand deposits.
7. The increase of payables was mainly due to the increase of accounts payable for settlement.
8. The increase of other borrowings was mainly due to the increase of short-term credit borrowings as of December 31, 2017.
9. The increase of retained earnings was mainly due to the increase of profit of 2017.
10. The increase of other equity was mainly due to the increase of unrealized gain on available-for-sale financial assets.
11. The increase of treasury shares and non-controlling interests of 2017, were mainly due to the consolidation of China Life Insurance, being a subsidiary for insurance, in 2017.

7.2 Analysis of Financial Performance

Unit: NTS'000

Item	Year		Difference	
	2017	2016	Amount	%
Interest profit, net	22,070,412	7,059,502	15,010,910	213
Noninterest profits and gains, net				
Service fee and commission, net	6,775,862	7,507,892	(732,030)	(10)
Net income from insurance operations	39,368,179	0	39,368,179	NA
Gain on financial assets or liabilities measured at fair value through profit or loss, net	9,448,553	4,915,778	4,532,775	92
Realized gain on available-for-sale financial assets, net	7,413,380	2,114,743	5,298,637	251
Foreign exchange gain(loss), net	(6,963,086)	624,713	(7,587,799)	(1,215)
Impairment loss on assets, net	(1,194,707)	(1,221,155)	26,448	(2)
Share of the profit of associates and joint ventures	1,836,537	378,606	1,457,931	385
Gain on financial assets measured at cost, net	3,025,225	2,407,290	617,935	26
Consulting service revenue	1,150,248	1,189,120	(38,872)	(3)
Others	2,483,048	2,151,239	331,809	15
Total net revenues	85,413,651	27,127,728	58,285,923	215
Allowance for bad debts and losses on guarantees, net	(613,750)	(751,478)	137,728	(18)
Net change in reserve for insurance liabilities	(48,277,392)	0	(48,277,392)	NA
Operating expenses	(22,002,711)	(19,265,421)	(2,737,290)	14
Net profit before income tax	14,519,798	7,110,829	7,408,969	104
Income tax expense	(2,154,331)	(1,123,925)	(1,030,406)	92
Net profit for the year	12,365,467	5,986,904	6,378,563	107

Analysis of changes in financial ratios:

1. The increase of interest profit, net, net income from insurance operations, realized gain on available-for-sale financial assets, net, foreign exchange loss, net and net change in reserve for insurance liabilities of 2017, were mainly due to the consolidation of China Life Insurance, being a subsidiary for insurance, in 2017.
2. The increase of gain on financial assets or liabilities measured at fair value through profit or loss, net was mainly due to the increase of gain on derivatives of 2017.
3. The increase of share of the profit of associates and joint ventures was mainly due to the increase of disposal gain and investment income of 2017.
4. The increase of gain on financial assets measured at cost, net was mainly due to the increase of disposal gain.
5. The increase of income tax expense was mainly due to the increase of taxable income of 2017.

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2017	2016	Variance (%)
Cash Flow Ratio (%)	21.24	(12.73)	33.97
Cash flow adequacy ratio (%)	1.44	(1.84)	3.28
Cash Flow Content Ratio (%)	246.16	(3,706.61)	3,952.77
Analysis of financial ratio change: The increase of cash flow ratio, cash flow adequacy ratio and cash flow content ratio were mainly due to the increase of cash flows generated from operating activities of 2017.			

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		
1,014,547	9,916,103	(5,332,360)	5,598,290	—	—
Cash flow analysis for the current year: 1. Operating activities: Net cash flow mainly generated from the dividend received from subsidiaries. 2. Financing activities: Net cash flow mainly used in from cash dividends paid.					

7.4 Major Capital Expenditure Items

None

7.5 Investment policies in the last year; describe any causes of profit or loss, improvement plans, and investment plans for the next year

7.5.1 Investment policy in the most recent year

The Company made no significant changes to its investment policy in the last year. It has been supporting the government's strategies while establishing itself as the most distinguished financial group among the world's Chinese-speaking population. The Company's investments have been aimed toward achieving long-term growth and stable returns.

7.5.2 Causes of profit and improvement plans

The global economy continued to recover in 2017, with the US delivering relatively robust growth, and with the US Fed commencing interest rate hikes amid rebounding consumption and inflation. In Europe, the market expected the ECB to phase out quantitative easing given improvements in employment and economic growth. China also registered stable economic growth, but industry adjustments and economic transformation in the country are still underway. Thanks to decent global economic recovery, Taiwan saw GDP growth accelerate to 2.84% in 2017. On the return of investors, the Taiex also saw strong rallies and rising turnover. According to the Taiwan Securities Association, average daily turnover of the Taiex (TWSE and TPEX combined) surged 39% YoY to NT\$138bn, with the Taiex climbing around 15% from 9,253 to 10,643 points last year.

In September 2017, CDF became the biggest shareholder in China Life via a 25.33% stake acquisition, beginning a new era with four major business units: life insurance, commercial bank, securities, and venture capital/ private equity. A resilient global financial market, along with buoyant trading in the capital market and growing banking business, has allowed CDF to thrive on resilient brokerage operations, divestment gains and higher net interest income.

In terms of operation performance of each business, KGI Bank continued to benefit from the corporate and retail banking businesses, as well as a growing financial market. The bank has sought to expand its client base by introducing a digital financial platform, which offers specialized financial technology in conjunction with big-data applications. KGI Bank also leveraged group resources for cross-selling in order to speed up market penetration of its products. Business restructuring, alongside operating process improvements and IT system optimization, was implemented to strengthen operating efficiency and create opportunities for external collaboration and new channel expansion. KGI Securities maintained its leading position in the brokerage, investment banking, warrant trading, and bond underwriting markets. In light of structural changes in Taiex investor population, and in order to meet investment demand from the youth population,

the firm has encouraged salesperson to become professional investment advisors. Through engaging in customer relationship management and introducing the latest digital technology and investment products to customer, to fulfill the customer's needs for trading and investment planning. Regarding overseas business, KGI Securities has continued to strengthen its presence in Hong Kong to connect with the Greater China and ASEAN markets. An international product platform was established to capture investment needs in the Asia Pacific region, as well as opportunities arising from market volatility. As far as direct investment business is concerned, global stock market rallies have helped bolster portfolio value and contribute to divestment plans. In 2017, CDIB Capital Group established two third-party funds, bringing total value of funds under management to NT\$31.9bn, and new direct investment through third-party funds totaled NT\$18.6bn, as of end-2017.

For 2018, while the global economy is likely to continue stable recovery, and Taiwan should fare positively along the way, volatility of the financial market and global political and economic risks will not be overlooked. Given a challenging operating environment, KGI Bank will continue to leverage group resources for cross-marketing and client base expansion amid the pursuit of consistent credit growth. The development of digital finance alongside overseas deployment and cross-industry collaboration, which the bank intends to focus on, should pave way for establishment of a quality service platform, which in turn will drive business growth. In the meantime, KGI Securities will invest in digital technology to optimize its services and expand wealth management business. Cross-channel collaboration with CDF associates and the ability to launch innovative financial products are crucial to the firm's diversified trading strategies and expansion of income sources. KGI Securities will continue to upgrade its trading system to gain advantages in the market, and leverage its presence in the Asia Pacific region to demonstrate the capabilities of a truly international investment bank. In terms of venture capital/ private equity, CDIB Capital Group will focus on the monetization of assets and enhancement of the asset management business. Special effort will be made to develop PE/VC fund consulting business, with CDIB Capital Group providing customized advisory services to private equity fund investors, ultimately creating stable and diversified incomes.

7.5.3 Investment plans for the coming year

In order to strengthen its operating size and capabilities, the Company will continue identifying investment/merger/acquisition prospects that can further expand businesses. 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.

- **China Life**

"Risk Management Department" - Responsible to the establishment and execution of risk management policies and practices, manages the identification, measurement and monitoring of various risks and establish related risk management and reporting mechanisms.

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 pursuits 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

Principal Investment risk

In order to strengthen the control of business risks and in comply with the regulations issued by the competent authority, CDIB Capital Group has established the "Guidelines for Business Risk Control" and related measures to manage the company's business risks. It has set the relevant risk limitations for its investment business: single company, single-affiliated company, single industry, individual overseas country, and mainland China. Through the daily and monthly control reports, CDIB Capital Group (and its 100% subsidiaries) regularly review its investment portfolio and ensure all indicators of risk limitation of principal investment business such as single enterprise, single group, single country, single industry, and high risk industries all complied with regulations and internal guidelines.

Venture Capital / Private Equity funds risk

In order to actively develop the fund raising and management business of equity funds (including venture capital and private equity funds), CDIB Capital Group has formulated the "Equity Fund Raising and Management Policy". The Policy has set the compliance guidelines for fund raising and managing activities and in hope to further increase the recurring income, reduce earnings volatility and manage the risk of its VC/PE portfolios.

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

CDIB Capital Group has formulated “Capital Utilization Policy” to strengthen its financial dispatch, effectively capital allocation control, improve the efficiency of capital utilization and reduce related operational risks. Among them, liquidity risk monitoring and related management measures, in the case of an overall stable market, in addition to the need to maintain daily operations, the capital dispatch unit shall pay attention to cash flow changes and report to the Finance Department of CDF, so that the parent company can gain the overview of the Group’s capital status. The operation management unit shall submit relevant reports for review by the CFO and CEO. In addition, through the indicators of financial structure control and capital utilization liquidity risk control, relevant monitoring is conducted to properly maintain the liquidity of China Development Capital.

(4) China Life Insurance

Market risk

China Life adopts the RiskMetrics statistical measurement method to establish its internal market risk management system. The Risk Management Department is in charge of measuring and controlling the risk exposures of the company and each investment units and calculating the Value at Risk (VaR). According to the asset allocation and the company's risk appetite, a certain proportion of its own capital is set as the market VaR, which is regularly monitored as a market risk limit. In addition, the Risk Management Department measures daily the relative market's Beta of individual stocks and the overall portfolio's Beta and risk values. It also conducts weekly risk reviewing of products and portfolio mix, submits risk reports, and performs routine control and over-limit processing to comply with internal and external regulations. The Risk Management Department reports to the Board of Directors and the Risk Management Committee on a monthly and quarterly basis. The risk report includes Sensitivity Analysis, Risk at Value, Risk Limit Usage, Stress Testing, and Scenario Analysis. In order to verify the reliability of the risk measurement model, regular backtesting is also conducted to understand the reliability of the risk model forecast.

Credit risk

In order to measure the maximum possible loss of credit position due to change or default by the issuer's credit rating, China Life includes fixed-income products into its internal quantification model to calculate its credit at risk (CaR) and marginal credit risk. The credit risk quantification model was established based on the CreditMetrics method. According to the credit transfer matrix, it estimates the correlation of the credit default of the transaction object, recalculates the evaluation of the commodity in a simulated manner after one year, and obtains the maximum possible loss of the investment portfolio. The Risk Management Department submits weekly credit risk reports to the CEO and head of the investment unit, including Expected Credit Loss and Un-expected Credit Loss, and evaluates respectively its credit risk and risk concentration of each sub-item of investment portfolios based on the issuer's region, industry, and credit. In addition, it also provides the credit status of each transaction counterparty and marketable securities, and gives internal assessments to the issuer and counterparty of the held position, and manages the use of credit ratings.

Operational risk

In order to effectively identify measure, supervise and manage company's operational risk, based on the "Guidance for Insurance Industry Risk Management" and the operational risk event patterns of the "Basel Agreement", China Life has identified seven operational risks and loss event types, and serves as the basis for risk identification and provides operational risk management information. Through the interaction of the three operational risk management tools, risk control self-assessment (RCSA), construction-related risk indicators (KRI) and risk event data collection (LDC), with the qualitative and quantitative risk identification and measurement mechanisms, China Life conducts a comprehensive operational risk management database to continuously supervise and manage the overall operational risk of China Life.

7.6.3 Financial impacts and responsive measures in the event of changes in local and foreign regulations

- A. Formulated “Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions” (announced on Nov 16, 2017)
 - CDF will engage consultants to import and implement the regulation
- B. Revised “Corporate Governance Best Practice for Financial Holding Companies” (announced on Sep 13, 2017)
 - CDF had revised “Corporate Governance Best-Practice Principles of China Development Financial” accordingly and approved by the Board in Dec 2017.
- C. Formulated “Principles of Financial Inspection Report Contents and Measures for Financial Institutions” (announced on Sep 7, 2017)
 - CDF has revised the “guidelines for financial inspection report” and approved by the Audit Committee and the Board in Nov 2017.
- D. Revised “Regulations Governing the Exercise of Powers by Audit Committees of Public Companies”, Revised Article 7 of the “Regulations Governing Procedure for Board of Directors Meetings of Public Companies” and Article 3 and 5 of the “Regulations Governing Appointment of Independent Directors and Compliance Matters for Public Companies” (announced on Jul 28, 2017)
 - CDF has revised “Audit Committee Charter” and “Rules of Procedure of the Board” and approved by Audit Committee and the Board on Aug 2017.
- E. Formulated “Anti-Money Laundering for Financial Institutions” and revised “The Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector” and renames as “The Directions Governing Anti-Money Laundering and Countering Terrorism Financing of Banking Sector, Electronic Payment Institutions and Electronic Ticket Issuing Agency” (announced on Jun 28, 2017)
 - The relevant subsidiaries of the Group have cooperated in amending the relevant regulations for the prevention of money laundering.
- F. Formulated “Regulations Governing the Scope, Reporting Procedures and other Compliance Matters of Material Contingencies to be Reported by Financial Institutions” (announced on Mar 22, 2017)
 - CDF had formulated “Material Contingencies Reporting Guidance” accordingly on July 2017.
- G. Formulated “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” (announced on Mar 22, 2017)
 - The related units of CDF have completed the amendments to the relevant regulations, and the compliance personnel have also completed the relevant courses and obtained qualifications according to regulations.

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. KGI Commercial Bank Co., Ltd. ("KGI Bank")

On December 19, 2012, Chinatrust Commercial Bank and Shanghai Commercial & Savings Bank (collectively referred to as the "Plaintiffs") claimed that the third mortgage (the "Disputed Mortgage") 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 by Prince Motor and Prince Investments) in September 2007, to secure a payment obligation of up to NT\$ 1,950,000,000 in favor of KGI Bank, was made without consideration and therefore an act detrimental to the other creditors. The Plaintiffs requested to revoke the Disputed Mortgage and remove the registration thereof. Given the fact that the Disputed Property was already entrusted to United Real Estate Management Co., Ltd. ("URMC") in January 2008, the Plaintiffs further demanded to have KGI Bank return 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 Mortgage and that KGI Bank was liable to pay NT\$ 1,786,318,000 to URMC. Upon KGI Bank's appeal, the ruling was overturned by Taiwan High Court on July 26, 2017 (i.e. KGI won the case on all counts). The Plaintiffs appealed and the case is now pending at the Supreme Court.

B. KGI Securities Co., Ltd. ("KGI Securities")

On September 24, 2002, investor Huang brought certificates of 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 share certificates were placed under temporary custody of the stock affairs department. These share certificates were later taken away by JHSC's Vice President Yang. JHSC applied to court for an injunction on November 6, 2002 ordering Yang to surrender the shares. The application turned into litigation as Yang repudiated. After acquiring JHSC, KGI Securities assumed the case and notified Huang to join the 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 was dissatisfied 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 share certificates or NT\$ 90,379,000 plus statutory interest should the defendants fail to return the share certificates. On March 24, 2006, Taipei District Court ruled in favor of KGI Securities, which Huang disagreed and appealed to the decision. This case was 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 interest accruing from July 22, 2004 to September 21, 2009, on the basis that the Initial Decision was final and KGI Securities could no longer recover shares from Yang. Alternatively, Huang claimed for 2,000,000 JHSC shares 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\$90,379,000 to Huang when he transferred the share certificates in contention pursuant to any and all of his ownership rights against any other individuals. Both KGI Securities and Huang were dissatisfied with the decision and appealed to the Supreme Court. The case was again remanded to Taiwan High Court by the Supreme Court on February 1, 2018.

C. CDIB Capital Group

CDIB Capital Group previously engaged Morgan Stanley in a US\$ 275-million Stack 2006-1 CDO Supersenior 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.

D. 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 accordance with relevant regulations of the competent authority, the Operations and Corporate Services Department of CDF is responsible for business supervising and supervises each subsidiary to establish safety maintenance-related operation specifications to serve as a basis for crisis management.

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.

In response to disaster prevention and rescue measures, CDIB Capital Group has established "Guidelines for handling Natural or Accidental Incidents". The Operations and Corporate Services Department of CDIB Capital Group is in charge of coordinating with all internal departments for the implementation of safety maintenance. In addition to 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

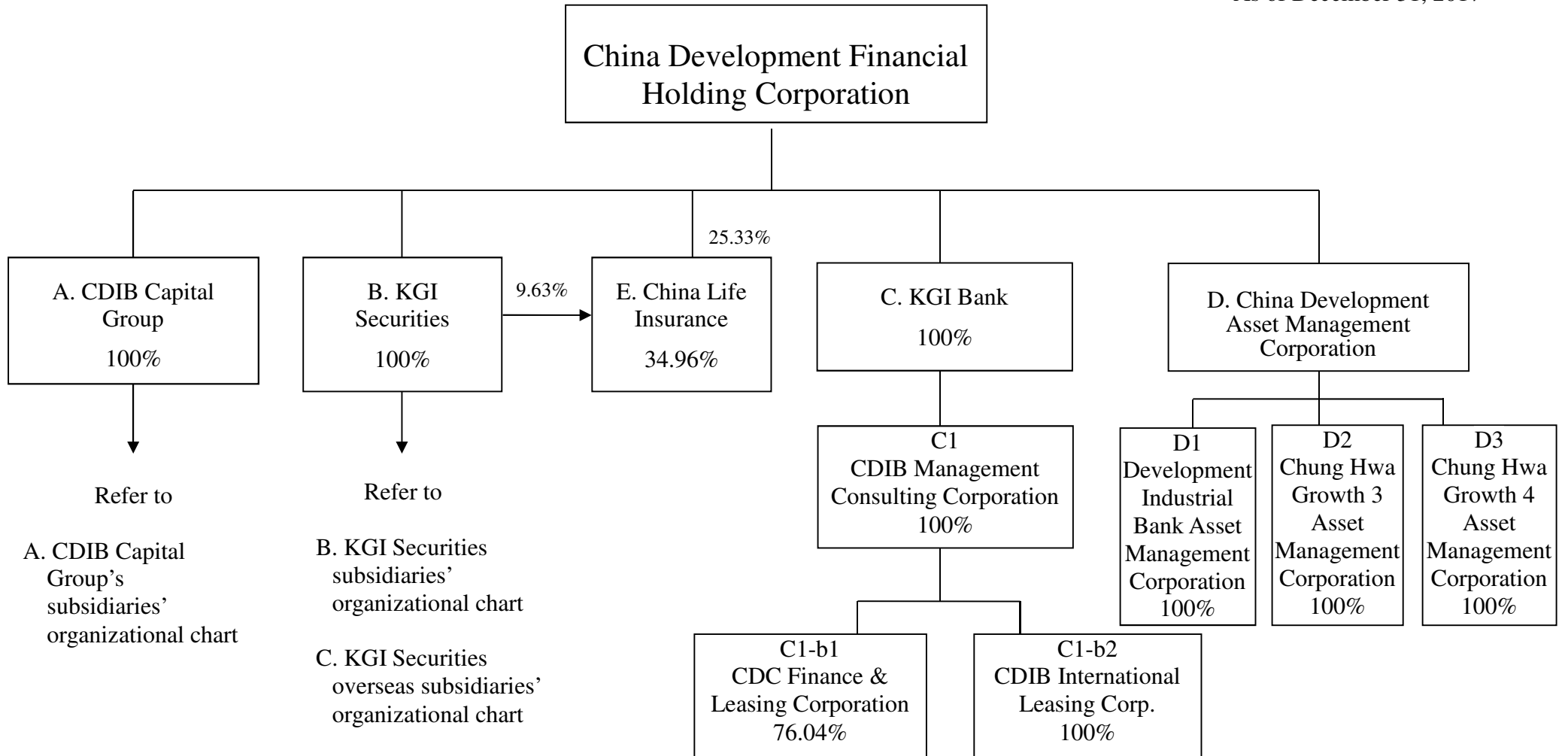
None

VIII. Special Disclosure

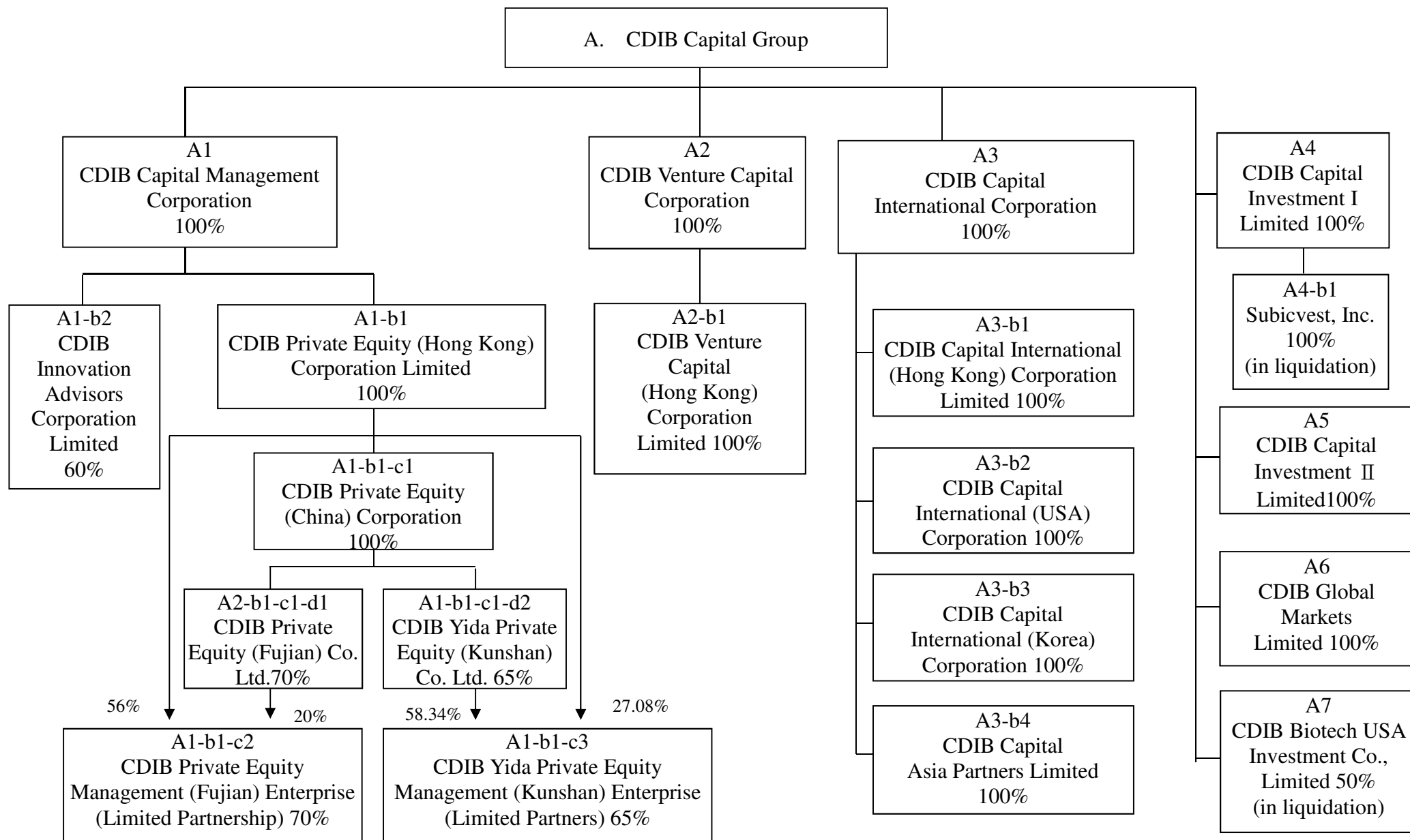
8.1 Summary of Affiliated Companies

8.1.1 Organizational Chart

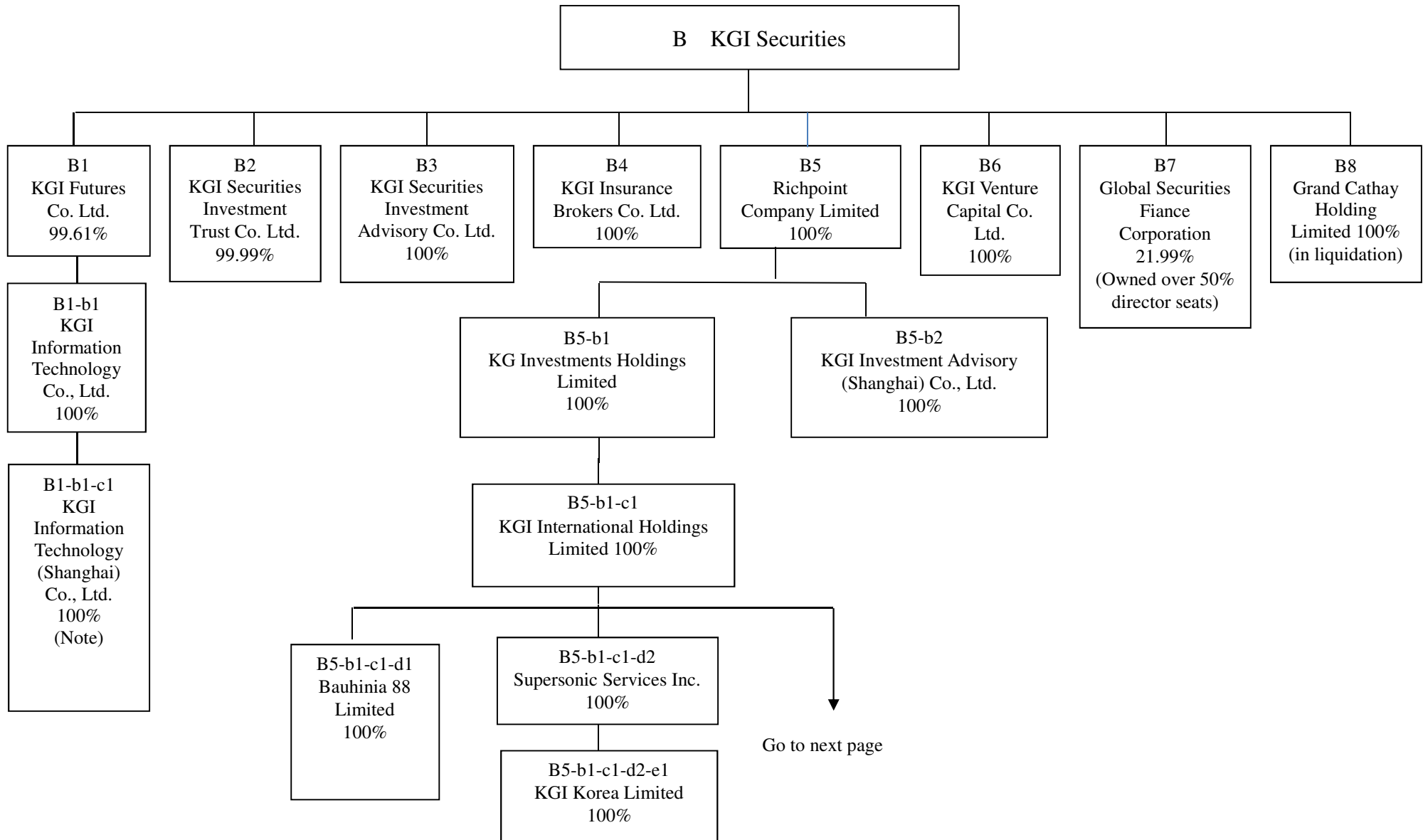
As of December 31, 2017



A. CDIB Capital Group subsidiaries' organizational chart

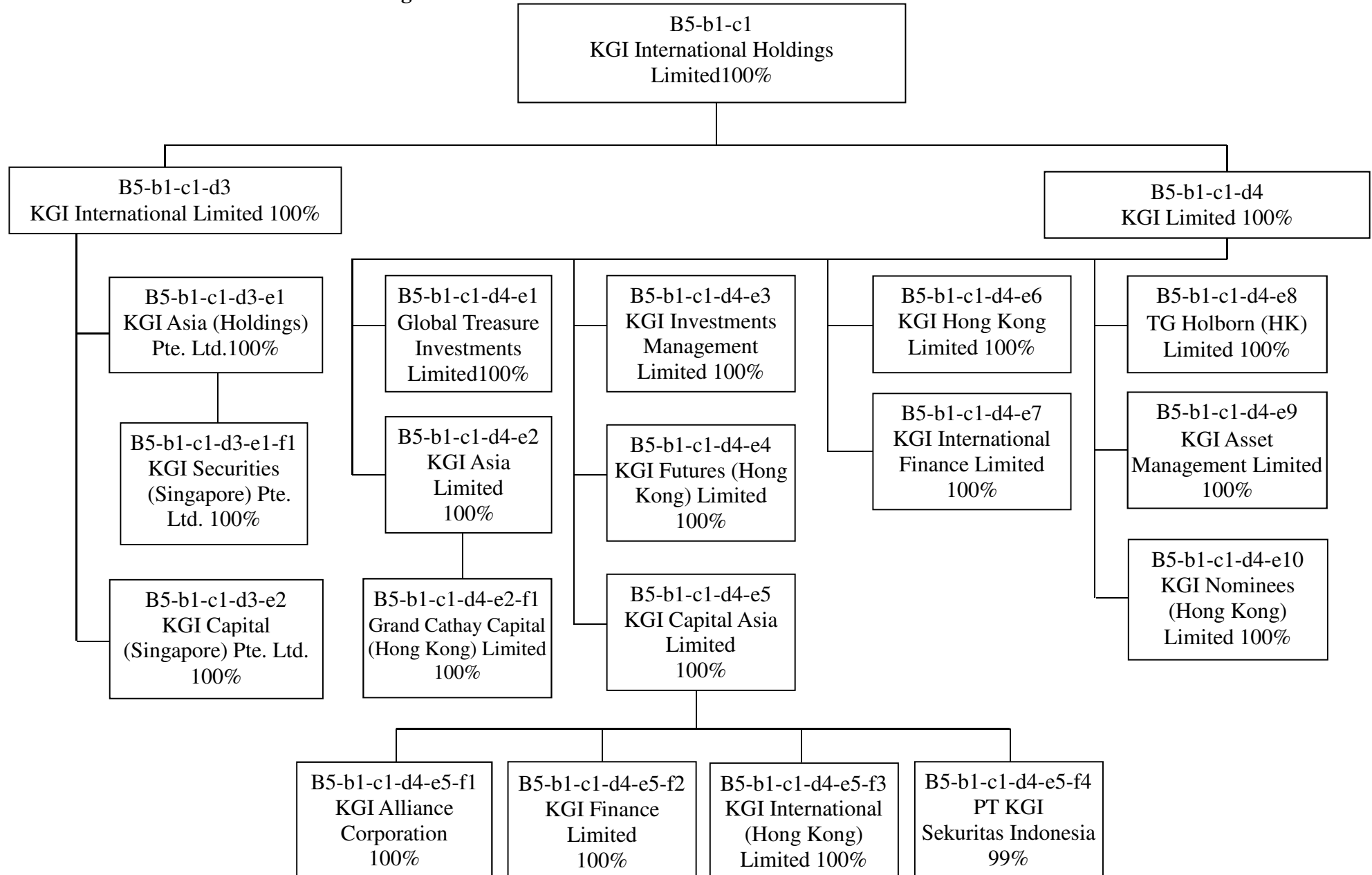


B. KGI Securities subsidiaries' organizational chart



*Note: in process of cancelling business registration

C. KGI Securities overseas subsidiaries' organizational chart



8.1.2 Backgrounds of affiliated enterprises

◎ China Development Financial Holding Corporation

December 31, 2017
Unit : NT\$'000

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
A	CDIB Capital Group	1959.05.14	No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	20,411,159	Venture Capital	
B	KGI Securities	1988.09.14	No. 700, Mingshui Rd., Taipei City, Taiwan	29,988,123	Financial Services	
C	KGI Bank	1992.01.14	No. 125, Sec. 5, Nanjing E. Rd., Taipei City, Taiwan	46,061,623	Commercial Bank	
D	China Development Asset Management	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	
E	China Life Insurance	1963.04.25	5F, No.122, DunHua N. Rd., Songshan Dist., Taipei City, Taiwan	37,863,984	Life Insurance	

◎ CDIB Capital Group

December 31, 2017
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	
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	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 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	Management Consulting	
A1-b1-c1-d2	CDIB Yida Private Equity (Kunshan) Co. Ltd.	2014.07.04	Room 1201, No. 1228, Qianjin E. Rd., Kunshan, China	RMB 7,000	Fund management	

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
A1-b1-c2	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	
A1-b1-c3	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-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	10,227,909	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 870,000	Venture Capital	
A3	CDIB Capital International Corporation	2009.05.11	Cayman Islands	USD 4,700	Venture Capital	
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	2009.06.15	Hong Kong	HKD 15,400	Venture Capital	
A3-b2	CDIB Capital International (USA) Corporation	1997.07.14	California, USA	USD 0.8	Venture Capital	
A3-b3	CDIB Capital International (Korea) Corporation	1997.01.29	Seoul, Korea	KRW 9,240,000	Venture Capital	
A3-b4	CDIB Capital Asia Partners Limited	2014.03.21	Cayman Islands	USD 0.001	Fund management	
A4	CDIB Capital Investment I Limited	1996.12.27	British Virgin Islands	USD 132,800	Investment	
A4-b1	Subicvest, Inc.	1996.06.27	Philippines	PHP 2,000	Leasing	In Liquidation
A5	CDIB Capital Investment II Limited	2002.09.03	British Virgin Islands	USD 45,000	Investment	
A6	CDIB Global Markets Limited	1999.07.06	Malaysia	USD 175,282	Investment	
A7	CDIB Biotech USA Investment, Co., Limited	2000.10.04	British Virgin Islands	—	Investment	In Liquidation

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December 31, 2017

Unit : NT\$'000/US\$'000/HKDS'000 /SGDS'000 (When otherwise stated)

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.(Note 1)	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 147,044	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	Bauhinia 88 Ltd.	1997.06.18	Cayman Islands	USD 0.002	Holding Company
B5-b1-c1-d2	Supersonic Services Inc.	1999.03.29	British Virgin Islands	USD 0.1	Holding Company
B5-b1-c1-d2-e1	KGI Korea Limited	1999.12.20	Malaysia	USD 10	Holding Company
B5-b1-c1-d3	KGI International Limited	1997.03.24	British Virgin Islands	USD 81,512	Holding Company
B5-b1-c1-d3-e1	KGI Asia (Holdings) Pte. Ltd.	1997.09.25	Singapore	USD 75,749	Holding Company
B5-b1-c1-d3-e1-f1	KGI Securities (Singapore) Pte. Ltd.	2015.01.30	Singapore	SGD 137,528	Securities
B5-b1-c1-d3-e2	KGI Capital (Singapore) Pte. Ltd. (Note2)	1998.11.24	Singapore	USD 5,738	Future

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
B5-b1-c1-d4	KGI Limited	1997.03.24	British Virgin Islands	USD 308,341	Holding Company
B5-b1-c1-d4-e1	Global Treasure Investments Limited	1999.04.12	Hong Kong	HKD 0.002	Investment
B5-b1-c1-d4-e2	KGI Asia Limited	1996.10.01	Hong Kong	USD 95,000	Securities
B5-b1-c1-d4-e2-f1	Grand Cathay Capital (Hong Kong) Limited	2013.06.20	Hong Kong	HKD 287,663	Investment
B5-b1-c1-d4-e3	KGI Investments Management Limited	1986.03.04	Hong Kong	HKD 26,250	Insurance Brokerage
B5-b1-c1-d4-e4	KGI Futures (Hong Kong) Limited	1996.12.27	Hong Kong	USD 45,000	Future Brokerage, Clearing & Settlement
B5-b1-c1-d4-e5	KGI Capital Asia Limited	1993.06.23	Hong Kong	USD 117,963	Securities
B5-b1-c1-d4-e5-f1	KGI Alliance Corporation	1996.11.18	British Virgin Islands	USD 100	Investment
B5-b1-c1-d4-e5-f2	KGI Finance Limited	1996.10.01	Hong Kong	USD 42,914	Investment & Financing
B5-b1-c1-d4-e5-f3	KGI International (Hong Kong) Limited	1997.02.21	Hong Kong	USD 100,000	Derivative
B5-b1-c1-d4-e5-f4	PT KGI Sekuritas Indonesia	2016.08.31	Indonesia	USD 3,770	Securities
B5-b1-c1-d4-e6	KGI Hong Kong Limited	1996.10.01	Hong Kong	USD 15	Management Consulting
B5-b1-c1-d4-e7	KGI International Finance Limited	2000.08.30	Hong Kong	USD 10,000	Investment & Financing
B5-b1-c1-d4-e8	TG Holborn(HK) Limited	2014.12.22	Hong Kong	HKD 171	Insurance Brokerage
B5-b1-c1-d4-e9	KGI Asset Management Limited	2014.12.22	Hong Kong	HKD 5,000	Asset Management
B5-b1-c1-d4-e10	KGI Nominees (Hong Kong) Limited	1994.07.19	Hong Kong	HKD 0.001	Trust
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	2013.11.25	Shanghai, China	RMB 25,279	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 (Note3) (in liquidation)	1997.02.18	Cayman Islands	—	Holding Company

Note 1: KGI Information Technology Co. Ltd. (Shanghai), which had not yet been capitally activated as of December 31, 2017, was unregistered in January, 2018, as approved by the board of directors.

Note 2: KGI Capital (Singapore) Pte. Ltd. is currently not in operation.

Note 3: Grand Cathay Holding Limited is currently under liquidation.

◎ **KGI Bank**

December 31, 2017
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

◎ **China Development Asset Management**

December 31, 2017
Unit : NT\$'000

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
D1	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	
D2	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	
D3	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	

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 (CDF)

December 31, 2017

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A	CDIB Capital Group	Director / CDF Independent Director President	Chia-Juch Chang Shin Chen Lionel de Saint Exupery Sherie Chiu Melanie Nan Paul Yang Yung-Pang Hsu Shaio-Tung Chang Chun-Huei Ho Ching-Yen Tsay Gilbert T.C. Bao Tyzz-Jiun Duh Chun-Huei Ho	2,041,115,913	100
B	KGI Securities	Director / CDF 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	2,998,812,320	100
C	KGI Bank	Director / CDF Independent Director President	Mark Wei Yu-Ling Kuo 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
D	China Development Asset Management Corporation	Director / CDF Supervisor / CDF President	Daniel Wu T.H. Liu Tien-Sung Lee Kiki Shih LC Sun Lawrence Liu T.H. Liu	200,000,000	100
E	China Life Insurance	Director / CDF Director / Tai li investment Director / EVER-RICH Independent Director President	Alan Wang Yu Ling Kuo Hui-Chi Shih Stephanie Hwang Tony T. M. Hsu Lauren Hsieh Louis T. Kung Wei-Ta, Pan Wen-Yen Hsu Stephanie Hwang	959,200,000 502,057 137,165	25.33 0.01 0.00

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A1	CDIB Capital Management Corporation	Director / CDIB Capital Group Supervisor / CDIB Capital Group President	Shin Chen Sherie Chiu Chun-Huei Ho 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 Daw-Yi Hsu Sherie Chiu 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 Sherie Chiu Lawrence Liu Kathy Young Melanie Nan Cathy Han Jhen-Yu Wang Michael Chang Kathy Young	None	100
A2-b1-c1-d1	CDIB Private Equity (Fujian) Co., Ltd.	Director Supervisor President	Shin Chen Daw-Yi Hsu Kathy Young Wen-Sheng Lu Zuo Wang Julian Yen Daniel Tsou	None	70 30
A1-b1-c1-d2	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 Private Equity Management (Fujian) Enterprise (Limited Partnership)	None	None	None	70 (Comprehensive shareholding ratio)
A2-b1-c3	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	None	None	None	65 (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 Capital Group Supervisor / CDIB Capital Group President	Lawrence Liu Shin Chen Chun-Huei Ho Sherie Chiu Eddy Chang Kathy Young Frances Tsai Michael Chang Kathy Young	1,022,790,915	100
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	Director President	Shin Chen Chun-Huei Ho Jane Lai Eddy Chang Kathy Young Lawrence Liu Frances Tsai Michael Chang Kathy Young	870,000,000	100
A3	CDIB Capital International Corporation	Director President	Sherie Chiu Melanie Nan Eddie Wang Frances Tsai Jenny Chiang Lionel de Saint Exupery Lionel de Saint Exupery	4,700,000	100
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	Director President	Sherie Chiu Melanie Nan Eddie Wang Frances Tsai Jenny Chiang Lionel de Saint Exupery Lionel de Saint Exupery	15,400,000	100
A3-b2	CDIB Capital International (USA) Corporation	Director President	Sherie Chiu Melanie Nan Eddy Chang Frances Tsai Jenny Chiang Lionel de Saint Exupery Lionel de Saint Exupery	8,000,000	100

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A3-b3	CDIB Capital International (Korea) Corporation	Director Supervisor Representative Director	Sherie Chiu Melanie Nan Eddy Chang Jenny Chiang Hyun Yong Kim Lionel de Saint Exupery Frances Tsai Hyun Yong Kim	1,848,000	100
A3-b4	CDIB Capital Asia Partners Limited	Director	Sherie Chiu Melanie Nan Jenny Chiang Lionel de Saint Exupery Hyun Yong Kim Victor F. Gao	1	100
A4	CDIB Capital Investment I Limited	Director	Sherie Chiu Melanie Nan Kathy Young Frances Tsai Lionel de Saint Exupery	132,800,000	100
A4-b1	Subicvest, Inc. (in Liquidation)	Director	Cindy Hou Phoebe Teng Jeff Lin Alfredo Alex S. Cruz III Mark R. Bocobo	200,000	100
A5	CDIB Capital Investment II Limited	Director	Sherie Chiu Melanie Nan Kathy Young Frances Tsai Lionel de Saint Exupery	45,000,000	100
A6	CDIB Global Markets Limited	Director	Christy Lin Lisa Guo Kathy Young Frances Tsai Lionel de Saint Exupery	339,392	100
A7	CDIB Biotech USA Investment, Co., Limited (in Liquidation)	Director	Cindy Hou Wen-Long Chen Ruei-Fen Liao	3,060,000	50

Note : All representatives do not have any personal shareholding.

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December 31, 2017

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B1	KGI Futures Co. Ltd.	Director Supervisor President	Falco Mi Ping-Cheng Chen James Chen Yao-Min Chou James Chen	85,744,086	99.61
B1-b1	KGI Information Technology Co., Ltd.	Director / KGI Futures Co. Ltd. Supervisor President	Frank Yang Ping-Cheng Chen James Chen Yao-Min Chou James Chen	5,000,000	100
B1-b1-c1	KGI Information Technology (Shanghai) Co., Ltd. (note1)(deregistration under process)	Director / KGI Information Technology Co., Ltd Supervisor / KGI Futures President	James Chen Ping-Cheng Chen David Chi Yao-Min Chou James Chen	-	-
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	147,043,557	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	Bauhinia 88 Ltd.	Director	Chii-Horng Lin	2	100
B5-b1-c1-d2	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-d3	KGI International Limited	Director	Foong Hock Meng Wong Hoe Choon Reddy Wong Chak Wai	81,511,716	100
B5-b1-c1-d3-e1	KGI Asia (Holdings) Pte. Ltd.	Director	Foong Hock Meng Wong Hoe Choon Reddy Wong Chak Wai	75,749,305	100
B5-b1-c1-d3-e1-f1	KGI Securities (Singapore) Pte. Ltd	Director	Foong Hock Meng Falco Mi Teo Cheng Hoe Wong Chak Wai Wong Hoe Choon Reddy Julian Yen	137,527,908	100
B5-b1-c1-d3-e2	KGI Capital (Singapore) Pte. Ltd (note2)	Director	Foong Hock Meng Wong Hoe Choon Reddy Wong Chak Wai	7,000,000	100
B5-b1-c1-d4	KGI Limited	Director	Jenny Huang Wong Hoe Choon Reddy Wong Chak Wai	308,341,129	100
B5-b1-c1-d4-e1	Global Treasure Investments Limited	Director	Wong Chak Wai	2	100
B5-b1-c1-d4-e3	KGI Asia Limited	Director	Chu Kuan Hsun Jenny Huang Kwong Man Bun Wong Chak Wai Wong Hoe Choon Reddy	95,000,000	100
B5-b1-c1-d4-e2-f1	Grand Cathay Capital (Hong Kong) Limited	Director	Kwong Man Bun Wong Hoe Choon Reddy	287,663,301	100
B5-b1-c1-d4-e3	KGI Investments Management Limited	Director	Chan Hin Geung Mark Chu Kuan Hsun Wong Chak Wai Wong Hoe Choon Reddy Wu Chiang Li	26,250,000	100
B5-b1-c1-d4-e4	KGI Futures (Hong Kong) Limited	Director	Chu Kuan Hsun Kwong Man Bun Lee Man Sik Falco Mi Wong Chak Wai	45,000,000	100
B5-b1-c1-d4-e5	KGI Capital Asia Limited	Director	Jenny Huang Kwan Ringo Cheukkai Kwong Man Bun Lee Siu Lun Wong Chak Wai Wong Hoe Choon Reddy	117,962,769	100
B5-b1-c1-d4-e5-f1	KGI Alliance Corporation	Director	Julian Yen Jenny Huang Foong Hock Meng	100,000	100
B5-b1-c1-d4-e5-f2	KGI Finance Limited	Director	Jenny Huang Wong Chak Wai Wong Hoe Choon Reddy	42,913,985	100
B5-b1-c1-d4-e5-f3	KGI International (Hong Kong) Limited	Director	Jenny Huang Wong Chak Wai Wong Hoe Choon Reddy	100,000,000	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B5-b1-c1-d4-e5-f4	PT. KGI Sekuritas Indonesia	Director	Antony Kristanto Robby Winindo Low Chung Kiat Albert Ding Pun Kin Wa	99,400	99
B5-b1-c1-d4-e6	KGI Hong Kong Limited	Director	Jenny Huang Wong Chak Wai Wong Hoe Choon Reddy	15,000	100
B5-b1-c1-d4-e7	KGI International Finance Limited	Director	Jenny Huang Wong Chak Wai Wong Hoe Choon Reddy	10,000,000	100
B5-b1-c1-d4-e8	TG Holborn(HK) Limited	Director	Chan Hin Geung Mark Wong Chak Wai Wu Chiang Li	170,670	100
B5-b1-c1-d4-e9	KGI Asset Management Limited	Director	Chan Hin Geung Mark Wong Chak Wai Wong Hoe Choon Reddy Wu Chiang Li Julian Yen	25,000	100
B5-b1-c1-d4-e10	KGI Nominees (Hong Kong) Limited	Director	Chu Kuan Hsun Wong Chak Wai Wu Chiang Li	3	100
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	Director Supervisor	William Fang Jocelyn Huang David Chi Yao-Min Chou	4,000,000	100
B6	KGI Venture Capital Co. Ltd.	Director / KGI Securities Supervisor / KGI Securities President	William Fang Chin-Lung Tseng Chang-Huan Chou David Chi Chun-Che Chen	60,000,000	100
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 Adrienne Ciou Kuo-Pin Kao Chih-Chang Cheng Chi-Yu Li Mu-Hsien Chen Chao-Chiu Lin Chih-Chang Cheng	87,958,558 14,437,259 39,927,471	21.99 3.61 9.98
B8	Grand Cathay Holding Limited (in Liquidation)	Director	Ping-Cheng Chen	-	-

December 31, 2017

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 Ke-Jun Wu J.M. Meng Andy Lin Jane Lai Chih-Chin Wang Wen-Yan Hsu Kiki Shih Hans Tzou Sheng-Yu Wu (note)	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 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
C1-b2	CDIB International Leasing Corp.	Director / CDIB Management Consulting Corporation Supervisor President	Ke-Jun Wu Andy Lin Chih-Chin Wang Wen-Yan Hsu Jun-Wen Xiao Kiki Shih Hans Tzou Sheng-Yu Wu (note)	none	100

Note: January 17, 2018 on board

◎ **China Development Asset Management Corporation**

December 31, 2017

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	
D1	CDIB Management Consulting Corporation	Director / China Development Asset Management Corporation Supervisor / China Development Asset Management Corporation	Chun-Tai Wu Zong-Xion Liu Tien-Song Lee Shu-Jen Chiou Eddy Chang Su-Yun Wang	2,000,000	100
D2	Chung Hwa Growth 3 Asset Management Corporation	Director / China Development Asset Management Corporation Supervisor / China Development Asset Management Corporation	Chun-Tai Wu Zong-Xion Liu Tien-Song Lee Shu-Jen Chiou Eddy Chang	226,000,000	100
D3	Chung Hwa Growth 4 Asset Management Corporation	Director / China Development Asset Management Corporation Supervisor / China Development Asset Management Corporation	Chun-Tai Wu Zong-Xion Liu Tien-Song Lee Shu-Jen Chiou Eddy Chang	19,000,000	100

8.1.5 Performance of affiliated enterprises:

◎ **China Development Financial**

December 31, 2017
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	20,411,159	54,503,080	1,527,854	52,975,226	4,896,413	3,496,088	3,352,535	1.63
B	KGI Securities Co., Ltd.	29,988,123	175,433,741	117,272,966	58,160,775	14,519,046	6,011,962	8,077,685	2.45
C	KGI Bank	46,061,623	585,499,333	524,277,583	61,221,750	10,973,564*	10,973,564*	3,180,005	0.69
D	China Development Asset Management Corporation	2,000,000	3,255,961	834,407	2,421,554	53,321	(19,588)	101,124	0.51
E	China Life Insurance Co., Ltd	37,863,984	1,465,734,184	1,370,396,437	95,337,747	255,328,334	8,740,181	9,083,972	2.40

Note*: "Net revenue"

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	835,254	185,309	649,945	298,231	97,321	91,809	2.77
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	198,206	276,600	362	276,238	24,176	23,571	23,751	—
A1-b1-c1	CDIB Private Equity (China) Corporation	208,977	225,861	19,788	206,073	53,858	25,490	23,787	—
A2-b1-c1-d1	CDIB Private Equity (Fujian) Co., Ltd.	45,789	172,744	49,347	123,397	85,203	27,480	21,377	—
A1-b1-c1-d2	CDIB Yida Private Equity (Kunshan) Co., Ltd.	32,052	96,868	36,464	60,404	63,843	17,857	12,357	—
A1-b1-c2	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	54,947	57,324	299	57,025	985	507	695	—
A1-b1-c3	CPEC Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	54,947	54,263	254	54,009	45	(225)	13	—
A1-b2	CDIB Capital Innovation Advisors Corporation	20,000	29,398	7,517	21,881	23,982	3,728	3,372	1.69
A2	CDIB Venture Capital Corporation	10,227,909	10,273,094	27,191	10,245,903	197,323	58,485	64,083	0.06
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	3,322,530	3,314,034	480	3,313,554	38,811	38,218	35,521	—
A3	CDIB Capital International Corporation	140,286	898,465	297,270	601,195	530,145	28,786	42,739	—
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	58,813	280,395	77,455	202,940	253,890	25,160	21,155	—
A3-b2	CDIB Capital International (USA) Corporation	24	72,590	21,268	51,322	57,075	4,137	4,256	—
A3-b3	CDIB Capital International (Korea) Corporation	258,581	209,788	29,537	180,251	42,390	2,399	(458)	—
A3-b4	CDIB Capital Asia Partners Limited	0	78	1,899	(1,821)	0	(476)	(476)	—
A4	CDIB Capital Investment I Limited	3,963,814	7,378,975	1,301	7,377,674	1,775,535	1,645,030	1,694,192	—
A4-b1	Subicvest, Inc. (Liquidated)	1,351	2,376	150	2,226	0	0	0	—
A5	CDIB Capital Investment II Limited	1,343,160	1,382,739	100,606	1,282,133	48,287	(18,551)	(13,658)	—
A6	CDIB Global Markets Limited	5,231,807	7,113,396	600,215	6,513,181	751,259	587,585	631,101	—
A7	CDIB Biotech USA Investment Co., Limited (Liquidated)	182,669	90,883	315	90,568	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	24,524,576	21,915,243	2,609,333	1,746,230	197,824	381,460	4.43
B1-b1	KGI Information Technology Co., Ltd.	50,000	49,132	40	49,092	0	(539)	(275)	(0.05)
B1-b1-c1	KGI Information Technology (Shanghai) Co., Ltd.(not invested any capital)	0	0	188	(188)	0	(179)	(179)	—
B2	KGI Securities Investment Trust Co. Ltd.	300,000	335,731	17,105	318,626	143,200	8,355	7,582	0.25
B3	KGI Securities Investment Advisory Co. Ltd.	50,000	132,044	68,181	63,863	164,112	4,264	4,336	0.87
B4	KGI Insurance Brokers Co. Ltd.	5,000	169,645	72,115	97,530	423,821	104,714	87,531	175.06
B5	Richpoint Company Limited	4,388,969	16,030,407	4,024,717	12,005,690	(9)	(40,723)	850,232	—
B5-b1	KG Investments Holdings Limited	4,682,077	15,505,469	3,588,297	11,917,172	0	(25,848)	836,550	—
B5-b1-c1	KGI International Holdings Limited	6,245,634	17,354,493	1,878,245	15,476,248	0	(60,771)	862,637	—
B5-b1-c1-d1	Bauhinia 88 Limited	0	0	0	0	0	0	0	—
B5-b1-c1-d2	Supersonic Services Inc.	3	0	0	0	0	0	0	—
B5-b1-c1-d2-e1	KGI Korea Limited	298	2,179	0	2,179	0	0	0	—
B5-b1-c1-d3	KGI International Limited	2,432,970	2,171,263	99,603	2,071,660	0	(67,934)	(67,934)	—
B5-b1-c1-d3-e1	KGI Asia (Holdings) Pte. Ltd.	2,260,956	5,213,043	3,535,794	1,677,249	134,495	91,156	(85,335)	—
B5-b1-c1-d3-e1-f1	KGI Securities (Singapore) Pte. Ltd.	3,069,625	15,365,512	12,932,303	2,433,209	467,032	(175,417)	(140,047)	—
B5-b1-c1-d3-e2	KGI Capital (Singapore) Pte. Ltd.	156,240	111,721	328	111,393	3	(298)	(298)	—
B5-b1-c1-d4	KGI Limited	9,203,362	10,826,914	2,435,208	8,391,706	358	358	358	—
B5-b1-c1-d4-e1	Global Treasure Investments Limited	0	0	0	0	0	0	0	—
B5-b1-c1-d4-e2	KGI Asia Limited	2,835,560	43,804,447	34,054,628	9,749,819	2,358,917	1,484,640	311,762	—
B5-b1-c1-d4-e2-f1	Grand Cathay Capital (Hong Kong) Limited	1,098,585	1,862,038	0	1,862,038	10,895	11,850	45,459	—

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-d4-e3	KGI Investments Management Limited	100,249	51,756	3,283	48,473	56,204	26,595	15,849	—
B5-b1-c1-d4-e4	KGI Futures (Hong Kong) Limited	1,343,160	5,957,452	3,857,197	2,100,255	211,175	186,132	52,294	—
B5-b1-c1-d4-e5	KGI Capital Asia Limited	3,520,960	3,540,540	866	3,539,674	114,019	113,810	(14,655)	—
B5-b1-c1-d4-e5-f1	KGI Alliance Corporation	2,985	455,271	430,229	25,042	31,400	31,340	31,340	—
B5-b1-c1-d4-e5-f2	KGI Finance Limited	1,280,897	1,116,644	221,592	895,052	46,503	46,264	46,414	—
B5-b1-c1-d4-e5-f3	KGI International (Hong Kong) Limited	2,984,800	18,765,169	15,924,505	2,840,664	700,562	667,521	181,924	—
B5-b1-c1-d4-e5-f4	PT KGI Sekuritas Indonesia	222,785	932,600	710,800	221,800	66,591	2,985	(358)	—
B5-b1-c1-d4-e6	KGI Hong Kong Limited	448	236,874	756,170	(519,296)	99,454	(2,627,848)	151,031	—
B5-b1-c1-d4-e7	KGI International Finance Limited	298,480	2,803,622	2,613,401	190,221	12,685	(16,148)	12,864	—
B5-b1-c1-d4-e8	TG Holborn (HK) Limited	653	12,536	0	12,536	209	(90)	(90)	—
B5-b1-c1-d4-e9	KGI Asset Management Limited	19,095	18,506	0	18,506	746	746	(567)	—
B5-b1-c1-d4-e10	KGI Nominees (Hong Kong) Limited	0	0	0	0	0	0	0	—
B5-b2	KGI Investment Advisory (Shanghai) Co Ltd	119,392	49,508	801	48,707	(2,767)	(24,981)	(24,933)	—
B6	KGI Venture Capital Co. Ltd.	600,000	904,624	19,489	885,135	147,796	140,842	145,279	2.42
B7	Global Securities Finance Corporation	4,000,000	10,664,942	6,450,543	4,214,399	304,769	(139,395)	38,620	0.10
B8	Grand Cathay Holding Limited (Liquidated)	0	0	0	0	0	0	0	—

◎ **KGI Bank**

Date : December 31, 2017

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	856,318	6,092	850,226	(222,516)	(231,339)	(231,321)	(1.51)
C1-b1	CDC Finance & Leasing Corp.	767,048	3,973,692	3,156,935	816,757	303,350	5,036	9,750	0.13
C1-b2	CDIB International Leasing Corp.	859,686	1,485,316	1,296,283	189,033	90,485	(197,038)	(229,924)	-

◎ **China Development Asset Management Corporation**

Date : December 31, 2017

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)
D1	Development Industrial Bank Asset Management Corp.	20,000	124,791	14,229	110,562	0	(2,917)	1,696	0.85
D2	Chung Hwa Growth 3 Asset Management Corp.	2,260,000	2,653,736	93,732	2,560,004	124,229	101,223	110,780	0.49
D3	Chung Hwa Growth 4 Asset Management Corp.	190,000	197,771	3,720	194,051	5,367	(7,572)	(4,478)	(0.24)

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

Shareholding Ratio of the Company	Stock Capital Collected ('000)	Fund Source	Shareholding Ratio of the Company	Date of Acquisition or Disposition	Shares and Amount Acquired	Shares and Amount Disposed of	Investment Gain (Loss)	Shareholdings and Amount in Most Recent Year	Pledged by the Subsidiary
KGI Securities	29,988,123	—	100%	2017	—	800,000 shares NT\$8,140,000	—	301,785,796 shares NT\$3,063,126,000	—
				As of the date of publication of this report	—	19,200,000 shares NT\$203,030	—	282,585,796 shares NT\$2,910,634,000	No impact
CDIB Capital Group	20,411,159	—	100%	(Note 1)	—	—	—	—	—
				As of the date of publication of this report	—	—	—	—	—
China Life Insurance Co., Ltd	37,863,984	—	25.33%	—	—	—	—	562,468,259 shares NT\$5,793,423,000	—
				As of the date of publication of this report	—	—	—	562,468,259 shares NT\$5,793,423,000	No impact

Note 1: CCG has reduced its capital as of December 29, 2017 by returning 20,646,142 shares of China Development Financial Holding Co., Ltd. then owned by itself.

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