



China Development Financial

2018 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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I. Letter to Shareholders

Due to US interest rate hikes and the US-China trade conflict in 2018, global financial markets saw increased volatility. The US economy remained steady, with the job market faring well and consumption and inflation largely stable. After four interest rate hikes, the US rate hike cycle appeared to be winding up. The ECB also wrapped up its quantitative easing program last year, with barely stable consumption, but weakened investments and exports. Overall, in 2018 the eurozone economy performed more poorly than expected, while China's economy weakened quarter by quarter. Other than the external impact of the trade war, China also faced pressure to adjust the industrial and economic structure internally. Meanwhile Taiwan, affected by global economic volatility, saw GDP growth decelerate from 3.08% in 2017 to 2.6% in 2018. In capital markets, the Taiwan stock market stayed above the 10,000-point mark during the first three quarters of 2018, but nosedived in the fourth quarter when the US-China trade war heated up, US Treasury yields rose, and geopolitical conflicts emerged. The Taiwan stock market closed at 9,727 points in 2018, for annual correction of 8.6%. TWSE and TPEx combined daily turnover averaged NT\$160bn last year, up about 20% YoY.

In September 2017, with the acquisition of a 25.33% stake in China Life, CDF evolved into a full-fledged business group of four key earnings drivers of life insurance, commercial banking, securities brokerage, and venture capital/ private equity. CDF also benefited from stable earnings contribution from life insurance business in 2018. However, due to global market fluctuations that dampened financial investment performance, CDF's consolidated net income was NT\$12.815bn last year, including NT\$4.962bn from non-controlling equity, for EPS of NT\$0.54, with consolidated ROE of 5.35%. The performance of core business operations is highlighted below:

1. Commercial banking business

In 2018, KGI Bank continued to rely on corporate banking, consumer banking and global markets as the three main pillars of growth, complemented by digital financial platforms and group resources from CDF. KGI Bank also continued expanding its client base and enhancing business synergies. Regarding middle office and back office operations, KGI Bank continued to improve operational procedures and optimize information systems. KGI Bank officially launched a new core system on January 2, 2019, with the aim of enhancing the efficiency of operations and product design flexibility, as well as improving business development. Banking businesses are summarized as follows:

- (1) Corporate banking: By providing tailor-made financial solutions for domestic and foreign corporate clients, and through the effective organization of professionals and diversified product services, KGI Bank continues to customize project financing services for customers and to proactively cross-sell financial plans to companies and company owners for better funding

management. KGI Bank has increased credit assets and optimized the profit structure by jointly participating in syndicated loan projects, winning clients with supply chain cash flows, and keeping track of M&A activities involving local and foreign private equity funds and international investment banks.

- (2) Consumer banking: In response to the advent of the digital era, KGI Bank has accelerated the implementation of various digital bidding platforms, and has continuously optimized the functions of mobile banking and online banking. It has also reduced the difficulty of applying for financial services and products via online acceptance and has accelerated cross-selling within the group, while introducing external customer resources to build a solid customer base.
- (3) Global markets: Despite fluctuations in the global investment environment, KGI Bank has actively adjusted its financial asset risk exposure structure, and adheres to a sound operational strategy to obtain more stable investment income under the premise of risk control. In addition, in order to provide customers with diversified services, KGI Bank has cooperated with various channels to expand such businesses as investment hedging, note/ bond underwriting, financial product marketing, and asset management. It has also strengthened customer relationships via customized integrated products and enhanced financial innovation and product development capabilities to meet diverse customer needs.

2. Brokerage business

Benefiting from recovering capital markets and economies, which is conducive to the operation of the brokerage business, KGI Securities maintains market leadership in such businesses as brokerage, investment banking, warrant trading, bond underwriting, and others. As investor participation increases, KGI Securities is committed to promoting innovative digital financial services to meet the diverse needs of investors of various generations. 2018 was the year when the efforts to cultivate a diverse group of financial products and online platform features paid off. Specifically, KGI Securities offered customized structured products to high-net-worth clients, and stock lending services to investors aiming to save stocks the way people save money. It also offered financial products in smaller denominations, and lowered application barriers for investors interested in buying overseas bonds. These were all used to accurately target various customer segments, and these endeavors have been bearing fruit. Regarding digital platform development, KGI Securities' official LINE account, KGI Lohas Investor, has led its peers in launching services that match investment accounts to the LINE accounts of customers. To get ready for the new system of continuous trading in the stock market, KGI Securities planned a number of software/ hardware upgrades that will offer personalized functions and frameworks for customers. Regarding overseas deployment, Hong Kong has emerged as the center of overseas business integration to connect Greater China and ASEAN markets. It also proactively established cross-regional wealth management service platforms, grabbed opportunities stemming from market volatility, deepened cross-regional teamwork, cross-sold products in a

more integrated manner, and created an example for Taiwanese securities peers heading south for expansion.

3. Venture capital/ private equity investment business

CDIB Capital Group continues to strengthen private equity fund management business. In 2018, it completed raising additional capital for a Growth Fund and set up the USD-denominated Global Opportunities Fund. Nine funds are currently under management, including the Creative Fund, Healthcare Fund, Innovation Fund, Growth Fund, Hua Nan Fund, Hua Dong Fund, Asia Partners Fund, Global Opportunities Fund, and Alibaba Entrepreneurs Fund. Overall, the scale of these funds totaled NT\$36.7bn (by capital commitment) as of December 31, 2018, and our direct investment in these funds has reached NT\$22.4bn. In addition to the above nine funds, CDIB Capital Group plans to set up the CDIB Yida Healthcare Private Equity Fund in 2019 and will begin operations to raise new funds.

In November 2018, Taiwan Ratings announced CDF's long-term and short-term ratings of "twA+" and "twA-1", respectively, while CDF's outlook was again rated as "stable." These rankings were in recognition of CDF's strong capitalization, established franchise in Taiwan's corporate banking and securities business, and business diversification.

Looking forward to 2019, it is expected that global economic growth will slow and the US will maintain steady growth, but that downside risks associated with the eurozone and Japan will increase; China may adopt policy adjustments, hoping the economy will slowly stabilize; emerging markets might benefit from the US Federal Reserve's slowing pace of interest rate hikes and experience less pressure from capital outflow, but the risks of political instability, fiscal debt and regional geopolitics cannot be ignored. Taiwan's economy is expected to maintain stability under the support of the government's continued implementation of various policies, but it must not neglect the impact of global financial market volatility and political and economic risks. In the face of volatile financial conditions, KGI Bank will develop digital solutions to expand its client base and optimize service platforms to improve the user experience. Also, in addition to keeping risks and operating cost under control, KGI Bank will resort to raising fee income to boost ROA. Regarding KGI Securities, it will carry out the transformation of the traditional brokerage business at home and abroad, establish a financial innovation technology platform, deepen risk management according to regional and business attributes, actively strengthen product innovation design and distribution/ sales capabilities, strengthen Asia-Pacific regional platform synergies to boost overseas earnings, and continue to promote group synergy. On the other hand, CDIB Capital Group, in addition to continuing with asset monetization, will focus on fund-raising and asset management, as well as providing customized private equity fund investment advisory services for institutional investors, to further expand fund advisory business.

CDF has long been concerned with sustainability issues and has incorporated the concept of sustainability into its corporate culture. In 2018, CDF's long-term commitment to sustainability is

evidenced by our being selected as a component stock of the FTSE4Good Emerging Index for the second year, being ranked 33rd in the large-enterprise category of Commonwealth Magazine's "Corporate Citizenship Award". In addition, CDF participated in the "Taiwan Corporate Sustainability Award" and won the "Corporate Sustainability Report Top 50 Platinum Award", the "Corporate Comprehensive Performance Top 50 Sustainable Corporate Award" and the "Best Performance of Specific Category - Social Inclusion Award." Our sustainability achievements have also been highly recognized by the sustainability rating agencies at home and abroad. CDF has integrated sustainability into its core businesses by having KGI Bank and KGI Securities sign the "Stewardship Principles for Institutional Investors", in the hope that the pursuit of long-term and stable earnings are accompanied by CDF having a major and positive impact on the market and invested companies. In addition, KGI Bank's efforts to promote inclusive finance have also been well received by the community, such as the launch of "Giving You A Hand Revolving Loan Project", showing the Company cares for economically disadvantaged groups in society and assists promising youth in their efforts to explore their dreams; the "Taxi Driver's Small Revolving Loan Project", backed by big-data analysis, provides financial services for taxi drivers; and the FinTech Innovation Experiment Plan, in collaboration with ChungHwa Telecom, just to name a few. Through these projects, CDF hopes to give socially-disadvantaged groups a helping hand, develop customized financial services, promote financial inclusion, and boost society integration.

In addition to focusing on improving business performance and shareholder returns, the Company also actively participates in various projects with charitable donations, community investment, arts and cultural support, and employee engagement. CDF systematically supports social welfare from the perspective of financial professionalism and will continue to focus on corporate social responsibility to achieve the goal of sustainable management.

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

(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, corporate banking and financial market businesses. 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, 2018 and aims to become a leading private equity fund manager in the Asia-Pacific region.

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.

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.

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 and has successfully assisted in achieving financial reforms to reduce the non-performing assets of financial institutions. At the same time, AMC also assisted debtors to pay off their debts within the limits of their financial resources, and passed the storm of financial tsunami.

AMC was the subsidiary of CDIB Capital Group and became the subsidiary of CDF since March 13, 2018. In order to prepare for the ever increasing competition in the finance industry, AMC has gradually diversified and transformed. In addition to the non-performing assets released by financial institutions or other asset management companies, AMC also actively evaluates, tracks and purchases real estates that are sold in the legal auction market or government agencies, and expands the asset scale. Moreover, it disposes of its assets and raise surpluses: either leasing out real estate for regular fixed-income or re-packaging / re-furbishing for sale. It is planned to complete the consolidation with its three asset management companies in 2019 and become the most competitive asset management company in Taiwan.

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, 2018, 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 2018

CDF

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

Inclusion in TWSE RAFI® Taiwan High Compensation 100 Index

Inclusion in TWSE RA Taiwan Employment Creation 99 Index

Inclusion in Taiwan Sustainability Index created by Taiwan Index Plus Limited

Inclusion in the FTSE4Good Emerging Index

Taiwan Top 50 Corporate Sustainability Report Award-Platinum Award, TCSA

Taiwan Top 50 Corporate Sustainability Award, TCSA

Social Inclusion Award, TCSA, for launching of financial inclusion programs, including credit plans for financially disadvantaged people and taxi drivers

Rated B in CDP's climate change questionnaire, a testament to CDF's efforts in energy conservation and carbon reduction

Top 33 among large corporations in Commonwealth Magazine's Corporate Citizen Award

China Life

Securities and Futures Institute, top 5% in the Fifth Corporate Governance Evaluation Award

Inclusion in the FTSE4Good TIP Taiwan ESG Index created by Taiwan Index Plus Limited

Inclusion in the Taiwan Sustainability Index created by Taiwan Institute for Sustainable Energy and Business School of National Taipei University

Taiwan Top 50 Corporate Sustainability Report Award-Platinum Award, TCSA

Taiwan Top 50 Corporate Sustainability Award, TCSA

Social Inclusion Award, TCSA, for teaching children about self-worth through the Aesthetic Education Plan

Using "Go Healthy, Innovative Tech" as a theme, China Life integrated health protection and care and other services to win an Innovative Growth Award, TCSA

BSI Sustainability Excellence Award

Inclusion in Forbes Global 2000 enterprises

Small and Medium Enterprise Administration, MOEA, Buying Power – Innovative Product and Service Purchase Award

Taipei City Government's Private Sector Green Procurement Award for the third consecutive year

Supported environmental protection by participating in the Taipei City Government's call for banning disposable and melamine resin utensils

Top 6 insurer among China Credit Information Service Limited's Top 5000 large companies in Taiwan

KGI Bank

Collaboration with Chunghwa Telecom on mobile identity authentication, which allows customers to apply for loans with a mobile number (the first financial supervision sandbox experimental project in Taiwan)

Collaboration with Taiwan Taxi met the criteria of high innovation, and was thus approved by the FSC for tax reduction

Taiwan Futures Exchange, #2 Futures Trading Diamond Award, Trading Volume for Banks

2018 Global Banking & Finance Awards and Most Innovative Commercial Bank Taiwan 2018

Top 100 Innovative Products Award at the 2018 IT Month trade show for our KGI Inside service kit

Innovation Gold Award at the 2018 IT Month trade show for our KGI Inside service kit

2018 Best Electronic Service Innovation Award of Financial Information Service Company Limited (FISC) for our e-payment processing platform

KGI Securities

TWSE ETF trading contest: #1 Excellent Contribution, #1 Global Connection, #1 Monthly Award in May, 2018, #2 Best Taiex ETF Market Maker

TWSE #2 Stock Float, #3 IPO Fund-raising in 2018

TWSE #2 Best Warrant Issuance Growth, #2 Number of Outstanding Warrants Award, #3 Best Trading Volume for Warrant Issuer & Securities in 2018

Taipei Exchange, Outstanding Government Bond Market Maker in 1H18

Taipei Exchange, #2 2018 IPO Advisory Performance

Taipei Exchange, #1 Best ETF Award

Taipei Exchange Warrant Market Making Contest #2 Best Total Amount of Warrant Issuance and Total Turnover Award, and #3 The Growth in Number of Warrants Issued Award

Taiwan Futures Exchange, Futures Trading Diamond Awards, #1 Futures Introducing Brokers Trade Volume, #2 Securities Industry Trade Volume, #2 Futures Brokers Trade Volume, and #2 Futures Broker Trade Volume by Foreign Investors

The Asset's Asian Local Currency Bond Benchmark Review: #1 Top Bank in Bond Research, #2 Top Taiwan's Bank in Government Bonds, #3 Top Taiwan's Bank in Corporate Bonds, and #2 Top Taiwan's Bank Arrangers in Corporate Bonds

The Asset named the merger of ASE and SPIL, which was advised by KGI Securities, as Best M&A of the year in Taiwan.

FinanceAsia, Best DCM House

FinanceAsia named the merger of ASE and SPIL, which was advised by KGI Securities, as Best

Taiwan Deal of the year.

Business Today, Wealth Management Banks and Brokerage Awards: Merit in Best Wealth Management Service, #1 Best Sales Team, #2 Best Product, #2 Best Digital Platform Experience, and #3 Best Information Service

Wealth Magazine, 2018 Financial Award, Best Securities Broker Image

Wealth Magazine, 2018 Wealth Management Awards, Best Wealth Management, Best Service, and Best Sales Team in securities broker category

Excellence, Best Online Broker

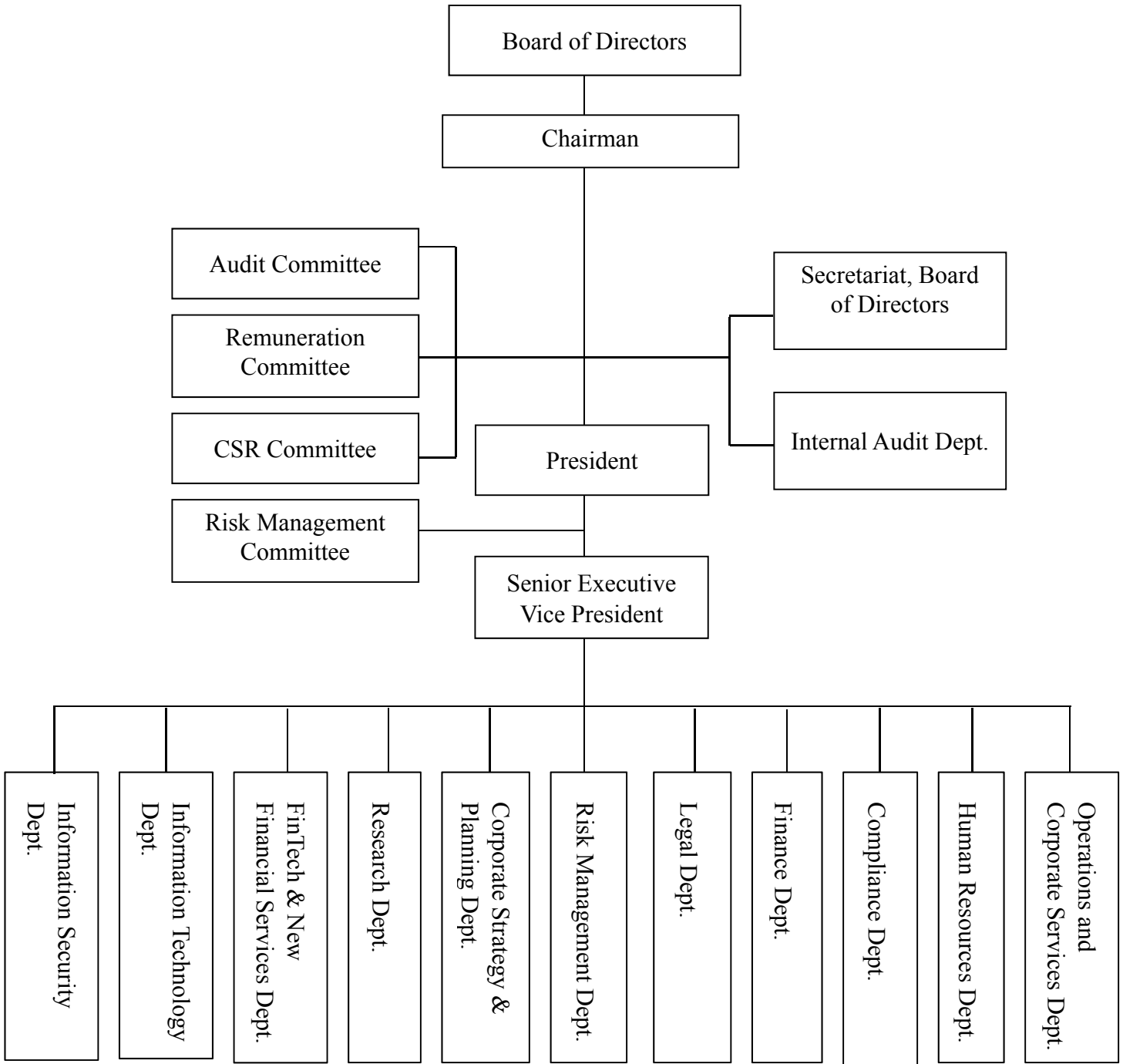
Passage of ISO 50001 certification on energy management

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, Audit Committee and other functional committees under the Board; handling stock-related matters
Internal Audit Department	Responsible for matters relating to business audits and internal controls
Information Security Department	Planning, supervising and executing Information security related matters
Information Technology Department	Managing information development strategies, 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.

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

(3) CSR Committee

CDF has established a CSR Committee, which reports to the Board, 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.

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

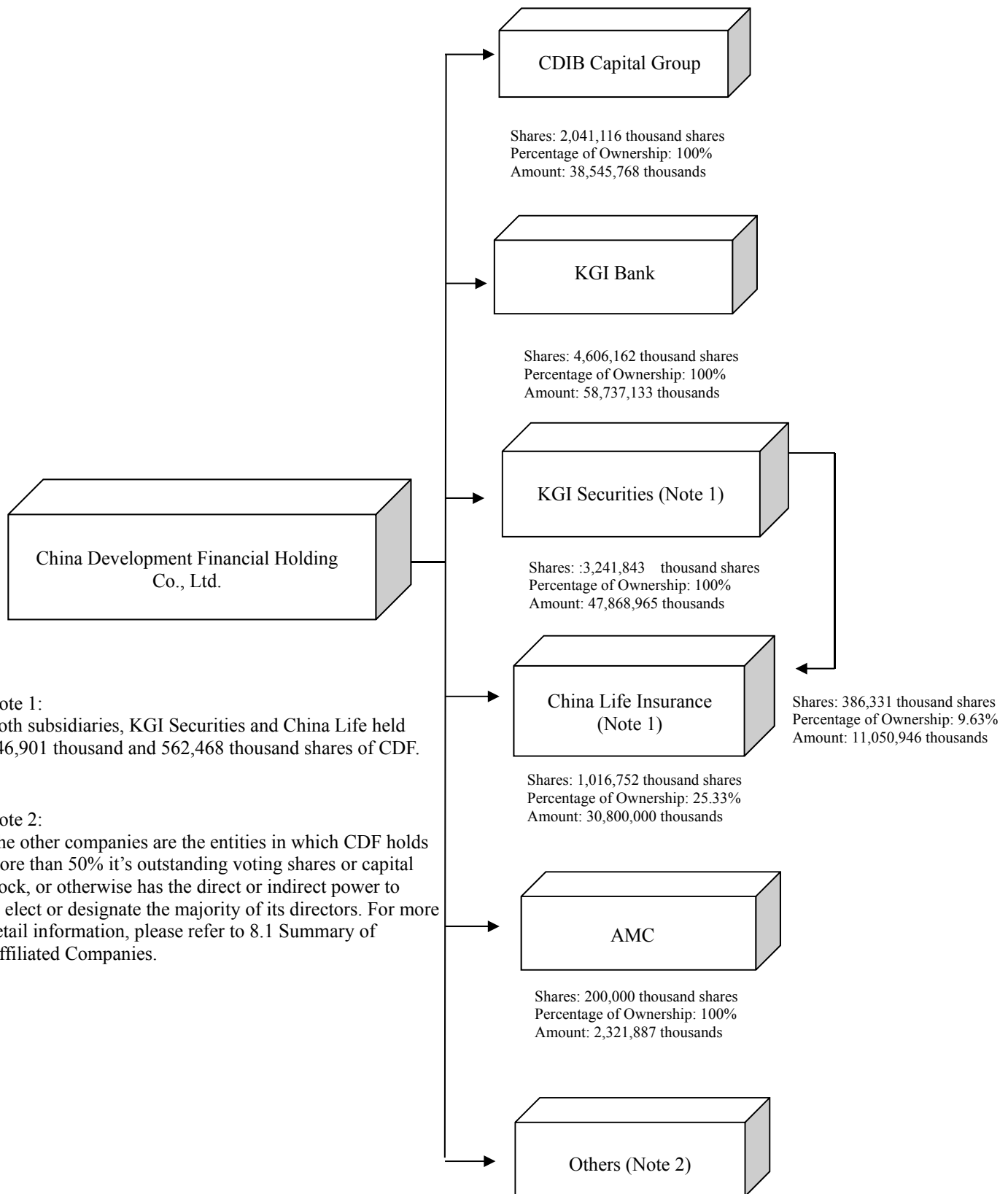
(4) Risk Management Committee

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 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 CDF quarterly.

3.1.2 Organizational Chart

Date: December 31, 2018



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

3.2.1 Directors

March 31, 2019

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	to 05/15/2019	04/05/2004	900,611	0.01	900,611	0.01	0	0.00	0	0.00	Ph.D., Engineering, Purdue University, U.S.A.; Professor & Director, Institute of Traffic and Transportation, National Chiao Tung University, Hsinchu, Taiwan; Director-General, Institute of Transportation / Vice Minister, Ministry of Transportation and Communications, R.O.C.; Chairman, Chunghwa Post Co., Ltd.; President & Distinguished Chair Professor, Chung Hua University, Hsinchu, Taiwan; Supervisor / Standing Committee Director, China Development Financial Holding Corporation & China Development Industrial Bank (renamed CDIB Capital Group); Chairman & CEO, China Steel Corporation; Chairman & CEO, China Airlines Corporation; Minister, Ministry of Economic Affairs, R.O.C.; Chairman, China Development Industrial Bank (renamed CDIB Capital Group)	Chairman, CDIB Capital Group; Chairman, Transportation and Traffic Foundation; Director, YAMAHA-MOTOR Safe Driving Cultural and Educational Foundation; Director, Sun Yun-Suan Foundation; Executive Director, Chinese International Economic Cooperation Association.	None	None	None
		Representative Chia-Juch Chang	M	05/16/2016	to 05/15/2019	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	to 05/15/2019	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; Chairman, Trust Association of R.O.C.; Vice President / President, First Commercial Bank; Director / Standing Committee, China Development Industrial Bank (renamed CDIB Capital Group); Director / Standing Committee, China Development Financial Holding Corporation.	Director, KGI Bank; Independent Director, TCI Co., Ltd.; Director, Taiwan Sunshine Bless Association.	None	None	None
		Representative Long-I Liao	M	05/16/2016	to 05/15/2019	07/01/2006	0	0.00	0	0.00	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
Standing Committee Director (Independent Director)	R.O.C.	Ching-Yen Tsay	M	05/16/2016	to 05/15/2019	06/15/2007	0	0.00	0	0.00	0	0.00	0	0.00	Ph.D., University of Utah, U.S.A.; Professor & Director, Department of Atmospheric Sciences, National Taiwan University; Director-General, Central Weather Bureau; Director-General, Civil Aeronautics Administration, Ministry of Transportation and Communications, R.O.C.; Vice Chairman, National Science Council, R.O.C.; Minister of State, Executive Yuan & Convener, Science and Technology Advisory Group, R.O.C.; Group Senior Advisor, Compal Electronics Inc.; Chairman, Industrial Technology Research Institute.	Standing Committee Director / Independent Director, CDIB Capital Group; Chairman, TIEF Fund GP, Ltd.; Director, LoFTech, Inc.; Chairman, Sheng Yen Education Foundation; Director, Traditional Chinese Culture Foundation; Director, Foundation of Chinese Culture for Sustainable Development; Director, Cancer Care Foundation; Remuneration Committee Member, MiTAC Inc.; Supervisor, Applied Meteorology Promotion Foundation; Director, Dharma Drum Institute; Chairman, The Union Association of Taiwan Business Elite Filial and Thrifty Cultures; Director, K.T. Li Foundation for Development of Science and Technology.	None	None	None
Director	R.O.C.	GPPC Chemical Corp.	-	05/16/2016	to 05/15/2019	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; SEVP, Nan Shan Life Insurance Co., Ltd.; Director, International Commercial Bank of China Co., Ltd.; Supervisor, Central Reinsurance Corporation; CIO, Ping An Insurance Group; Director, Taipei Financial Center Corporation; President, China Life Standing Committee; Director, China Development Industrial Bank (renamed CDIB Capital Group); Standing Committee Director, China Development Financial Holding Corporation; Director, Videoland Television Network; Director, Grand Pacific Petrochemical Corporation; President, China Life Insurance Co., Ltd.	President & CEO, China Development Financial Holding Corp; Chairman, China Life Insurance Co., Ltd.; Director, China Development Industrial Bank Foundation.	None	None	None
		Representative Alan Wang	M	12/22/2017	to 05/15/2019	04/19/2004 (Note3)	0	0.00	0	0.00	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.	Chi Jie Investment Co., Ltd.	-	05/16/2016	to 05/15/2019	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; Managing Director & Head, Private Equity and Mezzanine Finance, DBS Bank; Executive Vice President & Chief Investment Officer, China Development Financial Holding Corporation; Senior Executive Vice President & Chief Investment Officer, China Development Financial Holding Corporation; Chairman, CDIB Capital International Corporation; President & CEO, China Development Industrial Bank (renamed CDIB Capital Group); President & CEO, China Development Financial Holding Corporation.	Director, CDIB Capital Group; Partner & CEO of Greater China, KKR Asia Limited; Director, Henwell Limited; Director, Henning Limited; Director, Beijing Capital Juda Ltd.; Director, SUISHOU Technology Holding Inc. Director, Sinocare Group Holdings Limited; Director, Asian Equity Limited.	None	None	None
		Representative Paul Yang	M	05/16/2016	to 05/15/2019	05/04/2009	17,133,454	0.11	24,456,647	0.16	0	0.00	0	0.00					
Director	R.O.C.	Shin Wen Investment Co., Ltd.	-	05/16/2016	to 05/15/2019	06/15/2007	650,252,192	4.30	650,252,192	4.34	0	0.00	0	0.00	Bachelor degree of Business Administration, University of Washington, U.S.A.; Director, Transmarco Limited, Singapore; Director, China Development Corporation Limited, Hong Kong; Independent Non-Executive Director, Giga Media Limited; Supervisor, China Development Financial Holding Corporation.	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 Lee Howe Yong	M	05/16/2016	to 05/15/2019	06/18/2010 (Supervisor) 07/25/2011 (Director) (Note)	1,969,234	0.01	1,969,234	0.01	0	0.00	0	0.00					
Director	R.O.C.	Bank of Taiwan	-	05/16/2016	to 05/15/2019	12/28/2001	205,999,742 (Note5)	1.36	286,941,073	1.92	0	0.00	0	0.00	Bachelor in Law, National Taiwan University; Vice President & Deputy General Manager, Department of Real Estate Management, Bank of Taiwan.	EVP & General Manager, Department of Real Estate Management, Bank of Taiwan; Director, Tang Eng Iron Works Co., Ltd.	None	None	None
		Representative Shu-Chen Wang	F	03/28/2019	to 05/15/2019	03/28/2019	0	0.00	0	0.00	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
Independent Director	R.O.C.	Gilbert T.C. Bao	M	05/16/2016	to 05/15/2019	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.; Executive Supervisor, Taiwan Spinner's Association; Chairperson, Taiwan Man-Made Fiber Industries Association.	Independent Director, CDIB Capital Group; Chairman & President, Chung Shing Textile Co., Ltd.; Chairman, Chong Bai Department Store Co., Ltd.; Director, Sunrise Department Store Co., Ltd.; Director, Chung Shing Textile Marketing Co., Ltd.; Director, Chung Shing Holding (China) Co., Ltd.; Chairman, Baw Chao-Yun Charity Foundation; Managing Director, Taiwan Textile Printing Dyeing & Finishing Association; Director, Taiwan Spinner's Association; Managing Director, Taiwan Man-Made Fiber Industries Association.	None	None	None
Independent Director	R.O.C.	Hsiou-Wei, Lin	M	05/16/2016	to 05/15/2019	05/16/2016	0	0.00	0	0.00	26,000	0.00	0	0.00	Ph.D. in Business, Stanford University, U.S.A.; Independent Director, Bank of Overseas Chinese; Independent Supervisor, GO-IN Engineering Co., Ltd.; Commissioner, Public Service Pension Fund Committee; General Convener, Accounting and Finance Field Committee, Ministry of Science and Technology; Commissioner, National Financial Stabilization Fund Committee; Independent Director, MStar Semiconductor, Inc.; Distinguished Professor and Dean of Management College, Tunghai University.	Independent Director, KGI Bank; Professor, Dept. of International Business National Taiwan University; Director, GOIN Foundation; Executive Director, Taiwan Finance Research Association..	None	None	None

Note 1 : Duration for the 6th term of the Board: from May 16, 2016 to May 15, 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 and 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.

Chart 1: Major shareholders of the institutional shareholders

March 31, 2019

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, 2019

Name of Institutional Shareholders	Major Shareholders	Percentage (%)
Grand Pacific Petrochemical Corp.(Note)	KGI Securities Co., Ltd.	7.28
	Fubon Life Insurance Co., Ltd.	6.99
	Cathay Life Insurance Co., Ltd.	4.90
	China Life Insurance Co., Ltd.	4.70
	Chung Kwan Investment Co., Ltd.	3.05
	Jing Kwan Investment Co., Ltd.	2.19
	Citigroup (Taiwan) Custody- Norges Bank	2.02
	JPMorgan Chase Bank, N.A., Taipei Branch in Custody for Stichting Pensioenfonds ABP	1.89
	Vanguard Total International Stock Index Fund, A Series of Vanguard Star Fund	1.50
	Vanguard Emerging Market Stock Index Fund, Series of Vanguard International Equity Index Funds	1.49
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 16, 2019

Professional qualifications and independence analysis of directors and supervisors

March 31, 2019

Name	Criteria			Independence Criteria (Note)										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience	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	
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 Lee Howe Yong			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Bank of Taiwan Representative Shu-Chen Wang			✓	✓	✓	✓			✓	✓	✓	✓		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

CDF's Board election, comply with the Article 16 of the Articles of Incorporation, is adopting a nomination system. Moreover, in order to enhance the diversity of the Board, the company's Corporate Governance Best-Practice Principles has established clear guidelines in the selection of Board members. In addition to operations, business models and development needs, the Board should include diversity standards.

The Company's directors serve a term of 3 years and the 6th-term Board, with a total of 9 members, began on May 16, 2016 and will end on May 15, 2019. There are 3 independent directors, making up 33% of the Board. One of the 9 Board members is a foreign national. Average age of the Board is 64 years and average tenure of eight years. Board members come from a diversified background, including financial, industrial, and academic sectors, and have abundant experiences in operations and management, as well as ample professional knowledge, skills, and accomplishments. All 3 independent directors are independent individuals with outstanding professional backgrounds.

Title/ Name	Image	Tenure (years)	diversity standards													Committee			
			Basic profile		industry experience					Professional knowledge/skill						Audit	Remuneration	CSR	
			Gender	Age	Holding Company	Commercial Banking	Securities / Insurance	PE / VC Investment	Government & Public Sector	Execution & Strategic Planning	Risk Management	Financial Services	Corporate Governance	Marketing Leadership	Information Technology				International Experience
Kai Don Investment Co., Ltd. Representative: Chia-Juch Chang		11 y 1 m	M	✓												✓	✓	✓	
Shin Wen Investment Co., Ltd. Representative: Long-I Liao		12 y 9 m	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Standing Committee Director (Independent Director) Ching-Yen Tsay		11 y 10 m	M	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Title/ Name	Tenure (years)	diversity standards														Committee		
		Basic profile		industry experience					Professional knowledge/skill									
		Gender	Age		Holding Company	Commercial Banking	Securities / Insurance	PE / VC Investment	Government & Public Sector	Execution & Strategic Planning	Risk Management	Financial Services	Corporate Governance	Marketing Leadership	Information Technology	International Experience	Audit	Remuneration
40 -60	61 and above																	
GPPC Chemical Corp. Representative: Alan Wang	 4 y 6 m	M		✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓			✓
Chi Jie Investment Co., Ltd. Representative: Paul Yang	 9 y 11 m	M	✓		✓	✓	✓	✓		✓	✓	✓	✓		✓			
Shin Wen Investment Co., Ltd. Representative: Lee Howe Yong	 7 y 9 m	M		✓	✓			✓		✓		✓	✓		✓			
Bank of Taiwan Representative: Shu-Chen Wang	 1m	F		✓		✓						✓	✓					
Independent Director Gilbert T.C. Bao	 15y	M	✓		✓			✓		✓	✓	✓	✓		✓	✓	✓	
Independent Director Hsiou-Wei Lin	 2 y 11 m	M	✓		✓	✓	✓	✓		✓	✓	✓	✓			✓	✓	

3.2.3 Management Team

March 31, 2019

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 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	-	-	-
Executive VP	R.O.C.	Daw-Yi Hsu	M	2019.01.01	511,091	0.00	5,600,000	0.04	0	0.00	MBA, The Ohio State University Chairman of KGI Securities	Chairman of KGI Securities Co. Ltd. Director of Richpoint Company Limited Director of CPEC Huachuang Private Equity (Kunshan) Co. Ltd. Director of CPEC Huakai Private Equity (Fujian) Co., Ltd. Director of Taiwan Stock Exchange Corp. Director of CDIB Private Equity (Hong Kong) Corporation Limited Director of KG Investments Holdings Limited	-	-	-
Executive VP	R.O.C.	Mark Wei	M	2019.02.01	0	0.00	120,000	0.00	0	0.00	MBA, The George Washington University Chairman of KGI Bank	Chairman of KGI Bank	-	-	-
Legal Dept. Executive VP	R.O.C.	Julian Yan	M	2015.05.01	866,588	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. Director of Jinghua kaifa guoji 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	65,000	0.00	0	0.00	0	0.00	Ph. D. of Criminology, National Chung Cheng University Associate Professor of Ming Chuan University	-	-	-	
Information Technology Dept. Executive VP	R.O.C.	Josephine Yang	F	2018.02.01	0	0.00	0	0.00	0	0.00	MBA, National Taiwan University EVP of CDF	-	-	-	
Corporate Strategy and Planning Dept. Executive VP	R.O.C.	Eddy Chang	M	2018.07.01	1,856,948	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.	-	-	-

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 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			
Finance Dept. and Operations and Corporate Services Dept. Executive VP	R.O.C.	Andy Lin	M	2019.03.28	193,823	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.	-	-	-
Human Resources Dept. Executive VP	R.O.C.	Jenny Chiang	F	2014.04.14	1,709,261	0.01	0	0.00	0	0.00	B.B.A., 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 Corporation Director of CDIB Private Equity (Hong Kong) Corporation Limited	-	-	-
Secretariat, Board of Directors Executive VP	R.O.C.	Chih Yu Chou	M	2016.07.01	1,168,154	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	-	-	-
Risk Management Dept. Executive VP	R.O.C.	Winnie Huang	F	2018.06.01	0	0.00	0	0.00	0	0.00	MBA, The George Washington University EVP of China Life Insurance Co., Ltd.	EVP of China Life Insurance Co., Ltd. Supervisor of CDIB International Leasing Corp. Director of CDIB Capital Management Corp. Director of CDC Finance & Leasing Corp.	-	-	-
Research Dept. Executive VP	R.O.C.	S. L. Lee	M	2018.07.01	2,081,546	0.01	197,781	0.00	0	0.00	Bachelor of Accounting, Soochow University EVP of CDF and CDIB Capital Group	EVP of CDIB Capital Group	-	-	-
Internal Audit Dept. Chief Auditor	R.O.C.	Hans Tzou	M	2018.11.15	490,077	0.00	0	0.00	0	0.00	Master of Laws, National Chengchi University EVP of CDF and CDIB Capital Group	-	-	-	
Information Security Dept. Executive VP	R.O.C.	Richard Sun	M	2019.01.01	0	0.00	0	0.00	0	0.00	MBA, National Taiwan University EVP of CDF	-	-	-	
Executive VP	Singapore	Reddy Wong	M	2009.3.30	852,693	0.01	0	0.00	0	0.00	B.B.A., National University of Singapore MD of CDIB Capital Limited	Director of Global Treasure Investments Limited 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 of KGI Futures (Hong Kong) Limited 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. Director of KGI Investments Management 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 Ltd. Director of KGI Nominees (Hong Kong) Limited Director of KGI Securities (Singapore) Pte. Ltd. Director of Supersonic Services Inc.			
Executive VP	R.O.C.	Vincent Hung	M	2004.05.10	2,020,647	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.	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.	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 Jinghua kaifa guoji Co., Ltd. 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 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.	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.	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.	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.	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. Supervisor of CDIB Private Equity (China) Corp. Supervisor of CDIB Venture Capital 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	-	-	-
Executive VP	R.O.C.	Michael Chang	M	2018.06.01	90,344	0.00	0	0.00	0	0.00	Master of Laws, Harvard University SVP of CDF and CDIB Capital Group	EVP of KGI Bank Supervisor of CDIB Innovation Accelerator Co., 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
Executive VP	R.O.C.	Henry Chang	M	2018.10.01	0	0.00	0	0.00	0	0.00	Master of Science in Computer Science and Information Engineering, Fu Jen Catholic University VP of Taishin International Bank	EVP of KGI Bank	-	-	-
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.	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	344,485	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	70,000	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	MBA, National Chengchi University VP of CDF and CCM	SVP of CDIB Private Equity (China) 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 Jinghua kaifa guoji Co., Ltd. Director of CDIB Global Markets Limited Director of CDIB Capital International (USA) Corporation	-	-	-
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 Director of CDIB Capital International (USA) Corporation	-	-	-
SVP	R.O.C.	Pi Fa Yang	M	2015.05.01	43	0.00	0	0.00	0	0.00	Bachelor of International Trade, Takming University of Science and Technology SVP of CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
SVP	R.O.C.	Steven Ching	M	2015.05.01	555,135	0.00	1,270,668	0.01	0	0.00	Master of Accounting, Soochow University SVP of CDIB Capital Group	-	EVP	Kiki Shih	Spouse
SVP	R.O.C.	James Chou	M	2015.05.01	80,000	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	SVP of CDIB Capital Group	-	-	-
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	-	-	-

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.	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.	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	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.	Connie Liu	F	2018.08.01	40,000	0.00	2,000	0.00	0	0.00	MBA, University of West Florida SVP of KGI Bank	SVP of KGI Bank	-	-	-
SVP	R.O.C.	David Chi	M	2018.10.01	395,350	0.00	0	0.00	0	0.00	MBA, National Taiwan University SVP of KGI Securities	SVP of CDIB Capital Group	-	-	-
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	331,538	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	160,867	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	223,822	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	515,071	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.	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.	Wen Chung Lin	M	2013.11.01	150,018	0.00	0	0.00	0	0.00	MBA, University of Illinois AVP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Judy Mao	F	2014.05.20	49,483	0.00	0	0.00	0	0.00	Master of Economics, University of Wisconsin, Madison VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	I Ling Lai	F	2014.05.20	65,962	0.00	45,208	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C.	Claire Wang	F	2014.06.01	389	0.00	0	0.00	0	0.00	Bachelor of Business Mathematics, Soochow University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Chih-Shun Wang	M	2014.06.23	157,649	0.00	0	0.00	0	0.00	MBA, Texas A&M University VP of CDIB Capital Group	VP of KGI Bank	-	-	-
VP	R.O.C.	Melissa Pan	F	2015.04.01	58,437	0.00	0	0.00	0	0.00	Bachelor of Accounting, National Chung Hsing University AVP of CDF and 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.	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 Director of Chidean Industrial Corporation	-	-	-
VP	R.O.C.	Kevin Hsu	M	2015.05.01	121,544	0.00	0	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.	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.	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.	Tony Wang	M	2018.04.09	0	0.00	0	0.00	0	0.00	MBA, Washington University VP of SinoPac Securities	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Barry Chen	M	2018.06.01	0	0.00	0	0.00	0	0.00	Bachelor of Computer Science and Engineering, Tatung University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C.	Jason Yeh	M	2018.06.12	0	0.00	39	0.00	0	0.00	MBA, Tamkang University Senior Enterprise Architech Manager of Hewlett Packard Taiwan	VP of KGI Bank	-	-	-
VP	R.O.C.	Eveline Lu	F	2018.10.17	37,059	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.	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	15,000	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.	Dan Hsiao	M	2015.05.01	1,436	0.00	0	0.00	0	0.00	Master of Economics Science, National Taiwan University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Gina Fang	F	2015.05.01	7,970	0.00	0	0.00	0	0.00	B.B.A., Soochow University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	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	-	-	-

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					shares	%	shares	%	shares	%			Title	Name	Relations
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.	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	Master of Arts, 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.	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	-	-	-
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.	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	142,492	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	-	-	-
VP	R.O.C.	Elisa Ting	F	2018.05.01	380	0.00	0	0.00	0	0.00	Bachelor of International Trade, Tamkang 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.	Chun Pei Hsu	F	2018.05.01	212,826	0.00	489	0.00	0	0.00	B.B.A., Fu Jen Catholic University VP of CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Jess Hung	F	2018.06.01	15,560	0.00	0	0.00	0	0.00	Bachelor of Accounting, Feng Chia University VP of CDIB Capital Group and CDF	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Evonne Shih	F	2018.06.01	65,751	0.00	0	0.00	0	0.00	Master of Finance, National Taiwan University VP of CDIB Capital Group and CDF	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Winnie Yang	F	2018.06.01	540	0.00	0	0.00	0	0.00	Bachelor of Accounting, Tunghai University VP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Tsung Pin Huang	M	2018.06.01	15,947	0.00	0	0.00	0	0.00	Master of Economics, National Chengchi University VP of CDF and CDIB Capital Group	VP of CDIB Capital Group	-	-	-
VP	R.O.C.	Fan Wang	M	2018.06.01	153,702	0.00	0	0.00	0	0.00	Bachelor of Electronic and Computer Engineering, National Taiwan University of Science and Technology VP of KGI Bank and CDF	VP of KGI Bank	-	-	-
VP	R.O.C.	Hank Wang	M	2018.07.01	0	0.00	0	0.00	0	0.00	Bachelor of Information and Communications, Shih Hsin University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C.	Cynthia Chen	F	2018.07.14	220,084	0.00	0	0.00	0	0.00	Bachelor of Bank and Insurance, Ming Chuan University VP of KGI Bank	VP of KGI Bank	-	-	-
VP	R.O.C.	Rhoda Yang	F	2018.09.10	5,000	0.00	0	0.00	0	0.00	Master of Statistic, National Taipei University 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, Supervisors, President, Vice President and Consultant

3.3.1 Remuneration of Directors

Unit: NT\$ thousands ; December 31, 2018

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)		The company		Salary, Bonuses, and Allowances (E) (Note 5)		Severance Pay (F)		Profit Sharing- Employee Bonus (G) (Note 6)				The company				
			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	46,606	46,606	0	0	54,879	54,879	2,543	3,946	1.325	1.343	50,485	70,085	0	0	9,251	0	9,251	0	2.085	2.353	-		
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																								
Managing Director	Shin Wen Investment Co., Ltd. Representative:	Long-I Liao																						560	560
Director	Shin Wen Investment Co., Ltd. Representative:	Howe-Yong Lee	260	260	0	0	8,771	8,771	105	105	0.116	0.116	0	0	0	0	0	0	0	0	0.116	0.116	-		

Note1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$2,095,000; compensation for drivers was NT\$2,268,000.

Note2: Provision expense of retirement payments was NT\$811,000.

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	-	-
NT\$2,000,000 ~ NT\$5,000,000(exclude)	-	-	-	-
NT\$5,000,000 ~ NT\$10,000,000 (exclude)	Ching-Yen Tsay、Chi Jie Investment Co., Ltd. : Paul Yang、Bank of Taiwan: Shing-Shiang Ou、Gilbert T.C. Bao、Hsiou-Wei, Lin	Ching-Yen Tsay、Chi Jie Investment Co., Ltd. : Paul Yang、Bank of Taiwan: Shing-Shiang Ou、Gilbert T.C. Bao、Hsiou-Wei, Lin	Ching-Yen Tsay、Bank of Taiwan: Shing-Shiang Ou、Gilbert T.C. Bao、Hsiou-Wei, Lin	Ching-Yen Tsay、Bank of Taiwan: Shing-Shiang Ou、Gilbert T.C. Bao、Hsiou-Wei, Lin
NT\$10,000,000 ~ NT\$15,000,000 (exclude)	-	-	Chi Jie Investment Co., Ltd. : Paul Yang	Chi Jie Investment Co., Ltd. : Paul Yang
NT\$15,000,000 ~ NT\$30,000,000(exclude)	-	-	-	-
NT\$30,000,000~ NT\$50,000,000(exclude)	-	-	-	-
NT\$50,000,000 ~ NT\$100,000,000(exclude)	Kai Don Investment Co., Ltd. : Chia-Juch Chang	Kai Don Investment Co., Ltd. : Chia-Juch Chang	Kai Don Investment Co., Ltd. : Chia-Juch Chang、GPPC Chemical Corp. : Alan Wang	Kai Don Investment Co., Ltd. : Chia-Juch Chang、GPPC Chemical Corp. : Alan Wang
Over NT\$100,000,000	-	-	-	-
Total	7	7	7	7

* 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.

The remuneration shown in this table is calculated on an accrual basis and was reduced by NT\$39,827,000 in compared to 2017 which was calculated on a cash basis.

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

Note 11: a. Remuneration amount received by directors from Non-group affiliates.

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

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

3.3.2 Remuneration of the President and Vice President

Unit: NT\$ thousands ; December 31, 2018

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	140,227	199,485	0	14,280	52,354	104,739	48,980	0	51,176	0	3.076	4.708	-
Senior Executive VP	Yu-Ling Kuo													
Executive VP	Brian Chou													
Executive VP	Andy Lin													
Executive VP	Janet Sheng													
Executive VP	Reddy Wong													
Executive VP	Eddy Chang													
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	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	Richard Sun													
Executive VP	Chris Sun													
Executive VP	Michael Chang													
Executive VP	Winnie Huang													
Executive VP	Henry Chang													
Executive VP	David Kuo													
Executive VP	Hans Tzou													
Executive VP	Frances Tsai													
Executive VP	Guang-Yue Yeh													
Executive VP	Jane Lai													
Executive VP(Former)	Eddie Wang													
Executive VP(Former)	Kenneth Huang													
Executive VP(Former)	Ming Lin													
Executive VP(Former)	Jane Lai													

Note1: The company offers directors with personal allowance for housing, cars, and other personal needs in the value of NT\$5,772,000; compensation for drivers was NT\$10,559,000.

Note2: Provision expense of retirement payments was NT\$5,028,000.

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	Janet Sheng 、 Marisol Wang 、 S. L. Lee 、 Sunny Lin 、 Jenny Chiang 、 Michael Chang 、 Henry Chang 、 David Kuo 、 Kenneth Huang	Henry Chang
NT\$2,000,000 ~ NT\$5,000,000(exclude)	Reddy Wong 、 Te En Chan 、 Teresa Li 、 James Meng 、 Chih Yu Chou 、 Chris Sun 、 Winnie Huang 、 Hans Tzou 、 Jane Lai 、 Ming Lin 、 Jane Lai	Te En Chan 、 Marisol Wang 、 Teresa Li 、 S. L. Lee 、 James Meng 、 Chih Yu Chou 、 Chris Sun 、 Michael Chang 、 David Kuo 、 Hans Tzou 、 Jane Lai 、 Ming Lin 、 Jane Lai
NT\$5,000,000 ~ NT\$10,000,000(exclude)	Brian Chou 、 Eddy Chang 、 Josephine Yang 、 Lawrence S. Liu 、 Vincent Hung 、 Kiki Shih 、 Richard Sun 、 Frances Tsai 、 Guang-Yue Yeh 、 Eddie Wang	Brian Chou 、 Janet Sheng 、 Eddy Chang 、 Josephine Yang 、 Lawrence S. Liu 、 Sunny Lin 、 Vincent Hung 、 Kiki Shih 、 Jenny Chiang 、 Richard Sun 、 Winnie Huang 、 Frances Tsai 、 Guang-Yue Yeh 、 Eddie Wang
NT\$10,000,000~NT\$15,000,000(exclude)	Andy Lin 、 Julian Yen	Andy Lin 、 Julian Yen
NT\$15,000,000~NT\$30,000,000(exclude)	-	Kenneth Huang
NT\$30,000,000~NT\$50,000,000(exclude)	Yu-Ling Kuo	Reddy Wong
NT\$50,000,000~NT\$100,000,000(exclude)	Alan Wang	Alan Wang 、 Yu-Ling Kuo
Over NT\$100,000,000	-	-
Total	34	34

* 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.

The remuneration shown in this table is calculated on an accrual basis and was reduced by NT\$116,236,000 in compared to 2017 which was calculated on a cash basis.

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, 2018

	Title	Name	Employee Bonus - in Stock	Employee Bonus - in Cash	Total	Ratio of Total Amount to Net Income (%)
Executive Officers	President & CEO	Alan Wang	0	48,980	48,980	0.62
	Senior Executive VP	Yu-Ling Kuo				
	Executive VP	Brian Chou 、 Andy Lin 、 Janet Sheng 、 Reddy Wong 、 Eddy Chang 、 Josephine Yang 、 Te En Chan 、 Julian Yen				
	Executive VP	Marisol Wang 、 Teresa Li 、 S. L. Lee 、 Sunny Lin 、 James Meng 、 Chih Yu Chou 、 Vincent Hung 、 Kiki Shih 、 Jenny Chiang 、 Richard Sun 、 Chris Sun 、 Michael Chang 、 Winnie Huang 、 Henry Chang 、 David Kuo 、 Hans Tzou 、 Frances Tsai 、 Guang-Yue Yeh				

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 2017, 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 1.022% and 1.053%, respectively. In 2018, 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 1.649% and 1.69%, respectively; and in 2017, all remunerations paid to presidents and vice presidents by the company and all companies in the consolidated financial statement as a percentage of net income were 2.054% and 3.093%, respectively. In 2018 all remunerations paid to presidents and vice presidents by the company and all companies in the consolidated financial statement as a percentage of the company's net income were 3.076% and 4.708%, 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)

The Board held 12 meetings during 2018 (A); the attendance details as follows:

December 31, 2018

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	12	0	100	
Managing Director, Independent Director	Ching-Yen Tsay	12	0	100	
Managing Director	Shin Wen Investment Co., Ltd. Representative: Long-I Liao	12	0	100	
Director	Chi Jie Investment Co., Ltd. Representative: Paul Yang	6	6	50	
Director	GPPC Chemical Corp. Representative: Alan Wang	12	0	100	
Director	Shin Wen Investment Co., Ltd. Representative: Howe Yong Lee	7	5	58	
Director	Bank of Taiwan Co. Ltd Representative: Shing-Shiang Ou	12	0	100	
Independent Director	Gilbert T.C. Bao	9	5	75	
Independent Director	Hsiou-Wei Lin	12	0	100	

Note: At least 2 independent directors personally attended each Board meeting convened during 2018.

Attendance details for independent directors:

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

Term	6th / 29	6th / 30	6th / 31	6th / 32	6th / 33	6th / 34	6th / 35	6th / 36	6th / 37	6th / 38	6th / 39	6th / 40
Independent Director Ching-Yen Tsay	○	○	○	○	○	○	○	○	○	○	○	○
Gilbert T.C. Bao	○	○	◎	○	○	○	○	○	◎	○	○	◎
Hsiou-Wei Lin	○	○	○	○	○	○	○	○	○	○	○	○

Other items to be stated:

1. The operation of the Board 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. 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 30 6 th term 29 th meeting	Chia-Juch Chang	2017 annual performance remuneration for the Chairman	The interested director is Chairman of the Company	Recused from voting
February 26 6 th term 30 th meeting	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 26 6 th term 31 st meeting	Hsiou-Wei Lin Long-I Liao	The Company intends to apply for unsecured commercial paper certification and underwriting from subsidiary KGI Bank	The interested independent director, Lin, and managing director, Liao, are both directors of KGI Bank	Recused from voting
	Hsiou-Wei Lin Long-I Liao	Subsidiary KGI Bank was approved by the Financial Supervisory Commission (FSC) to engage in investment in the co-founding of new mainland JV JiangSu Suyin KGI Consumer Finance Co., Ltd. (tentative name) with the Bank of Jiangsu, but failed to complete the investment within the granted period, and therefore intends to re-raise the investment proposal to the FSC.	The interested independent director, Lin, and managing director, Liao, are both directors of KGI Bank	Recused from voting

Date/Term	Recused Director	Agenda Item	Reason for recusal	Notes
	Alan Wang Paul Yang	Waiver of non-competition restrictions for a number of directors (including corporate directors and their representatives)	The interested directors are subjects of waivers under review in this meeting	Recused from voting when examining the eligibility of their own qualifications
September 25 6 th term 37 th meeting	Chia-Juch Chang Paul Yang Alan Wang Long-I Liao Howe Yong Lee Shing-Shiang Ou Ching-Yen Tsay Gilbert Bao Hsiou-Wei Lin	Distribution of remuneration of directors for 2017	The interested independent directors and corporate director representatives are recipients of the remuneration to be distributed	Recused from discussing and voting on the matter

3. Measures taken to strengthen the functionality of the Board in the current and most recent years (such as setting up an audit committee, improving information transparency, etc.) and performance assessment :

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 meetings and has disclosed the attendance data of directors on the Market Observation Post System website. To strengthen the functions of the Board, improve the quality of corporate governance and fulfill our corporate social responsibility, the Company set up the Auditing Committee, Remuneration Committee and Corporate Social Responsibility Committee, and has submitted important related bills for the review and authorization of these committees; Under the aegis of the CSR 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.

The Board approved the Corporate Governance Best-Practice Principles on the 47th meeting of the 5th Board on November 23, 2015, and the Principles were later revised by the 6th Board on the 28th meeting dated December 25, 2017. In order to enhance the diversity of the Board, the Principles has established clear guidelines in the selection: both background conditions and values (including sex, age) as well as professional knowledge and skills (such as professional background, expertise and industry experience) should both be taken into consideration in regard to the selection and appointment of Board members.

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 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 2018 annual assessment are as follows. The outcome report has been presented on the 41st meeting of the 6th Board dated January 28,

2019: (1) Five specific criteria were evaluated in the process of the 2018 Internal Performance Evaluation of the Board, namely Involvement, Decision-making quality, Board structure and composition, Election and continuing education, and Internal control. The outcome is evaluated as “Excellent”, indicating a strong soundness of board operations, which have strictly adhered to Corporate Governance Best-Practice Principles of CDF.; (2) Six specific criteria were evaluated in the process of the 2018 Individual Board Director Self-Assessment, namely Control over the Company’s goals and tasks, Recognition of duties as Directors, Involvement in the Company’s business activities, Internal relations and communication, Professional and continuing education 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. Therefore, the Company plans to conduct the external performance review in 2020.

3.4.2 Audit Committee

1. The Audit Committee aims to assist the Board in ensuring the quality and credibility of oversight of matters concerning accounting, auditing, the financial reporting process and financial controls. According to Article 6 of the Company’s Audit Committee Charter, the duties of the Audit Committee are as follows:

There were total 8 meeting convened in 2018. In accordance with the functions and duties as stipulated in Article 6 of the "Audit Committee Charter" of the Company, the major resolutions under consideration are as follows:

- (1) 2017 internal control report and 2019 auditing plan
- (2) Waiver of non-competition restrictions for directors
- (3) Reviewing the operating report, financial statement, consolidated financial report and the earning distribution of 2017. Conducting the Audit Committee Report. Reviewing the consolidated financial reports for 2017 and 2Q18
- (4) Appointment of and compensation for CPA in 2018
- (5) Retirement of the Company’s and CDIB Capital Group’s chief auditor and other department supervisors
- (6) Reviewing the amendments of major internal regulations, such as “Accounting System”, “Audit Committee Charter”, “Regulations for Establishment of Regulations”, “Regulations Governing the Handling of Whistleblowing Cases” and “Guidelines for Trading Transactions of Related Persons”
- (7) Auditing Reports for 2H2017 and 1H2018
- (8) Compliance Reports for 2H2017 and 1H2018

- (9) Comparison table of internal control performance scores of each unit for 2018 and 2017; comparison table of internal auditing performance scores of each subsidiaries
- (10) The assessment of the implementation of compliance for each units and subsidiaries

2. A total of 8 Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Date: December 31, 2018

Title	Name	Attendance in Person (B)	Attendance by Proxy	Actual Attendance Rate (%) 【B/A】	Remark
Independent Director	Ching-Yen Tsay	8	0	100	
Independent Director	Gilbert T.C. Bao	4	4	50	
Independent Director	Hsiou-Wei Lin	8	0	100	

Other items to be stated:

1. The operation of the Audit Committee shall, if any of the following circumstances, clearly state the meeting date, term, contents of proposal and resolution thereof, opinions of all independent directors and the Company's handling of the said opinions:

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

Date	Term	Agenda	Resolution
2018.03.26	3rd term 23rd meeting	2017 internal control report	Approved
		Appointment of and compensation for CPA in 2018	Approved
		2017 consolidated financial report	Approved
		Waiver of non-competition restrictions for directors	Approved
2018.04.30	3rd term 24th meeting	2017 operating report, financial statement and consolidated financial report	Approved
		2017 earnings distribution	Approved
2018.07.30	3rd term 25th meeting	Retirement of the Company's and CDIB Capital Group's chief auditor and other department supervisors	Approved
		The Company's chief auditor and supervisor of the auditing department	Approved
2018.08.27	3rd term 26th meeting	The Company's 2Q18 consolidated financial report	Approved
2018.12.24	3rd term 29th meeting	The Company's 2019 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:

None

3. Communication between independent directors and internal auditing officers as well as CPAs:
- 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
2018.2.26	Audit Committee	Highlights of the inspection report of the “Financial Holding Company and Banking Subsidiary Credit Business and Management” by Financial Examination Bureau, FSC	Acknowledged
2018.3.26	Audit Committee	2017 2H Auditing Report	Acknowledged
2018.3.26	Audit Committee	2017 Internal Control Report	Approved
2018.3.26	Audit Committee	1. 2017 Financial Statement 2. Communication on key auditing items and major IFRS issues in 1H18	1. Approved 2. Informed
2018.4.30	Audit Committee	Inspection improvement report of the “Financial Holding Company and Banking Subsidiary Credit Business and Management” by Financial Examination Bureau, FSC	Acknowledged
2018.4.30	Audit Committee	Follow-up report on the major incident of "Trader Overruns" on March 22, 2007 by Global Markets department of KGI Bank	1. complaints chasing the trader and punishing the relevant dereliction of duty 2. Limit the trading allowance amount and reduce the trading banks

2018.8.27	Audit Committee	1. 2018 1H Financial Statement 2. Communication on key auditing items and major IFRS issues in 2018, as well as personal information protection and anti-money laundering	1. Approved 2. Informed
2018.9.25	Audit Committee	1H18 auditing report	The Company's auditing department shall supervise and correct the malpractice of its overseas subsidiaries identified by the local supervisory agencies.
2018.9.25	Audit Committee	Report and follow up the financial dispute between a salesperson of subsidiary China Life and a customer	Approved
2018.11.12	Forum	Review of internal control system deficiencies in 2018	Remarks: The independent directors asked about the size of the auditing force of individual subsidiaries in light of a changing environment and increasing needs for professionals. The auditing department replied that the current workforce of the Company is enough to perform all the required duties.
2018.11.26	Audit Committee	Meeting minutes of internal control system reviewing	Acknowledged
2018.12.24	Audit Committee	2018 Auditing performance scoring of the Company	Acknowledged
2018.12.24	Audit Committee	2018 Auditing performance scoring of subsidiaries	Acknowledged
2018.12.24	Audit Committee	2019 Auditing Plan of CDF	Approved

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

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

<https://www.cdibh.com/en/CSR/governance/corporateGovernance.html>

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
	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 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				
(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 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 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. In addition, the rotation of CPAs also operates in accordance with related regulations.	None

Evaluation Item	Implementation Status ¹			Deviation
	Yes	No	Summary	
3. Does the FHC, in the event of a public company, set up a dedicated or adjunct unit responsible for matters relating to corporate governance (including but not limited to preparing business materials for directors and supervisors, organizing board and shareholder meetings, company registration and providing meeting minutes)?	V		<p>I. The Company has a secretariat of the Board of Directors, and is staffed with the appropriate number of corporate governance personnel responsible for relevant corporate governance matters, including handling matters related to the Board meeting and shareholders meeting in accordance with the law, producing meeting minutes of the board of directors and shareholders, assisting directors in assuming office and receiving continuing education, providing information required by the directors to conduct duties, assisting directors in complying with regulations, and handling other matters stipulated in the Articles of Incorporation or contract. The Company has, in compliance with the Guidelines of Board of Directors of Listed Companies and the Implementation of Their Duties, passed a resolution at the 42nd meeting of the sixth Board of Directors on February 25, 2019, to appoint Vice President Chih Yu Chou as the Corporate Governance Supervisor, who is qualified as he has handled stock-related affairs and board meeting management for listed company for over three years.</p> <p>II. Summary of business implementation in 2018:</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 2018 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 2018 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. 7. Handling relevant reporting operations for insiders holding shares of the company. 	None

Evaluation Item	Implementation Status ¹			Deviation
	Yes	No	Summary	
4. Does the FHC establish communication channels with stakeholders (included but not limited to shareholders, employees and clients)?	V		The Company has established “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. 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. There are also designated contact windows for subcontractors and the competent authorities.	None
5. Information Disclosure (1) Does the FHC set up a website to disclose both financial standings and the status of corporate governance?	V		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
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		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. III. Investor Relations The company maintains proper and appropriate relations with investors through the following measures: 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.	None

Evaluation Item	Implementation Status ¹			Deviation
	Yes	No	Summary	
			<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. 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>V. Continuing education of Directors</p> <ol style="list-style-type: none"> 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. 2. In order to strengthen the professional functions of the directors, two training sessions were held in the headquarter in 2018, "Latest trend and analysis of the Company Act” and “How directors supervise the establishment of the company’s whistleblower system and the introduction of the draft law on reporting corruption in Taiwan”, totaling six hours in duration. Also, information regarding continuing education or seminars offered by 	

Evaluation Item	Implementation Status ¹			Deviation
	Yes	No	Summary	
			<p>outside professional institutes will be regularly offered to directors, and those interested in registering for classes will be assisted, so that directors can continue to improve their professionalism via such programs. In 2018, Directors of the Company had participated continuing education programs offered by Taiwan Corporate Governance Association, Governance Professionals Institute of Taiwan (GPT), Taiwan Academy of Banking and Finance (TABF), TWSE, Securities and Futures Institute and Raphael AML Co. All directors completed six-hour annual training hours as required by Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE-listed and TPEx-listed companies.</p>	
			<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																																																
	Yes	No	Summary																																																	
			VIII. Purchase of Liability Insurance by the Company for Directors and Supervisors 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.																																																	
			IX. Donation to Political Parties, Stakeholders and Non-profit Organizations 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. 2. The company and its subsidiaries made 102 donations in 2018, all in line with the purposes of donations, for a total value of NT\$ 77,900,101. Below is a chart showing the donation values for each individual company: <table border="1" data-bbox="936 635 1899 1091"> <thead> <tr> <th>Company</th> <th>No. of donations</th> <th>Gross amount (NT\$)</th> <th>% of total donations in 2018</th> </tr> </thead> <tbody> <tr> <td>China Development Financial Holding</td> <td>4</td> <td>8,500,000</td> <td>10.91</td> </tr> <tr> <td>CDIB Capital Group</td> <td>3</td> <td>3,614,543</td> <td>4.64</td> </tr> <tr> <td>CDIB Capital Management Corporation</td> <td>1</td> <td>3,825,125</td> <td>4.91</td> </tr> <tr> <td>CDIB Capital International Corp.</td> <td>1</td> <td>3,073,300</td> <td>3.95</td> </tr> <tr> <td>KGI Bank</td> <td>3</td> <td>36,544,986</td> <td>46.91</td> </tr> <tr> <td>KGI Securities</td> <td>6</td> <td>10,931,547</td> <td>14.03</td> </tr> <tr> <td>KGI Venture Capital</td> <td>1</td> <td>20,000</td> <td>0.02</td> </tr> <tr> <td>KGI Futures</td> <td>1</td> <td>2,000,000</td> <td>2.57</td> </tr> <tr> <td>Global Securities Finance</td> <td>9</td> <td>443,600</td> <td>0.57</td> </tr> <tr> <td>China Life Insurance</td> <td>71</td> <td>8,947,000</td> <td>11.49</td> </tr> <tr> <td>Total</td> <td>102</td> <td>77,900,101</td> <td>100</td> </tr> </tbody> </table> 3. No donation to political parties by the Company and its subsidiaries.	Company	No. of donations	Gross amount (NT\$)	% of total donations in 2018	China Development Financial Holding	4	8,500,000	10.91	CDIB Capital Group	3	3,614,543	4.64	CDIB Capital Management Corporation	1	3,825,125	4.91	CDIB Capital International Corp.	1	3,073,300	3.95	KGI Bank	3	36,544,986	46.91	KGI Securities	6	10,931,547	14.03	KGI Venture Capital	1	20,000	0.02	KGI Futures	1	2,000,000	2.57	Global Securities Finance	9	443,600	0.57	China Life Insurance	71	8,947,000	11.49	Total	102	77,900,101	100	
Company	No. of donations	Gross amount (NT\$)	% of total donations in 2018																																																	
China Development Financial Holding	4	8,500,000	10.91																																																	
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7. Updates on the actual improvement and improvement plan following up on TWSE Corporate Governance Center's most recent Corporate Governance Evaluation. The Company ranked among the top20% companies in the 5 th Corporate Governance Evaluation in 2018. In 2018, the Company has passed the new "Regulations Governing the Handling of Whistleblowing Cases". The guidelines and reporting channels are available on the Company's official website. 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.																																																				

3.4.5 Composition, Responsibilities and Operations of the Remuneration Committee

A. The Composition

Identity (Ntoe 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 2018, a total of eight meetings were convened, with attendance detailed below.

Title	Name	Actual attendance	Attendance by proxy	Actual attendance ratio (%)	Note
Chief	Ching-Yen Tsay	8	0	100	
Member	Gilbert T.C. Bao	5	3	62.5	
Member	Hsiou-Wei Lin	8	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.
- (4) With the exception of matters assigned by the Board and regulations and rules approved by the Board, which may be implemented after the Remuneration Committee gives its approval, all decisions made by the Committee must be sent to the Board for discussion.

Table 1 Directors' Training - 2018

December 31, 2018

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
Development trends and important regulations regarding prevention of money laundering and IT terrorism	2018.04.20	2018.04.20	Taiwan Corporate Governance Association	Hsing-Hsiang Ou	3
New Corporate Governance Blueprint Summit	2018.05.08	2018.05.08	TWSE	Alex Wang	3
Keynote speech on corporate governance	2018.06.11	2018.06.11	Taiwan Academy of Banking and Finance	Hsing-Hsiang Ou	3
Analysis of the latest revisions of Company Act	2018.06.26	2018.06.26	Taiwan Corporate Governance Association	Chia-Juch Chang	3
Analysis of the latest revisions of Company Act	2018.06.26	2018.06.26	Taiwan Corporate Governance Association	Ching-Yen Tsay	3
Analysis of the latest revisions of Company Act	2018.06.26	2018.06.26	Taiwan Corporate Governance Association	Paul Yang	3
Analysis of the latest revisions of Company Act	2018.06.26	2018.06.26	Taiwan Corporate Governance Association	Long-I Liao	3
Analysis of the latest revisions of Company Act	2018.06.26	2018.06.26	Taiwan Corporate Governance Association	How Yong Lee	3
Ways of preventing and responding to insider trading	2018.08.01	2018.08.01	Taiwan Corporate Governance Association	Long-I Liao	3
Operations Practice of Compensation Committee	2018.08.01	2018.08.01	Taiwan Corporate Governance Association	Long-I Liao	3
Seminar on the job functions and legal responsibilities of corporate governance professionals and directors	2018.08.15	2018.08.15	GPT	Hsiou-Wei Lin	3
Advanced seminar on the practice of directors and supervisors (including independent ones) -using the self-evaluation system of the board of directors to strengthen corporate governance	2018.09.05	2018.09.05	Securities and Futures Institute	Alex Wang	3
The 14 th corporate governance international forum – the effectiveness and support of independent directors	2018.09.19	2018.09.19	Taiwan Corporate Governance Association	Hsiou-Wei Lin	3
How directors and supervisors oversee the construction of whistle-blower systems in the company and the introduction of the draft whistle-blowing law in Taiwan	2018.10.30	2018.10.30	Securities and Futures Institute	Chia-Juch Chang	3

Course name	Training date		Organizer	Name of director	Training hours
	Start	End			
How directors and supervisors oversee the construction of whistle-blower systems in the company and the introduction of the draft whistle-blowing law in Taiwan	2018.10.30	2018.10.30	Securities and Futures Institute	Ching-Yen Tsay	3
How directors and supervisors oversee the construction of whistle-blower systems in the company and the introduction of the draft whistle-blowing law in Taiwan	2018.10.30	2018.10.30	Securities and Futures Institute	Gilbert Bao	3
How directors and supervisors oversee the construction of whistle-blower systems in the company and the introduction of the draft whistle-blowing law in Taiwan	2018.10.30	2018.10.30	Securities and Futures Institute	Paul Yang	3
How directors and supervisors oversee the construction of whistle-blower systems in the company and the introduction of the whistle-blowing law in Taiwan	2018.10.30	2018.10.30	Securities and Futures Institute	Hsiou-Wei Lin	3
Analysis of corporate operational risks	2018.11.09	2018.11.09	Taiwan Corporate Governance Association	Gilbert Bao	3
How high-level management responds to the challenges of anti-money laundering regulations	2018.11.20	2018.11.20	Rephcel AML	Alex Wang	3

Table 2 Managers' Corporate Governance Training - 2018

December 31, 2018

Title	Name	Time	Organizer	Course	Hours
Chairman	Chia-Juch Chang	2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
		2018.10.30	Securities and Futures Institute	How directors and supervisors oversee the creation of whistle-blower systems in the company and the introduction of the draft of the whistle-blowing law in Taiwan	3
President	Alan Wang	2018.05.08	TWSE	New Corporate Governance Blueprint Summit	3
		2018.09.05	Securities and Futures Institute	Advanced seminar on the practice of directors and supervisors (including independent ones) – Using the self-evaluation system of the board of directors to strengthen corporate governance	3
		2018.11.20	Raphael AML	How high-level management responds to the challenges of anti-money laundering regulations	3
Executive Vice President	Yu-Ling Kuo	2018.05.08	TWSE	New Corporate Governance Blueprint Summit	3
		2018.06.08	China Life	General Data Protection Regulation Analysis	2.5
		2018.08.30	Securities and Futures Institute	Analysis of the latest revisions of Company Act	3
		2018.10.25	China Life	Supervision and the latest development trends in the insurance industry's anti-money laundering and counter terrorism efforts	2
Senior Vice President	Lawrence S. Liu	2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
Senior Vice President	Eddy Chang	2018.05.03	CDF	2018 Keynote Speech on Economic, Financial and Industrial Topics	3.5
Senior Vice President	Julian Yan	2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
		2018.10.18	CDF	Anti-money laundering and counter terrorism practicum seminar	2
		2018.10.30	Securities and Futures Institute	How directors and supervisors oversee the creation of whistle-blower systems in the company and the introduction of the draft of the whistle-blowing law in Taiwan	3
Senior Vice President	Andy Lin	2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
		2018.03.01 2018.03.16	CDF	Latest IFRS standards and financial report analysis	8
Senior Vice President	Kenneth Huang	2018.08.18	CDF	2018 auditor training	7
Senior Vice President	Te En Chan	2018.01.19	Taiwan Academy of Banking and Finance	Strengthening anti-money laundering and financial crime tools and techniques	6
		2018.03.15	CDF	The impact of financial technology on financial and securities laws	3
		2018.04.13	CDF	The impact of General Data Protection Regulation of the EU on financial institutions	2
		2018.04.19	Taiwan Academy of Banking and Finance	International Anti-Money Laundering and Overseas Branch Risk Management Intensive Course - Case Study of the United States (Phase 1)	6

Title	Name	Time	Organizer	Course	Hours
		2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
		2018.07.09	Taiwan Academy of Banking and Finance	National Risk Assessment Report	3
		2018.07.10	Securities and Futures Institute	Legal compliance promotional event for insider's equity transaction law	3
		2018.10.16	Taiwan Academy of Banking and Finance	Asian Financial Regulator Summit Forum 2018	3
		2018.10.30	Securities and Futures Institute	How directors and supervisors oversee the creation of whistle-blower systems in the company and the introduction of the draft of the whistle-blowing law in Taiwan	3
		2018.11.22	CDF	Insider equity change regulation and practicum	3
		2018.12.19	CDF	Modernization of Company Act in Taiwan – 2018 Company Act amendments	2
Senior Vice President	Josephine Yang	2018.04.13	CDF	The impact of General Data Protection Regulation of the EU on financial institutions	2
		2018.06.01	Taiwan Academy of Banking and Finance	Senior Executives Breakfast Meeting on Digital Transformation and Innovation	1.75
		2018.10.23	CDF	Information security education and training	3
Senior Vice President	Janet Sheng	2018.08.10	KGI Bank	Legal compliance for insiders and interested parties	3
Vice President	S. L. Lee	2018.01.10	CDF	Development trends of precision optics and its application industries	1
		2018.01.10	CDF	Prospects for the application of artificial intelligence in the medical industry	1
		2018.03.01 2018.03.16	CDF	Latest IFRS Standards and Financial Report Analysis	8
		2018.05.03	CDF	2018 Keynote Speech on Economic, Financial and Industrial Topics	3.5
		2018.11.15	CDF	2019 Keynote Speech on Economic, Financial and Industrial Topics	3.5
Vice President	Jenny Chiang	2018.04.24	Ernst & Young LLP	The Best Deployment Strategy for Transnational Personnel in response to the Reform of Labor Laws	2.5
		2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
		2018.11.22	CDF	Insider equity change regulation and practicum	3
Vice President	Vincent Hung	2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
Vice President	Jane Lai	2018.08.10	KGI Bank	Legal compliance for insiders and interested parties	3
		2018.09.03	CDF	Legal training for financial industry employees	3
		2018.09.19	KGI Bank	Internal education and training using actual cases of punishment as examples – the spirit and discipline of risk management	3
		2018.10.30	Securities and Futures Institute	How directors and supervisors oversee the creation of whistle-blower systems in the company and the introduction of the draft of the whistle-blowing law in Taiwan	3

Title	Name	Time	Organizer	Course	Hours
Vice President	Frances Tsai	2018.02.23	CDF	IFRS16 on leasing	3
		2018.03.15	CDF	The impact of FinTech on financial and securities laws	3
		2018.05.18	CDF	Introduction of legal compliance for the Financial Institutions to prevent Money Laundering and combat information terrorism	2
		2018.06.28	CDF	Introduction of the composition of the international credit rating agency S&P for the financial institution's debt rating	2
		2018.10.25	CDF	Practicum of tax benefits for overseas income wired back to Taiwan	2
		2018.11.22	CDF	Insider equity change regulations and practicum	3
		2018.12.19	CDF	Modernization of Company Act in Taiwan – 2018 Company Act amendments	2
		2018.03.01 2018.03.16	CDF	Latest IFRS standards and financial report analysis	8
Vice President	Richard Sun	2018.04.12	Taiwan Academy of Banking and Finance	From cloud computing to future transformation – Towards financial innovation that takes care of both legal compliance and information security	3
		2018.08.01	Taiwan Insurance Institute	Corporate Governance Seminar – Information security insurance and corporate governance	3
		2018.08.18	CDF	2018 auditor training	7
		2018.10.23	CDF	Information security education and training	3
		2018.10.26	Taiwan Academy of Banking and Finance	International FinTech Forum - Financial Technology Developments and Security Protection (Phase 1)	3.5
		2018.11.02	Symantec TW	International FinTech Forum - Financial Technology Developments and Security Protection (Phase 1)	3
Vice President	Da-hua Kuo	2018.05.17	Taiwan Academy of Banking and Finance	Credit derivative commodity trading practicum	4
		2018.06.14	Taiwan Academy of Banking and Finance	Legal compliance series on Financial Derivatives – Legal workshop on derivatives products operations	4
		2018.07.19	Taiwan Academy of Banking and Finance	Risk management series on financial derivatives – Risk management workshop on derivatives products operations	4
		2018.08.10	KGI Bank	Legal compliance for insiders and interested parties	3
		2018.09.10	CDF	Legal training for financial industry employees	3
Vice President	Sunny Lin	2018.07.20	Taiwan Academy of Banking and Finance	2018 HR Supervisor Symposium	7.8
		2018.08.10	KGI Securities	Legal compliance for insiders and interested parties	3
Vice President	Chih-Yu Chou	2018.01.10	CDF	Prospects for the application of artificial intelligence in the medical industry	1
		2018.03.22	CDF	Training course on anti-tax evasion in Taiwan – Information exchange for taxation purposes and national reports	3

Title	Name	Time	Organizer	Course	Hours
		2018.04.13	CDF	The impact of General Data Protection Regulation of the EU on financial institutions	2
		2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
		2018.10.12	CDF	Regulation of income source recognition of R.O.C. and discussion of individual cases	3
		2018.10.30	Securities and Futures Institute	How directors and supervisors oversee the creation of whistle-blower systems in the company and the introduction of the draft of the whistle-blowing law in Taiwan	3
		2018.12.19	CDF	Modernization of Company Act in Taiwan – 2018 Company Act amendments	2
Vice President	Kiki Shih	2018.02.23	CDF	IFRS16 on leasing	3
		2018.03.01	CDF	Latest IFRS Standards and Financial Report Analysis	4
		2018.05.08	CDF	Latest renewals of tax laws & corporate income tax application practicum and notable details	3
		2018.06.08	China Life	The impact of General Data Protection Regulation of the EU on financial institutions	2.5
		2018.08.07	Accounting Research and Development Foundation	Highlights of amendments to regulation governing the production of IFRS financial report & analysis of common flaws	3
		2018.08.16	Accounting Research and Development Foundation	Corporate practicum and analysis of how enterprises should respond to accountants checking on related-party transactions	3
		2018.08.17	Accounting Research and Development Foundation	The legal responsibilities of joint accomplice, abettor, and aider in economic crimes and analysis of real cases	3
		2018.10.24	Accounting Research and Development Foundation	Corporate governance practicum: latest amendments to the Company Act and suitable corporate reactions	3
		2018.10.25	China Life	Supervision and the latest development trends in the insurance industry's anti-money laundering and counter terrorism efforts	2
Vice President	Marisol Wang	2018.01.13	Taipei Bar Association	Corporate governance trends & labor-management conflicts and reconciliation	3
		2018.01.19	CDF	2018 global economy and financial market outlook – stamina of an old bull	2
		2018.03.10	Taipei Bar Association	Case analysis of show-swing trading and insider trading	3
		2018.03.15	CDF	The impact of FinTech on financial and securities laws	3
		2018.03.16	Corporate Operation Association	Legal practicum on the effectiveness of the resolutions of shareholders' meeting	3
		2018.03.22	Corporate Operation Association	Theory and practice of the Company Act amendment: corporate fund-raising and financial/accounting information themes	3
		2018.04.21	Taipei Bar Association	FinTech and market competition: analytic point of view and framework of competition laws	3
		2018.04.27	Fair Trade Commission	FinTech and its ongoing Company Act-related issues	2.33
		2018.05.08	CDF	Latest renewals of tax laws & corporate income tax application practicum and notable details	3

Title	Name	Time	Organizer	Course	Hours
		2018.05.09	Taiwan Academy of Banking and Finance	Seminar on “legal compliance status quo and human resource allocation in financial holding companies and in banking sector in Taiwan” (No. 1)	3
		2018.05.25	Lee and Li Attorneys-at-Law	Seminar on investing in off-shore private equity funds	8
		2018.06.26	Taiwan Corporate Governance Association	Analysis of the latest revisions to the Company Act	3
		2018.10.22	Corporate Operation Association	Case analysis of major corporate news disclosure and the responsibilities of board directors	3
		2018.10.30	Securities and Futures Institute	How directors and supervisors oversee the construction of whistle-blower systems in the company and the introduction of the draft whistle-blowing law in Taiwan	3
		2018.11.28	Taipei Bar Association	Latest Amendments to Company Act and Explanations of Difficult Questions	3
Vice President	Hans Tzou	2018.01.19	Taiwan Academy of Banking and Finance	Strengthening anti-money laundering and financial crime tools and techniques	7
		2018.02.02	CDF	Introduction to legal compliance issues for prevention of money laundering and combat against information terrorism by financial institutions	2
		2018.05.07	Computer Audit Association	Breakdown of operational flows via data analysis and inspection against financial frauds	6
		2018.06.05	Taiwan Academy of Banking and Finance	Panel on the framework and practice of three lines of defense for a bank’s internal control	6
		2018.06.28	CDF	Introduction of the composition of the international credit rating agency S&P for the financial institution's debt rating	2
		2018.07.30	CDF	Course on Prevention of money laundering and combat against information terrorism for internal auditing staff	3
		2018.08.18	CDF	2018 auditor training	7
		2018.09.26	Financial Examination Bureau of FSC	Internal audit panel of financial holding company	3
		2018.12.03~2018.12.04	Taiwan Academy of Banking and Finance	Audit supervisor training course(No. 56)	13.5
Vice President	Chris Sun	2018.03.14~2018.04.18	Taiwan Academy of Banking and Finance	Financial strategy planning practicum study	15
Vice President	Michael Chang	2018.05.15	CDF	Application of Fair Dealing Principle to financial service industry	3
		2018.06.28	CDF	Introduction of the composition of the international credit rating agency S&P for the financial institution's debt rating	2
		2018.08.10	KGI Bank	Legal compliance for insiders and interested parties	3
		2018.12.19	CDF	Modernization of Company Act in Taiwan – 2018 Company Act amendments	2
Vice President	Teresa Li	2018.04.13	CDF	The impact of General Data Protection Regulation of the EU on financial institutions	2

3.4.6 Corporate Social Responsibility

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles” 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 2018, 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?	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 be true will be subject to disciplinary actions in accordance with the Company's Employee Reward and Discipline Policy.	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
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) As a financial service provider, the bulk of CDF’s GHG emissions are the result of externally purchased electricity as well as gasoline and natural gas consumed by facilities and vehicle fleets. The Company abides by international environment management systems and is dedicated to elevating the efficiency of the use of various resources. In 2018, the Company adopted the ISO 50001 energy management system and received certification, which serves to elevate the efficiency of energy usage.	None
(2) Has the company developed an appropriate environmental management system, given its distinctive characteristics?	V		(2) Long dedicated to the issue of environmental sustainability, 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. Also, the Company passed the ISO 14001 certificate renewal process. All of the Company’s subsidiaries have outlined environmental management policies, and assigned their respective General Affairs Departments to supervise office environment and equipment maintenance. Regular services have been procured to ensure proper functioning of all equipment used and the cleanliness and appearance of the work environment.	None
(3) Is the company aware of how climate changes affect its business activities? Are there any actions taken to measure and reduce greenhouse gas emission and energy use?	V		(3) Pursuant to the Paris Agreement and international environmental management systems, the Company as a responsible corporate citizen implements measures 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 has over the years expanded the investigation of greenhouse gas emissions from the office buildings of major subsidiaries, so as to conduct surveillance in a systematic and consistent manner. With 2016 as the benchmark year, the Company devised the following	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
			<p>mid-/long-term goals of cutting greenhouse gas emissions: in 2019, per-capita emissions should be reduced by 2% from the benchmark; by 2021, reduction target from benchmark is 3%. Considering that the Company creates greenhouse gas emissions mainly through use of electricity, the firm has installed the ISO 50001 energy management system and passed the corresponding certification in 2018, which should simultaneously boost energy use efficiency and reduce carbon emissions. Some of the energy conservation and carbon reduction measures the Company continues to promote include:</p> <ol style="list-style-type: none"> 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. 2. Water resource management: Reduced tap water flow at pantry and toilets; regular cleaning of water tank and detecting water quality. 3. Greenhouse gas control: The Company is not a manufacturer and therefore does not directly emit ozone depleting substances. The GHG emission inventory check is follow the ISO14064-1 standard. In the future, the Company will continue its self-management in order to minimize the the emissions of greenhouse gas. 4. Waste sorting, recycling and reuse: Used batteries are classified and recycled; kitchens are equiped with oil-water separators to minimize water pollution; used office equipment such as computers, light tubes and toners are sorted and recycled. 	

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
			<p>5. To fulfill corporate social responsibility and maintain a low-carbon environment, the Company has since 2018 made effort to promote an activity “No Red Meat Day” which represents a way of putting energy conservation/carbon reduction into action and a way of using a low-carbon diet to combat global warming. To show support for and promote the campaign of trading recycled batteries for used books, an activity launched by Department of Environmental Protection of Taipei City (Cloud-based Yan-Hui Book Depository), waste batteries recycled from the Company’s main office buildings were provided to KGI Charity Foundation to exchange for children’s books for underprivileged to enrich their reading experience. We have proactively participated in eco-friendly procurement activities held by government agencies as a way of supporting the green procurement policy. Furthermore, in celebration of China Development Financial’s 60th anniversary, from 4Q18 to 1Q19 we hosted a series of mountain-cleaning activities called “Crossing 60, Going for Excellence.” As of the end of 2018, thirty-six mountain routes have been cleaned by 1,600 participants.</p>	
<p>3. Enforcement of Public Welfare</p> <p>(1) Does the company develop its policies and procedures in accordance with laws and International Bill of Human Rights?</p>	V		<p>(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.</p>	None
<p>(2) Does the company have means through which employees may raise complaints? Are employee complaints being handled properly?</p>	V		<p>(2) The Company offers an on-line opinion box for employees to raise complaints and report misconducts. The Company and all its subsidiaries also have dedicated phone lines available for outsiders to report employee misconducts. Those who violate against the Company's "Employee Code of Conduct" will subject to disciplinary actions under the Employee Reward and Discipline Policy. Those who violate against government regulations will be subject to legal liabilities where appropriate.</p>	None

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(3) Does the company provide employees with a safe and healthy work environment? Are employees trained regularly on safety and health issues?	V		(3) The Company values employees' safety and their rights to a healthy work environment. Some of the actions taken to ensure this include: 1. Appointment of safety and health officers to conduct regular safety training, fire drills, office lighting inspections (through professional service providers), CO2 measurements and drinking water’s turbidity, PH level and E. Coli numbers detection. 2. Provision of group insurance coverage and free physical examination. In addition, all main subsidiaries engage professional nurses and physicians to educate employees on topics such as health promotion and prevention of occupational illness, and disseminate health-related information and organize health seminars from time to time. 3. In accordance to regulation, fire safety equipment maintenance and reporting is authentically executed at each office building. Regular fire safety drills are also organized in order to improve employees’ disaster prevention awareness and response capabilities. 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
(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

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
(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. 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. 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.	None
(9) Is the company entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its corporate social responsibilities and caused significant impact to the environment or society?				

Evaluation Item	Implementation Status (Note 1)			Deviation from “the Corporate Social Responsibility Best Practice Principles” and Reasons (Note 3)
	Yes	No	Summary (Note 2)	
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 2017 CSR Report was prepared in accordance with the core criteria listed in GRI standards issued by Global Sustainability Standards Board (GSSB). In addition, we commissioned KPMG to conduct Limited Assurance for specific indicators.				

3.4.7 Ethical Corporate Management

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (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 has passed the Company's "Ethical Corporate Management Best Practice Principles" and has proposed for resolution during the 2016 shareholder meeting. In addition to "Ethical Corporate Management Best Practice Principles", the Company also has "Code of Ethical Conduct", "Code of Conduct for Employees" and "Subsidiary Insiders Discipline" in place, forbidding a list of dishonest behavior, specifically prohibiting employees of the Company and its subsidiaries from provision, acceptance, promise, or request, directly or indirectly, of any improper benefits, or any violation against business integrity, unlawful conduct, or breach of fiduciary duty when engaging in any commercial activities and shall conduct business deals in a fair and transparent manner. The Company also complies with the Ethical Corporate Management Best Practice Principles and promotes the implementation of corporate social responsibility, with related policies and approaches disclosed on its website, annual report and CSR Report.	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) According to the Company's "Ethical Corporate Management Best Practice Principles", employees of the Company and its subsidiaries shall report unethical conduct to the Audit Committee, managers, internal audit managers or other appropriate internal officers. The Company has "Regulations Governing the Handling of Whistleblowing Cases" in place, with the Compliance Department as the handling facility, which offers channels of reporting in writing or by email or phone. The Company shall keep the reporter's identity and content of the report confidential while progressively investigating the report.	None

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
(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 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.	None
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 continues to implement its philosophy of ethical corporate management and avoids any dealings with counterparties having a track record of unethical conduct. All supplier partners are selected based on responsible procurement principles. In 2016, the Company issued "Supplier Corporate Social Responsibility Guidelines", under which the Company and its suppliers are bound to follow the provisions of labor rights protection, environmental protection and code of ethics. The Company also continues to invite suppliers to sign "Letter of Undertaking regarding Supplier Corporate Social Responsibility" to contribute to a balance between economic, social and ecological concerns and sustainable development.	None

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
(2) Does the company have a dedicated unit which promotes corporate ethical management, and reports the implementation to the Board of Director regularly?	V		(2) The Company has assigned Human Resource Department to promote corporate ethical management and assist CSR Committee's five working groups to report its implementation status to the Board. To prevent dishonest behavior, the Company has "Ethical Corporate Management Best Practice Principles", "Code of Ethical Conduct", "Code of Conduct for Employees" and "Subsidiary Insiders Discipline" in place, with which all staff are required to comply. For the purpose of implementing ethical corporate management, 5,947 employees have completed related in-person and online courses in 2018, with 1,487 cumulative hours in training.	None
(3) Does the company have any policy that prevents conflict of interest, and channels that facilitate the report of conflicting interests?	V		(3) In order to prevent potential conflict of interest and facilitate immediate resolution, employees have the obligation to report to their departments and the human resource department any commercial activities they have taken outside the Company in their private capacity. Non-managerial staff has to report to the head of department, who then forwards to the Human Resource Department for filing. Managerial staff is required to report to line managers, who then circulate to 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 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	None

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
			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.	
(5) Does the company organize internal or external training on a regular basis to enforce business integrity?	V		(5) To highlight its emphasis on ethical management, the Company has related online videos, which are regularly used to promote disciplinary rules to new employees. All employees are required to complete Ethical Corporate Management courses, and these rules are conveyed to employees through training sessions. The Human Resource Department conducted an “Ethical Corporate Governance Online Education Program” in 2018, and 5,947 employees 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

Evaluation Item	Implementation Status (Note 1)			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles (Note 2)
	Yes	No	Summary	
4. Enhancing information disclosure Has the Company disclosed its Ethical Corporate Management Best Practice Principles and progress onto its website and MOPS?	V		The Company has “Ethical Corporate Management Best Practice Principles” in place, with related policies and approaches disclosed on its website, annual report and CSR Report.	None
5. If the company has established ethical corporate management policies in accordance with "Ethical Corporate Management Best Practice Principles for TWSE/TPEX-Listed Companies," please describe its current practices and any deviations from the Best Practice Principles: None				
6. Other important information that helps to understand the operation of the company's ethical corporate management. (Review or amend of the Company’s Ethical Corporate Management Best Practice Principles): See item 1 to 4 of above table for details				

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” sections under “CSR / Corporate Governance” on the home page of the Company’s website.

<https://www.cdibh.com/en/CSR/governance/corporateGovernance.html> 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 “CSR” on the homepage of CDF’s website:

<https://www.cdibh.com/en/CSR/governance/corporateGovernance.html>

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, 2018 to December 31, 2018, 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 and the Audit Committee. After a careful assessment, except for the items listed on the attachment, 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

Chief Auditor: Hans Tzou

Legal Compliance Officer: Brian Huang

Dated: March 25, 2019

Plan for improving internal controls as of end-2018

Area for improvement	Details	Estimated time of completion
KGI Bank (subsidiary)		
<p>FSC Letter Jin-Guan-Yin-Kong-Zi No. 10701079800 on June 27, 2018</p> <p>When conducting forex trading business, KGI Bank was found to have failed to establish or execute risk management and internal control systems on multiple occasions, which was in violation with paragraph 1 of Article 45-1 of the Banking Act and might interfere with healthy operations of the bank. Pursuant to subparagraph 7 of Article 129, KGI Bank was fined NT\$8mn and pursuant to subparagraphs 2, 3, and 5 of paragraph 1 of Article 61-1 of the Banking Act. As of the date on which the punishment took effect, KGI Bank will be temporarily banned from conducting financial transactions outside of daytime trading sessions for three months, not including serving existing clients' needs for short-covering or hedging transactions. KGI Bank will be allowed to reinstate the business after its improvements have been recognized by the FSC. In addition, KGI Bank has been ordered to dismiss trader Ke from the current position and suspend Vice Present Huang from manning the job for three months.</p>	<p>KGI Bank has fully reviewed the appropriateness of the transaction authorization quotas for financial transactions and strengthened the internal control risk management and control procedures for foreign exchange transactions.</p>	<p>Completed</p>
<p>FSC Letter Jin-Guan-Yin-Kong-Zi No. 10600312910 on August 29, 2018</p> <p>KGI Bank conducted HR operations regarding managers doubling in other positions and anti-money-laundering operations in a manner that is inappropriate, causing risks to the health of operations of KGI Bank. Pursuant to Paragraph 1, Article 61-1 of the Banking Act, the Company was issued an order of correction.</p>	<p>KGI Bank has strengthened control of HR operations in several aspects, as explained in the note section of the submitted data. Regarding the flaws found in anti-money-laundering operations, we have conducted across-the-board reviews and improvements, which were all checked and confirmed by the FSC as of July 2018.</p>	<p>Completed.</p>
<p>FSC Letter Jin-Guan-Yin-Kong-Zi No. 10702017700 on August 31, 2018</p> <p>As KGI Bank's subsidiary, CDC Finance & Leasing Corporation has handled the financing project for Ting Sing Group in a manner involving multiple errors, which represents a lack of sufficient supervision and management of its subsidiary on the part of KGI Bank and is found to present risks to the health of operations of KGI Bank. Pursuant to Paragraph 1, Article 61-1 of the Banking Act, the Company was issued an order of correction.</p>	<p>KGI Bank has assisted subsidiary CDC Finance & Leasing Corporation in examining its business flows and regulations and has finished amending the related charters accordingly.</p>	<p>Completed.</p>

Area for improvement	Details	Estimated time of completion
<p>The Taipei City Government and other agencies have conducted labor inspections on KGI Bank and found the following punishable violations:</p> <p>(1) Shift differential was not included as the basis for overtime pay calculation</p> <p>(2) The extension of working hours for laborers and night-time work for female workers was not been approved by the union in advance.</p> <p>(3) Laborers working for over four consecutive hours are not given rest for 30 minutes.</p>	<p>KGI Bank has included the Shift differential as the basis for overtime pay calculation and strengthened the regulations of the Labor Standards Law. KGI Bank has continued to communicate with the union on the matters of extending working hours and assigning nighttime work to female workers.</p>	<p>KGI has continued to communicate with the union on the matter of extending working hours and assigning nighttime work to female workers. Other improvements have been completed.</p>
<p>Improvements to be made for KGI Bank regarding the prevention of money laundering and combating information terrorism from the internal control and execution points of view:</p> <p>(1) The scope of regularly executed batch scans fails to include de facto beneficiaries and high-level managers in the name-checking process.</p> <p>(2) Regarding operations of collecting accounts receivable in trade finance, KGI Bank failed to execute the namecheck mechanism on trading partners who were not KGI Bank clients during the establishment of business in 1H18.</p>	<p>(1) Regarding the matter that the scope of regular batch scans should include de factor beneficiaries and high-level managers, we have discussed with system companies about the possibility of adding new methods of scanning.</p> <p>(2) To more effectively conduct the monitoring operations for anti-money-laundering purposes, we have, since July 2018, begun to execute the namecheck mechanism on trading partners who are not KGI Bank clients.</p>	<p>(1) To be completed by end of June 2019</p> <p>(2) Completed.</p>

- 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:

- 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</p> <p>The subsidiary China Life failed to compensate some policy buyers in accordance with policy terms or the values of compensations were calculated erroneously.</p> <p>Fines totaling NT\$600,000 were imposed.</p>	<p>China Life made the following improvements:</p> <ol style="list-style-type: none"> 1. Claim processing operations; 2. Automatic compensation calculation functions. 3. Integration of the claim system.
<p>FSC Letter No. Jin-Guan-Bao-Shou-10602544662 dated August 9, 2017</p> <p>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.</p> <p>Fines totaling NT\$900,000 were imposed.</p>	<p>China Life made the following improvements:</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</p> <p>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.</p> <p>Fines totaling NT\$120,000 were imposed.</p>	<p>KGI Futures made the following improvements:</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>
<p>FSC Letter No. Jin-Guan-Yin-Kong 10701079800 dated June 27, 2018</p> <p>When engaging in the foreign exchange business, KGI Bank failed to establish or fully implement the risk management and internal controls systems, violating Paragraph 1, Article 45-1 of the Banking Act. Such deficiencies might hinder the healthy operations of the bank. Fines totaling NT\$8,000,000 were imposed in accordance with Subparagraph 7, Article 129 of the Act. As soon as the sanction takes effect, the business of financial transactions during non-daytime trading sessions will be suspended for three months in accordance with Subparagraphs 2, 3 and 5, Paragraph 1, Article 61-1 of the Act, except for the covering or hedging by existing customers. The business cannot be resumed until the improvements have been taken and recognized by FSC. An order was issued to discharge trader Ke from duty and to suspend the execution of Vice President Huang's duty for three months.</p>	<p>KGI Bank made the following improvements:</p> <p>The appropriateness of authorized dealing limits for all types of financial transactions was reviewed across the board, while operations of internal controls and risk management as well as control activities relating to the foreign exchange business were strengthened.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Qi 1070333934 dated October 15, 2018</p> <p>On February 23, 2018, the mobile trading platform of subsidiary KGI Futures checked trade orders with upper and lower limit prices of the previous day, resulting in the inability of the platform to place customers' trade orders. This constituted a breach of the firm's internal control system and violated Paragraph 2, Article 2 of</p>	<p>KGI Futures made the following improvements:</p> <p>An adjustment was made to the check time of trade order prices to 8:30am, which came on-line on March 28, 2018.</p>

Nature of case and fines amount	Status of the Improvement
<p>Regulations Governing Futures Commission Merchants. Fines totaling NT\$120,000 were imposed.</p>	
<p>FSC Letter No. Jin-Guan-Zheng-Qi-Fa 1080306230 dated March 7, 2019</p> <p>Subsidiary KGI Futures was found by FSC, when executing the day trades for high-risk accounts, failed to obey the internal control procedure to notify the account holders. Fines totaling NT\$240,000 were imposed.</p>	<p>KGI Futures made the following improvements:</p> <ol style="list-style-type: none"> 1. Notifying system has been amended, it will automatically send a high-risk notification when the trader's account reaches the intra-high risk condition again on the same day. The system came on-line on August 6, 2018. 2. The IT amendment application has been put forward. The system will be adjusted and make sure that the high-risk notification is completed before the execution. The adjusted system scheduled to come on-line on July 31, 2019.

3. Deficiencies reprimanded by the FSC

Nature of case	Status of the Improvement
<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 Taiex derivatives, indicating KGI Securities has not fulfilled its duty to supervise subsidiaries, which constituted a violation of securities-related laws and regulations. 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.

Nature of case	Status of the Improvement
<p>FSC Letter Jin-Guan-Yin-Kong-1066000222G dated June 1, 2017 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. 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 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. 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>
<p>FSC Letter Jin-Guan-Bao-Shou-10602544662 dated August 9, 2017 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. 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 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. 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: <ul 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 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. 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.

Nature of case	Status of the Improvement
<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. Failed to conduct any 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 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. 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>An order of correction was issued.</p>	<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. 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>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. 	<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

Nature of case	Status of the Improvement
<p>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.</p> <p>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> <p>An order of correction was issued.</p>	<p>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.</p> <p>3. A column showing the real beneficiary was added to the main page of the brokerage system in 1Q18.</p> <p>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.</p> <p>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.</p>
<p>FSC Letter No. Jin-Guan-Bao-Shou-10602118782 dated April 24, 2018</p> <p>FSC made the following discoveries when conducting a special inspection on the investment unit of the subsidiary China Life: Securities investments were not handled effectively and executed based on the recommendation of review reports in a timely manner, and handling of stop-loss was flawed.</p> <p>An order of correction was issued.</p>	<p>China Life made the following improvements:</p> <ol style="list-style-type: none"> 1. Internal regulations were set up in the risk management mechanism for stock investments and tracked on a daily, monthly and quarterly basis. 2. To facilitate timeliness of actual execution based on review reports, a measure was added to strengthen monitoring of stock holdings reaching stop-loss prices on a daily basis, and execution of such holdings is tracked and reviewed on a quarterly basis.
<p>FSC Letter No. Jin-Guan-Zheng-Tou-1070328588 dated August 7, 2018</p> <p>FSC made the following discoveries when conducting its general inspection on subsidiary KGI SITE between January 19 to 29, 2018:</p> <ol style="list-style-type: none"> 1. When buying mutual funds with securities investment trust fund assets, the subsidiary cited investment analysis reports that did not analyze the influence caused by fund management institutions on investment decisions. 2. The following practices of internal control operations relating to the risk of money laundering and terrorist financing in customers and businesses thereof were found to be flawed: <ul style="list-style-type: none"> (1)The subsidiary failed to adopt a risk-based approach in establishing prevention and control measures and countermeasures for money laundering and terrorist financing; to incorporate the risk factor of establishing business relationships with non-face-to-face customers (e.g. opening accounts by mail) into 2016 and 2017 anti-money laundering and anti-terrorist financing assessment reports; to assess money laundering and 	<p>KGI SITC made the following improvements:</p> <ol style="list-style-type: none"> 1. An item of investment analysis report was added to the system, specifying the status of fund management institutions, to strengthen management of such operations. 2. (1) Following a review of current risk-based approach, business differences were incorporated to strengthen risk assessment methods and control measures; non-face-to-face trading was incorporated into risk indicators of transactions or payment channels, while risk assessment reports were reexamined. Moreover, the firm had completed risk assessment on money laundering and terrorist financing before launching the KGI Hospital & Long-term Care Industry Fund on May 31, 2018. <ul style="list-style-type: none"> (2)Reassessment of existing customers was completed and the new version of risk

Nature of case	Status of the Improvement
<p>terrorist financing risks before launching new products and establish appropriate risk management measures to mitigate identified risks.</p> <p>(2)The subsidiary failed to duly perform assessment of money laundering and terrorist financing risks of customers.</p> <p>(3)The subsidiary failed to perform customer due diligence procedures and exercise ongoing monitoring and control of the transactions.</p> <p>3. The subsidiary had maintained a database of persons involved in major criminal investigations covered by media since January 2017 but failed to see to it that files were duly stored and to conduct due diligence on existing relationships and adjust risk levels at appropriate times when the firm became privy to customers' negative news.</p> <p>An order of correction was issued.</p>	<p>assessment form was adopted on December 11, 2018. Meanwhile, a risk rating system was procured, scheduled to come on-line at the end of June, 2019.</p> <p>(3)Requesting legal persons or organizations to provide documents such as the Articles of Incorporation or Statement of Legal Entity was incorporated into account-opening procedures. Customers would also be required to provide detailed information under the new version of know-your-customer regulations, with actual status checked and recorded.</p> <p>3. Negative news lists provided by CDF or news searches conducted by the subsidiary would be filed in the negative news database following verification by the compliance officer in charge of anti-money laundering and provided internally for inquiries before establishing business relationships.</p>
<p>FSC Letter No. Jin-Guan-Yin-Kong-10600312910 dated August 29, 2018</p> <p>When conducting personnel operations relating to concurrent holding of positions by managerial officers and performing procedures against money laundry, KGI Bank was found to be flawed. Such deficiencies might hinder the healthy operations of the bank. An order of correction was issued for this violation in accordance with Paragraph 1, Article 61-1 of the Banking Act.</p>	<p>KGI Bank made the following improvements: Management and control of personnel operations were strengthened and noted and explained in related data to be submitted. Deficiencies in performing procedures against money laundry were reviewed thoroughly and amended.</p>
<p>FSC Letter No. Jin-Guan-Yin-Kong-10702017700 dated August 31, 2018</p> <p>KGI Bank was found to be flawed in overseeing and managing subsidiary CDC Finance & Leasing when the latter engaged in financing Tingsing Trading Co., causing risks to the operations of CDF. An order of correction was issued in accordance with Paragraph 1, Article 61-1 of the Banking Act.</p>	<p>KGI Bank made the following improvements: The bank assisted subsidiary CDC Finance & Leasing in reviewing its business procedures and regulations, completing the amendment of related guidelines.</p>
<p>FSC Letter No. Jin-Guan-Zheng-Shen 1070334358 dated September 11, 2018</p> <p>CDIB Capital failed to report the change in the chief internal auditor pursuant to Article 11 of Regulations Governing Establishment of Internal Control Systems by Public Companies and shall see to it that improvements are effected in the future. An order of correction was issued.</p>	<p>CDIB Capital made the following improvements: Enhancing employee training to prevent future recurrence.</p>

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

Nature of case	Status of Improvement
<p>FSC Letter Jin-Guan-Yin-Kong-10500185010 dated January 10, 2018</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 the 2018 Shareholders' Meeting (June 22, 2018) and their implementation:

Important resolution	Implementation
1. Acceptance of 2017 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 2017 earnings distribution plan as proposed	The cash dividends were allocated on August 10, 2018
3. 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) 30th board meeting of the 6th board on February 26, 2018

- resolution for proposal to shareholders at the 2018 AGM to provide legal compliance education regarding regulations governing stake holders of financial holding company shares by the same person or same affiliates
- resolution for the date, time and venue of the 2018 AGM, the book closure period and acceptance of shareholders' proposals

(2) 31st board meeting of the 6th board on March 26, 2018

- approval of the Company's 2017 Internal Control Report
- resolution for a refund of common shares to the Company from capital reduction executed by subsidiary CDIB Capital Group
- resolution for employees' compensation and directors' remuneration distribution plans in 2017
- resolution for removal of non-compete restrictions on the Company's directors

(3) 32nd board meeting of the 6th board on April 30, 2018

- resolution for KGI Securities Investment Trust's plans of capital reduction and capital increased by cash
- resolution for 2018 general shareholders' meeting agenda
- resolution for 2017 Business Report, financial statements, consolidated financial statements and relevant books and reports
- resolution for 2017 earnings distribution plan

(4) 34th board meeting of the 6th board on June 25, 2018

- resolution for adding the number of directors for subsidiary CDIB Capital Group

- (5) **35th board meeting of the 6th board on July 30, 2018**
- resolution for retirement of the General Auditor, also serving as the head of the Company's Internal Audit Dept. and General Auditor of subsidiary CDIB Capital Group
 - resolution for the replacement of General Auditor, sitting also as the head of the Company's Internal Audit Department
- (6) **36th board meeting of the 6th board on August 27, 2018**
- resolution for a merging scheme plan among the Company's four asset management subsidiaries
- (7) **37th board meeting of the 6th board on September 25, 2018**
- approval for issuing unsecured common corporate bonds
 - resolution for renewing liability insurance for the 2018 directors and supervisors (term from September 2, 2018 to September 2, 2019)
 - resolution for the 2017 directors' remuneration distribution & payment plans
 - resolution for repealing the remuneration distribution plans for Company directors
- (8) **39th board meeting of the 6th board on November 26, 2018**
- resolution for subsidiary CDIB Capital Group's disposal of internally-owned assets
- (9) **40th board meeting of the 6th board on December 24, 2018**
- resolution for 2019's budget report, projected comprehensive income statement and projected balance sheets.
 - resolution for 2019 annual auditing plan
 - approval for appointment of directors for subsidiary KGI Securities
 - approval for subsidiary China Development Asset Management Corp's candidate for Chairman

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

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, 2019

Title	Name	Date of Appointment	Date of Termination	Reasons for Resignation or Dismissal
Chief Auditor	Kenneth Huang	2006.9.27	2018.9.1	Retired

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	2018.01.01~ 2018.12.31	

Unit: NT\$ thousands

Fee Range		Fee Items	Audit Fee	Non-audit Fee	Total
1	Under NT\$ 2,000,000		-	1,819	1,819
2	NT\$2,000,001 ~ NT\$4,000,000		-	-	-
3	NT\$4,000,001 ~ NT\$6,000,000		-	-	-
4	NT\$6,000,001 ~ NT\$8,000,000		6,740	-	6,740
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	6,740	-	-	-	1,819	1,819	2018.01.01 ~ 2018.12.31	(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 2018:

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	2018		As of March 31, 2019	
		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	100,000	0	0	0
Standing Committee Director	Shin Wen Investment Co., Ltd. (Major shareholders with over 1% shareholding.)	0	(54,200,000)	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

Title	Name	2018		As of March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director	Chi Jie Investment Co., Ltd.	0	0	0	0
	Representative Paul Yang	2,421,020	0	1,073,671	0
Director	Shin Wen Investment Co., Ltd. (Major shareholders with over 1% shareholding)	0	(54,200,000)	0	0
	Representative Lee Howe Yong	0	0	0	0
Director	Bank of Taiwan (Major shareholders with over 1% shareholding)	0	0	0	0
	Representative Shu-Chen Wang	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
Executive VP	Daw-Yi Hsu	0	0	0	0
Executive VP	Mark Wei	0	0	0	0
Executive VP	Julian Yan	0	0	47,194	0
Executive VP	Brian Chou	0	0	0	0
Executive VP	Te En Chan	39,000	0	1,000	0
Executive VP	Josephine Yang	0	0	0	0
Executive VP	Eddy Chang	64,925	0	79,809	0
Executive VP	Andy Lin	44,019	0	110,608	0
Executive VP	Jenny Chiang	170,000	0	0	0
Executive VP	Chih Yu Chou	80,000	0	0	0
Executive VP	Winnie Huang	0	0	0	0
Executive VP	S. L. Lee	90,000	0	0	0
Chief Auditor	Hans Tzou	149,204	0	0	0
Executive VP	Richard Sun	0	0	0	0
Executive VP	Reddy Wong	(1,758,756)	(1,000,000)	117,667	0

Title	Name	2018		As of March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Executive VP	Vincent Hung	(50,000)	0	0	0
Executive VP	James Meng	0	0	0	0
Executive VP	Frances Tsai	0	0	0	0
Executive VP	Guang-Yue Yeh	0	0	0	0
Executive VP	Sunny Lin	0	0	0	0
Executive VP	Kiki Shih	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
Executive VP	Michael Chang	90,344	0	0	0
Executive VP	Henry Chang	0	0	0	0
SVP	Lecko Lai	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	49,000	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	0	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	Shelly Chang	0	0	0	0
SVP	Jason Wang	(42,000)	0	0	0

Title	Name	2018		As of March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
SVP	Connie Liu	0	0	0	0
SVP	David Chi	45,000	0	0	0
VP	Willy Lu	0	0	0	0
VP	Chien Ping Lin	50,000	0	18,526	0
VP	Jessica Chen	0	0	0	0
VP	Daphne Chuang	(10,000)	0	0	0
VP	Justin Wu	0	0	0	0
VP	Wen Chiao Chang	0	0	0	0
VP	Amy Wang	50,000	0	0	0
VP	Chris Chiang	0	0	0	0
VP	Fanny Lin	25,000	0	25,000	0
VP	Tess J.P. Huang Liu	0	0	0	0
VP	Wen Chung Lin	0	0	0	0
VP	Judy Mao	0	0	0	0
VP	I Ling Lai	0	0	0	0
VP	Claire Wang	0	0	0	0
VP	Chih-Shun Wang	0	0	0	0
VP	Melissa Pan	0	0	58,437	0
VP	Hui Ju Huang	0	0	0	0
VP	Yi Wen Lin	0	0	0	0
VP	Wen-Jung Chen	0	0	0	0
VP	Kevin Hsu	0	0	0	0
VP	Felicia Kuo	0	0	0	0
VP	Stephanie Kao	0	0	0	0
VP	Daisy Wu	0	0	0	0
VP	Alice Lee	0	0	0	0
VP	Kanny Yang	0	0	0	0
VP	Bonnie Huang	0	0	0	0
VP	Guangdi Yang	0	0	0	0
VP	Tony Wang	0	0	0	0
VP	Barry Chen	0	0	0	0

Title	Name	2018		As of March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Jason Yeh	0	0	0	0
VP	Eveline Lu	37,059	0	0	0
VP	Chia Hui Lee	0	0	0	0
VP	Yen Ling Lai	(44,000)	0	0	0
VP	Dan Hsiao	0	0	0	0
VP	Gina Fang	0	0	0	0
VP	Bee Jane Hsu	0	0	0	0
VP	Mike Tsai	0	0	0	0
VP	Sandy Lu	0	0	0	0
VP	Eddie Chang	0	0	0	0
VP	Jerry Li	0	0	0	0
VP	Elsa Wang	0	0	0	0
VP	Ya-shin Liu	0	0	0	0
VP	Hsuan Te Chang	0	0	0	0
VP	Angel Wei	0	0	0	0
VP	Joanne Chien	0	0	0	0
VP	Ingo Huang	0	0	0	0
VP	Will Chang	0	0	0	0
VP	Wen-Chi Yu	0	0	0	0
VP	Steven Chen	0	0	0	0
VP	Tsui Huan Peng	0	0	0	0
VP	Paul Yen	0	0	0	0
VP	Sophia Liou	0	0	0	0
VP	Jia Cian Tai	0	0	0	0
VP	Shan Yuan Hung	0	0	0	0
VP	Wendy Wei	45,000	0	0	0
VP	Elisa Ting	0	0	0	0
VP	Chun Pei Hsu	0	0	0	0
VP	Jess Hung	0	0	0	0
VP	Evonne Shih	0	0	0	0
VP	Winnie Yang	0	0	0	0

Title	Name	2018		As of March 31, 2019	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
VP	Tsung Pin Huang	0	0	0	0
VP	Fan Wang	0	0	0	0
VP	Hank Wang	0	0	0	0
VP	Cynthia Chen	(81,000)	0	(5,000)	0
VP	Rhoda Yang	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 16, 2019

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	
Government of Singapore	246,184,426	1.64	0	0.00	0	0.00	None	None	
China Life Insurance Co., Ltd.	562,468,259	3.76	0	0.00	0	0.00	None	None	
Representative Alan Wang	0	0.00	0	0.00	0	0.00	None	None	
Cathay Life Insurance CO., Ltd.	268,533,500	1.79	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	210,054,959	1.40	0	0.00	0	0.00	None	None	
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	223,841,413	1.50	0	0.00	0	0.00	None	None	
Shin Wen Investment Co., Ltd	650,252,192	4.34	0	0.00	0	0.00	Jing Kwan Investment Co., Ltd.	With the same person as the representative; Shin Wen Investment Co., Ltd. is the supervisor of Jing Kwan Investment Co., Ltd.	
Representative Chun-Tai Wu	2,897,654	0.02	0	0.00	0	0.00			
Jing Kwan Investment Co., Ltd.	416,881,377	2.79	0	0.00	0	0.00	Shin Wen Investment Co., Ltd	With the same person as the representative; Shin Wen Investment Co., Ltd. is the supervisor of Jing Kwan Investment Co., Ltd.	
Representative Chun-Tai Wu	2,897,654	0.02	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	224,994,530	1.50	0	0.00	0	0.00	None	None	
CTBC Bank Trust Account for KGI Securities	224,408,796	1.50	0	0.00	0	0.00	None	None	

3.10 Ownership of Shares in Affiliated Enterprises

Date: December 31, 2018

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Supervisors, 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.	3,241,843,251	100.00	0	0.00	3,241,843,251	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.	1,016,752,000	25.33	393,540,128	9.81	1,410,292,128	35.14
Capital Securities Corporation	57,711,215	2.27	270,207	0.01	52,981,422	2.28
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

Affiliated Enterprises (Note 1)	Ownership by the Company (Note 2)		Direct or Indirect Ownership by Directors, Supervisors, Managers		Total Ownership	
	Shares	%	Shares	%	Shares	%
Richpoint Company Limited	0	0.00	147,043,557	100.00	147,043,557	100.00
KGI Venture Capital Co., Ltd.	0	0.00	70,000,000	100.00	70,000,000	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	30,000,000	100.00	30,000,000	100.00
KGI Futures Co., Ltd.	0	0.00	85,744,086	99.61	85,744,086	99.61
CDIB CME Fund Ltd.	0	0.00	69,500,000	46.33	69,500,000	46.33
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	4,697,286	21.20	4,697,286	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 16, 2019

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NT\$'000)	Shares	Amount (NT\$'000)	Sources of Capital	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	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.	Decree No.10300117170 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.	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	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.	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.	Decree No.10400094050 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.	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.	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.	Decree No. 10400299100 issued by FSC dated December 14th, 2015

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NT\$'000)	Shares	Amount (NT\$'000)	Sources of Capital	Other
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	Decree No. 1040033216 issued by FSC dated August 31st, 2015
April 2016	10	20,000,000,000	200,000,000,000	15,117,022,208	151,170,222,080	Change employee stock option issuance to common shares.	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.	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.	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.	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	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.	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	Change employee stock option issuance to common shares.	Decree No. 0990042795 issued by FSC dated September 2nd, 2010 Decree No. 1020052073 issued by FSC dated December 26th, 2013
June 2018	10	20,000,000,000	200,000,000,000	14,977,941,028	149,779,410,280	Change employee stock option issuance to common shares.	Decree No. 0990042795 issued by FSC dated September 2nd, 2010 Decree No. 1020052073 issued by FSC dated December 26th, 2013
June 2018	10	20,000,000,000	200,000,000,000	14,957,294,886	149,572,948,860	Capital deduction via decrease in treasury stocks.	Decree No. 10701072130 issued by FSC dated May 16th, 2018
October 2018	10	20,000,000,000	200,000,000,000	14,962,281,159	149,622,811,590	Change employee stock option issuance to common shares.	Decree No. 0990042795 issued by FSC dated September 2nd, 2010 Decree No. 1020052073 issued by FSC dated December 26th, 2013

Month/ Year	Par Value (NT\$)	Authorized Capital		Paid-in Capital		Remark	
		Shares	Amount (NT\$'000)	Shares	Amount (NT\$'000)	Sources of Capital	Other
February 2018	10	20,000,000,000	200,000,000,000	14,963,380,959 (Note)	149,633,809,590	Change employee stock option issuance to common shares.	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 12 April, 2019

B. Type of Stock

April 16, 2019

Share Type	Authorized Capital			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common Shares	14,963,380,959 (Note)	5,036,619,041	20,000,000,000	Listed Stocks
Preferred Shares	0	0	0	

Note: Registration change approved by Ministry of Economic Affairs on April 12, 2019

4.1.2 Status of Shareholders

April 16, 2019

Item	Government Agencies	Financial Institutions	Other Juridical Persons	Domestic Natural Persons	Foreign Institutions & Natural Persons	Total
Number of Shareholders	11	17	1,012	550,629	1,413	553,082
Shareholding (shares)	77,603	1,298,352,129	2,728,144,506	6,387,305,306	4,552,102,588	14,965,982,132 (Note)
Percentage	0.00	8.68	18.24	42.66	30.42	100.00

Note: Total shares pending for change registration (included new shares issued by exercised employee stock options): 2,601,173 shares

4.1.3 Shareholding Distribution Status

A. Common Shares

April 16, 2019

Class of Shareholding (Unit: Share)	Number of Shareholders	Shareholding (Shares)	Percentage
1 ~ 999	185,091	34,474,326	0.23
1,000 ~ 5,000	187,825	451,589,473	3.02
5,001 ~ 10,000	65,569	487,637,746	3.26
10,001 ~ 15,000	34,143	412,419,017	2.76
15,001 ~ 20,000	18,250	325,787,431	2.18
20,001 ~ 30,000	21,796	534,307,033	3.57
30,001 ~ 50,000	17,793	689,155,268	4.6
50,001 ~ 100,000	12,823	895,932,560	5.99
100,001 ~ 200,000	5,692	775,460,518	5.18
200,001 ~ 400,000	2,292	626,638,267	4.19
400,001 ~ 600,000	672	327,050,119	2.19
600,001 ~ 800,000	252	174,897,694	1.17
800,001 ~ 1,000,000	168	151,400,111	1.01
1,000,001 or over	716	9,079,232,569	60.65
Total	553,082	14,965,982,132 (Note)	100.00

Note: Total shares pending for change registration (included new shares issued by exercised employee stock options): 2,601,173 shares

B. Preferred Shares

April 16, 2019

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

4.1.4 List of Major Shareholders

April 16, 2019

Shareholder's Name	Shareholding	
	Shares	Percentage
Bank of Taiwan	286,941,073	1.92
Government of Singapore	246,184,426	1.64
China Life Insurance Co., Ltd.	562,468,259	3.76
Cathay Life Insurance Co., Ltd.	268,533,500	1.79
Norges Bank	210,054,959	1.40
Vanguard Emerging Markets Stock Index Fund, A series of Vanguard International Equity Index Funds	223,841,413	1.50
Shin Wen Investment Co., Ltd.	650,252,192	4.34
Jing Kwan Investment Co., Ltd.	416,881,377	2.79
JPMorgan Chase Bank N.A., Taipei Branch in custody for Vanguard Total International Stock Index Fund, a series of Vanguard Star Funds	224,994,530	1.50
CTBC Bank Trust Account for KGI Securities	224,408,796	1.50

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

Unit: NT\$

Items		2017	2018	Year to date (as of March 31, 2019) (Note 8)	
Market Price per Share (Note 1)	Highest	10.30	11.70	10.30	
	Lowest	7.89	9.46	9.45	
	Average	8.78	10.67	9.94	
Net Worth per Share (Note 2)	Before Distribution	11.60	10.97	-	
	After Distribution	10.98	(Note 9)	-	
Earnings per Share	Weighted Average number of Shares		14,583,551,086	14,480,026,193	14,523,108,815
	EPS (Note 3)	Before Adjustment	0.80	0.54	-
		After Adjustment	0.80	0.54	-
Dividends per Share	Cash Dividends		0.60	0.30 (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)		10.98	19.76	-
	Price / Dividend Ratio (Note 6)		14.63	35.57 (Note 9)	-
	Cash Dividend Yield Rate (Note 7)		6.83%	2.81% (Note 9)	-

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

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

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

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

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

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

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

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

Note 9: Distribution for earnings and cash dividends from capital surplus in 2018 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:

Cash dividend paid for common share: NT\$3,666,665,622 (NT\$0.245 per share)

Cash paid by capital reserve: NT\$823,129,018 (NT\$0.055 per share)

Total cash dividend paid: NT\$4,489,794,640 (NT\$0.3 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 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\$80,000,000 in cash compensation to employees and NT\$79,000,000 in remuneration to directors, both identical to the figures stated in the 2018 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 2017 as approved by the shareholders' meeting did not differ from the financial statement in 2017; NT\$116,000,000 was distributed as employee compensation and NT\$110,000,000 as remuneration to directors.

4.1.9 Buyback of Treasury Stock

None

4.2 Corporate Bonds

Corporate Bond Type		2011 Unsecured Corporate Bonds, Phase I	2014 Unsecured Corporate Bonds, Phase I	2015 Unsecured Corporate Bonds, Phase I
Issue date		March 7, 2012	March 30, 2015	September 15, 2015
Denomination		NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location		N/A	N/A	N/A
Issue price		Issue by denomination	Issue by denomination	Issue by denomination
Total price		NT\$1,000,000,000	NT\$6,000,000,000	NT\$2,000,000,000
Coupon rate		1.42%, fixed	1.42%, fixed	1.37%, fixed
Tenor		7 years Maturity: March 7, 2019	5 year Maturity: March 30, 2020	5 years Maturity: Sep 15, 2020
Guarantee agency		None	None	None
Consignee		Trust Department, Taipei Fubon Bank	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank
Underwriting institution		N/A	N/A	N/A
Certified lawyer		Rich Lin, LCS & Partners	Rich Lin, LCS & Partners	Rich Lin, LCS & Partners
CPA		Deloitte & Touche Wu, Mei-Hui and Yang, Ming-Che	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
Outstanding principal		NT\$1,000,000,000	NT\$6,000,000,000	NT\$2,000,000,000
Terms of redemption or advance repayment		None	None	None
Restrictive clause		None	None	None
Whether included as eligible capital		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 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
	Issuance and conversion (exchange or subscription) method	N/A	N/A	N/A
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity		None	None	None
Transfer agent		None	None	None

Corporate Bond Type	2017 Unsecured Subordinated Corporate Bonds, Phase I	2017 Unsecured Subordinated Corporate Bonds, Phase I	2017 Unsecured Subordinated Corporate Bonds, Phase I
Issue date	September 8, 2017	September 8, 2017	September 8, 2017
Denomination	NT\$1,000,000	NT\$1,000,000	NT\$1,000,000
Issuing and transaction location	N/A	N/A	N/A
Issue price	Issue by denomination	Issue by denomination	Issue by denomination
Total price	NT\$1,000,000,000	NT\$6,000,000,000	NT\$3,000,000,000
Coupon rate	1.75%, fixed	1.90%, fixed	2.10%, fixed
Tenor	7 years Maturity: September 8, 2024	10 year Maturity: September 8, 2027	15 years Maturity: September 8, 2032
Guarantee agency	None	None	None
Consignee	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank	Trust Department, Taishin International Bank
Underwriting institution	KGI Securities Co., Ltd. and KGI Bank Co., Ltd.	KGI Securities Co., Ltd. and KGI Bank Co., Ltd.	KGI Securities Co., Ltd. and KGI Bank Co., Ltd.
Certified lawyer	Rich Lin, LCS & Partners	Rich Lin, LCS & Partners	Rich Lin, LCS & Partners
CPA	Deloitte & Touche Wu, Mei-Hui and Kuo Cheng-Hung	Deloitte & Touche Wu, Mei-Hui and Kuo Cheng-Hung	Deloitte & Touche Wu, Mei-Hui and Kuo Cheng-Hung
Repayment method	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity	Repayment in lump sum upon maturity
Outstanding principal	NT\$1,000,000,000	NT\$6,000,000,000	NT\$3,000,000,000
Terms of redemption or advance repayment	None	None	None
Restrictive clause	If the payment of interest or the repayment of principal for the bond causes the financial holding company's group capital adequacy ratio to fall below the minimum requirement, the payment of interest or the repayment of principal shall be temporarily suspended. Interest or the repayment of principal (interests may be accumulated, interests on interest and the repayment of principal rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the minimum requirement.	If the payment of interest or the repayment of principal for the bond causes the financial holding company's group capital adequacy ratio to fall below the minimum requirement, the payment of interest or the repayment of principal shall be temporarily suspended. Interest or the repayment of principal (interests may be accumulated, interests on interest and the repayment of principal rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the minimum requirement.	If the payment of interest or the repayment of principal for the bond causes the financial holding company's group capital adequacy ratio to fall below the minimum requirement, the payment of interest or the repayment of principal shall be temporarily suspended. Interest or the repayment of principal (interests may be accumulated, interests on interest and the repayment of principal rollovers to be calculated at coupon rates) may be paid only when the aforementioned ratio meets the minimum requirement.
Whether included as eligible capital	Yes	Yes	Yes
Name of credit rating agency, rating date, rating of corporate bonds	None	None	None
Other rights attached	As of the printing date of this annual report, converted amount of (exchanged or subscribed) ordinary shares, GDRs or other securities	N/A	N/A
	Issuance and conversion (exchange or subscription) method	N/A	N/A

Corporate Bond Type	2017 Unsecured Subordinated Corporate Bonds, Phase I	2017 Unsecured Subordinated Corporate Bonds, Phase I	2017 Unsecured Subordinated Corporate Bonds, Phase I
Issuance and conversion, exchange or subscription method, issuing condition dilution, and impact on existing shareholders' equity	None	None	None
Transfer agent	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, 2019

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	3,727,851 shares	4,302,274 shares	9,250,500share
Exercised amount (NT\$)	35,477,523	31,682,718	70,186,105
Number of shares yet to be converted	20,662,945shares	6,712,073 shares	26,254,500 shares
Adjusted exercise price for those who have yet to exercise their rights (NT\$)	7.88	6.58	7.53
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, 2019

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	Andy Lin Daw-Yi Hsu Eddy Chang Reddy Wong Jihh-Jian Yan Marisol Wang S.L.Lee Chih Yu Chou James Meng Jenny Chiang Kiki Shih Vincent Hung Chris Sun Guang-Yue Yeh Hans Tzou Frances Tsai										
Senior Vice President	Floyd Wang Christy Lin Sharol Lin Adrienne Chiu Sandra Yao Alex Hung David Chi Ellen Chang Michael Chang Patrick Huang Steven Ching Pi Fa Yang Shu-Ling Yang Milly Liu Connie Liu Lian-Yin Li Vincent Hsiao Lecko Lai	10,574	0.07	815	8.47 7.96 7.53	6,157	0.005	9,759	7.88 7.53 6.58	73,172	0.065
Vice President	Amy Wang Justin Wu Fanny Lin Chien-Ping Lin Wen-Jung Chen Bonnie Huang Wendy Wei										
Top Ten Employees	Sherie Chiu 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, 2019

Type of New Restricted Employee Shares	4 th Tranche (2017)
Date of Effective Registration	July 5, 2016
Issue date	January 25, 2017
Number of New Restricted Employee Shares Issued (000 shares)	1,322
Issued Price (NT\$)	0
New Restricted Employee Shares as a Percentage of Shares Issued	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>
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.</p> <p>The trust agreement governs shareholders meetings attendance, proposal, speech, voting, and options.</p> <p>Before all the conditions are met, except an employee does not hold the right to purchase new shares issued for cash injection from existing shareholders, the right shall be deemed to be equivalent of the Company's common stock shareholders' rights (including but not restricted to cash dividend, stock dividend, capital deduction, additional paid-in capital in cash and stocks, and the rights granted as a result of merger, split, share transfer, which in short are classified as "equities allotment." Equities allotment shall be held and managed under trust custodian before all the vesting conditions are met.</p>
Custody Status of New Restricted Employee Shares	Shares are managed in the form of trust.
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.
Number of New Restricted Employee Shares that have been Redeemed or Bought Back (000 shares)	0
Number of Released New Restricted	925

Type of New Restricted Employee Shares	4 th Tranche (2017)
Employee Shares (000 shares)	
Number of Unreleased New Restricted Shares (000 shares)	397
Ratio of Unreleased New Restricted Shares to Total Issued Shares (%)	0.003
Impact on possible dilution of shareholdings	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 Restricted Employee Shares and the Top Ten Employees with Restricted Employee Shares

March 31, 2019

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	1,322	0.01	925	0	0	0.007	397	0	0	0.003
Executive Vice President(Former)	Eddie Wang										
Executive Vice President	Eddy Chang										
	Andy Lin										
Top Ten Employees	None										

4.6 Merger and Acquisitions or Transfers of other Financial Institutions

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

None

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

- The Company 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.

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

The Business Transfer was passed by CDIB's shareholders (for which the 19th term Board 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 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 (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.

3. 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, 2018, 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

None

4.7 Implementation of the Capital Utilization Plans

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

4.7.1 The Plan

None

4.7.2 Implementation

None

V. Operations Overview

5.1 Business Activities

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

5.1.1 Business Scope

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

◎ China Development Financial Holding

(1) The company is permitted to invest in:

- financial holding companies;
- banks;
- bills finance companies;
- credit card 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

◎ China Life Insurance

- life insurance

© **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**

- venture capital investment;
- investment;
- investment consultancy;
- management consultancy;
- other consultancy;
- residence and buildings lease construction and development;
- reconstruction within the renewal area;
- renovation and maintenance within the renewal area;
- real estate commerce;
- real estate leasing;
- hotels and motels;
- restaurants; and
- other operations not prohibited or restricted by law, except those subject to special approval

◎ **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;
- industry and commerce credit bureau services;
- data processing service;
- rental;
- advertisement;
- management consulting services;
- international trade;
- reconstruction within the renewal area;
- renovation and maintenance within the renewal area;
- real estate commerce;
- real estate leasing;
- investment consultancy
- agency services; and
- other operations not prohibited or restricted by law, except those subject to special approval

B. Revenue Distribution

◎ CDFH

Unit : NT\$ thousands

Item \ Year	2016		2017		2018	
	Revenues	%	Revenues	%	Revenues	%
Share of the profit of subsidiaries, associates and joint ventures	6,787,470	99	12,687,096	100	9,353,789	100
Others	68,441	1	51,725	0	19,686	0
Total	6,855,911	100	12,738,821	100	9,373,475	100

Source: 2016-2018 audit financial report.

◎ China Life Insurance(Note1)

Unit : NT\$ thousands

Item \ Year	2016		2017		2018	
	Revenues	%	Revenues	%	Revenues	%
Personal insurance	141,619,213	74	156,136,547	76	243,419,794	81
Personal accident insurance	2,313,278	1	2,498,825	1	2,671,927	1
Personal health insurance	17,197,696	9	18,434,257	9	19,480,326	6
Group insurance	1,841,967	1	2,227,344	1	2,424,615	1
Annuity insurance	18,700,527	10	15,479,276	7	12,682,599	4
Investment linked	9,466,532	5	11,663,546	6	21,152,699	7
Total Premium	191,139,213	100	206,439,795	100	301,831,960	100

Source: 2016-2018 China Life Insurance Annual Report.

Note1: 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. After the Corporation acquired 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.

◎ KGIB

Unit : NT\$ thousands

Item \ Year	2016		2017		2018	
	Net revenues	%	Net revenues	%	Net revenues	%
Interest profit, net	5,523,379	54	6,244,130	57	7,045,236	80
Noninterest profit and gains, net	4,721,647	46	4,729,434	43	1,749,965	20
Total	10,245,026	100	10,973,564	100	8,795,201	100

Source: 2016-2018 audit financial report.

◎ **KGIS**

Unit : NT\$ thousands

Item \ Year	2016		2017		2018	
	Revenues	%	Revenues	%	Revenues	%
Brokerage handling fee revenue	2,951,700	31	4,106,092	28	4,454,221	46
Revenue from borrowed securities	404,262	4	559,872	4	708,736	7
Revenue from underwriting business	836,631	9	591,910	4	457,990	5
Gains(losses) on disposal of trading securities-net	682,711	7	8,722,785	60	(651,843)	(7)
Interest income	1,795,158	19	1,939,526	13	2,447,555	25
Dividend income	704,891	7	694,196	5	350,629	4
Gains(losses) on trading securities measured at fair value through profit or loss-net	1,272,474	13	(2,097,118)	(14)	(1,790,951)	(18)
Gains on warrants issued-net	486,426	5	167,705	1	880,444	9
Gains (losses) on derivative financial product	251,387	3	(1,216,999)	(8)	1,772,683	18
Others	280,162	2	1,051,077	7	1,060,762	11
Total	9,665,802	100	14,519,046	100	9,690,226	100

Source: 2016-2018 audit financial report.

◎ **CDIB Capital Group**

Unit : NT\$ thousands

Item \ Year	2016		2017		2018(Note 1)	
	Revenues	%	Revenues	%	Revenues	%
Net profit of selling financial assets	1,189,229	41	1,694,965	35	0	0
Dividend income	492,185	17	562,633	11	242,804	9
Share of the profit of subsidiaries, associates and joint ventures	1,187,136	41	2,624,600	54	615,169	23
Gains (losses) on financial assets measured at fair value through profit or loss	(2,469)	0	(2,510)	0	1,770,004	67
Other operating revenue	16,713	1	16,725	0	9,083	1
Total	2,882,794	100	4,896,413	100	2,637,060	100

Source: 2016-2018 audit financial report.

Note1: After IFRS9 has been applied as of January 1, 2018, available-for-sale financial assets and financial assets measured at cost were reclassified as financial assets at fair value through profit or loss, their profit and loss are recognized as gains (losses) on financial assets measured at fair value through profit or loss.

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

Unit ; NT\$ thousands

Item \ Year	2016		2017		2018	
	Revenues	%	Revenues	%	Revenues	%
Operating revenue	69,649	42	53,321	29	76,934	65
Share of the profit of subsidiaries, associates and joint ventures	93,250	56	107,998	59	31,722	27
Others	2,910	2	22,473	12	9,759	8
Total	165,809	100	183,792	100	118,415	100

Source: 2016-2018 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:

◎ **China Life**

- In 2019, China Life will continue to strategically advance business sustainability by offering regular premium and high-contribution policies denominated in multiple currencies to drive embedded value, while introducing the latest policy categories to provide customers with a wider range of risk diversification and asset allocation options.

Driven by the society's rapidly evolving themes of extended life expectancy, low birth rate and aging, demand for medical care, annuities, long-term care, retirement and savings plans will offer great opportunities in the life insurance market. China Life seeks opportunities to create a dialogue with young adult clientele, and is committed to offering innovative protection type products exclusively designed for a new generation that is coming of age. During times of aging global population, when pension reform is at the center of national debates, China Life is endorsing the administration's advocacy for financial inclusion, and is committed to enriching its protection and pension type products to diversify offerings, enhance protection coverage for clients and meet their various assets planning demand. China Life continues to engage clients on retirement planning, in addition to medical care, long-term care, and protection for special illnesses, critical illnesses, and disabilities, highlighting comprehensive healthcare coverage.

Riding new dynamics in the financial world and a wave of digitalization, China Life is committed to product innovation and development of FinTech applications, including spillover-effect life insurance and precision marketing tools, such as big data-based client analysis. China Life continues to deepen its competitiveness by strengthening its InsurTech expertise.

- We use a balance-oriented strategy among the six major distribution channels, i.e. our agent network, bancassurance, brokers, financial services, group insurance, and e-commerce. Insurance products developed by our highly professional and deeply experienced product design team not only leverage the characteristics of each particular distribution channel that products are marketed through, but also offer features tailored to customer needs. Our commitment to mobile digitalization enhances our competitiveness. Our channel sales performance is driven by horizontal integration and optimized processes. We aim to fulfill our clients' diverse demands for investment, savings, protection, and health care, creating a win-win situation for policyholders and the business.

◎ **KGI Bank**

- KGI Bank's wealth management business has introduced data analytics and launched membership services to provide thorough wealth management solutions corresponding to the evaluation of evolving demand of our customers at different stages in life. KGI Bank seeks to provide customers' families with legacy planning solutions, to help them accomplish personal and family financial goals at each stage in life.
- KGI Bank and Chunghwa Telecom jointly launched a mobile loan application service as the first innovative FinTech experimentation project in Taiwan, which allows big-data analysis and telecom data to converge across domains. Utilizing synchronized telecom user risk information, the service offers a more detailed risk profile of customers and provides our young clientele access to financing at a reasonable cost.
- The KGI Mobile app will undergo a revamp in 2019 to offer customers a better user experience. For greater customer satisfaction and financial inclusion purposes, the app will feature an enhanced online payment center to seamlessly connect customers to our services.
- The bank will set up an internet corporate banking system to improve the user experience among corporate clients.
- The bank seeks to create a win-win scenario in serving our customers by deepening cross-selling collaborations between business units of the Company to broaden the extent of our offerings, which are tailored for each account for deeper engagement.
- Continuing in our endeavors to advance FinTech innovations and e-commerce cross-platform affiliate marketing, the bank is using an "Open Banking" concept to

publish its open-source API for partners to develop financial services, expanding the scope of applications. The bank will continue to integrate AI technology and commercialize AI-supported applications to provide a satisfactory seamless experience.

◎ **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. 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 forex hedging instruments by way of foreign-currency negotiable securities transaction demand. In the future, KGI Securities will comply with legal 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 bonds 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. Plans to optimize settlement procedures for foreign and international bond transactions are also underway, with the objective of reducing transaction costs for professional investors and help diversify Taiwan's secondary bond market. In addition to underwriting and trading bonds, structured products issued by KGI Securities have been linked to a broad variety of indicators including interest rates, bond prices, credit ratings, and equity prices. Going forward, KGI Securities will continue to penetrate the scope of associations for its structured products to deliver derivatives that represent the variety of investor profiles in an effort to meet the diverse investor demand.

5.1.2 Annual Business Plan

◎ **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;
- Reallocate capital and increase capital efficiency;
- 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 2019:

◎ **China Life Insurance**

- Leverage the strengths of the six distribution channels to meet the diverse needs of clients by providing suitable niche products.
- Focus on sales of value-oriented products and increase exposure to installment-plan policies.
- Expand the scale of business operations and build up the professional and young brand image.
- Expand both bancassurance and wealth management markets.
- Explore emerging demand in the brokerage agency and group insurance markets to create business opportunities.
- Commit to digital transition and InsurTech applications, and develop an innovative digital business model.

◎ **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 clients through cross-channel cooperation, while strengthening relationships with clients by utilizing CDF resources in a more reasonable fashion.
- Aggressively seize opportunities to become the leading bank for syndicated loan projects from key industries.
- Provide clients with convenient cash management tools and cross-border trade services. Expand corporate client base to diversify credit risk.

– **Consumer Banking**

- To keep pace with the mobile era, KGI Bank has developed new procedures for digital account opening, and extended its ‘Mobile First’ strategy across app development projects. In its 2018 customer satisfaction survey, the KGI Mobile Bank app scored an excellent 8.28 out of 10. Aspiring to provide a better user interface and user experience (UI/UX), KGI Mobile Bank is optimizing its account login and app interface, and will undergo a major upgrade in 2019 to deliver a more pleasant user experience and advance financial inclusion.
- To meet clients’ fund planning needs in a convenient manner and expand market share, the bank has continued to develop new loan products and optimizing the online loan application process. The bank is committed to expanding its credit card ownership base by leveraging group resources and promoting applications through digital channels. Engage top-spending and high-usage cardholders to meaningfully raise credit usage, spending volume, and profitability.
- Via our agents' expertise and service capacity, we have rolled out the newest financial and policy planning system to help clients design tailor-made asset allocation and investment portfolio solutions. As a way to expand our VIP client base and drive deeper customer engagement, the bank’s nuanced clientele management strategy creates a comprehensive planning experience, helping our clients evaluate their wealth potential and providing an exclusive solution encompassing wealth management, mortgage, credit loan, and credit card products that cater to clients’ evolving needs at different stages in life.
- Establish an electronic platform for digital applications and online transactions. Optimize the client experience in dealing with the bank’s virtual channels. Drive deeper VIP client engagement by delivering professional financial management services entailing consultants backed by an expert team, while providing the convenience of transactions at any of the bank’s customer service centers.

– **Global Market**

- Optimizing asset mix and maximizing investment gains in the financial market under

dynamic risk management and a valuation volatility reduction strategy to boost ROE.

- Expand market share in bond and note underwriting to help advance business endeavors and overall performance.
- Provide efficient and competitive capital sources and advance the bank's business endeavors to achieve balance sheet growth.

– **Commercial Banking**

- Continue to advance cross-border trade business to provide short-term loans for working capital and secured loan financing. Seize opportunities to be the leading bank and co-lead manager of syndicated loan projects.
- Continue to grow deposits via cash flow management services. Engage corporate clients and top executives with wealth management cross-selling service.
- Establish a comprehensive product mix, encompassing FX deposit and loans, import and export credit, derivative hedging instruments, wealth management, custodian services, investment, and insurance. Undertake customer demand-oriented business segmentation. Promote a systematic mutual marketing mechanism by establishing collaborations across divisions and among group subsidiaries.

– **Merchant Banking**

- Continue the merchant banking business foundation of buy-out financing, leverage financing and structured financing services platform, which provides LBO financing, mezzanine financing, share financing and bridge financing to address the diverse capital utilization strategies of our corporate clients.
- Provide financial consultation on industry consolidation and corporate M&A, group merger, organizational and debt restructuring, planning for funds demand, equity structure adjustment, private placement, financing arrangement, expansion and acquisition financing, domestic and overseas IPO applications, introduction of private equity fund.

– **Digital Banking**

- Continue to deliver innovations in KGI Inside financial services and cross-platform alliance marketing aim on implementation of context-based financial services.
- Expand the business scope of new technologies; develop of digital identity authentication, continue to drive deeper AI integration and commercialize AI applications.
- Through “Open Banking” initiative to offer open-source financial service API and data sharing to create data value and elevate customer value chain management.

◎ **KGI Securities**

Elevate the firm's overall Fintech service capabilities, solidify the firm's legacy profit model, enhance wealth management services, and pursue a high level of quality in each business segment and distinction in the industry.

— **Brokerage**

- Strengthen the current profit model, enhance wealth management services, optimize the service base of brokerage and wealth management business, promote the group's loan business, advance Taiwan Futures Exchange's T+1 trading business, expand the scope of foreign futures services, and upgrade trading services.

— **Equity Proprietary Trading and Derivatives**

- Pursue steady and maximized returns in short-term equity proprietary trading, pursue a fundamentals-based equity portfolio, scale up the volume of Alpha positions and strategic flexibility of proprietary futures trading, enrich futures proprietary trading's strategy development framework for Beta day-trading, improve the scale of warrants business, and create a diverse body of option portfolios.

— **Bonds**

- Maintain diversified and stable income, focus on engaging short-term Asian bond issues.

— **Underwriting**

- Raise VC project investment returns, expand the private placement business, and shore up fee income.

◎ **CDIB Capital Group**

- Grow its asset management business and continue to build its VC and PE portfolio.
- Capture global opportunities through diversified portfolios with balanced risks.
- Vigorously build up a Greater China investment network along with affiliates in a strategic alliance.
- Provide stewardship to help investees grow and create value.
- Fully implement of asset quality, rating and liquidity risk management of the investee companies.
- Adjust investment portfolio mix, continue to activate assets, improve capital efficiency, and strengthen investment management to maximize the added value of the company.

◎ **China Development Asset Management**

- Transform into a competitive asset manager upon completion of consolidation of four asset management firms.
- 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.
- 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 in Taiwan was a result of government open-up policy. 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, aiming to encourage financial industry consolidation by establishing financial holding companies. As of end-2018, the number of financial holding companies in Taiwan stood at 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 2008 financial crisis and have been growing in scale. This is evidenced by consistent upticks in asset value, net worth, capital size, and improving balance sheets.

According to the FSC, Taiwan's financial holding companies registered net profit (loss) attributable to owners of the parent company of NT\$301.24bn, NT\$266.96bn, NT\$302.3bn, and NT\$301.3bn, respectively, during 2015 to 2018. The earnings for 2018 fell 0.3% YoY due to the turmoil in the financial market has intensified in Q4 2018 and a weakening real economy at home and abroad (such as foreign trade and domestic demand were declined) have impacted the financial asset valuations and enterprises' capital demand.

Looking ahead, most of institutions forecast a slower global economic growth in 2019 than

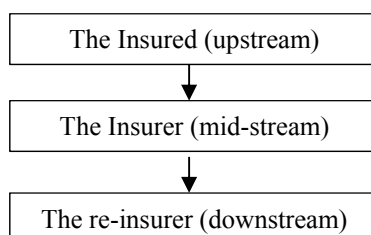
2018. Despite a still-solid economy in the US, the Eurozone and Japan have already showed weakness, while China has been seeing a sequential decline in economic growth QoQ. The good news is the world's major central banks have begun to put the brakes on monetary policy tightening, and may even shift to a looser monetary policy, and signs of Sino-US trade tensions easing have appeared. In Taiwan, faced with both internal and external challenges, the government has worked to improve the investment environment and employment conditions, continue to launch welfare policies such as tax cuts and subsidies and the Forward-looking Infrastructure Development Program. It has also loosened regulations governing the separation of financial and industrial firms, sped up the launch of digital finance, and facilitated the upgrading or transformation of industries. Currently, Taiwan's central bank is inclined to maintain low interest rates and loose liquidity. The aforementioned favorable policies are expected to help stabilize individual and business demand for financing and bolster their investment confidence, providing the financial industry with new opportunities.

2. Life Insurance

As of the end of 2018, there were twenty-two companies operating in the life insurance market, including nineteen domestic life insurance companies and three foreign ones. They premium income totaled NT\$3,511.6bn, up 2.7% YoY, with first-year premium income coming in at NT1,379.9 bn, up 9.5% YoY. Of the first-year premium income, life insurance premiums contributed 72.7%, annuity insurance premium contributed 24.0%, health insurance premiums contributed 2.4%, and injury insurance premiums contributed 0.9%. Within this environment, the company performed strongly, with 2018 first-year premium income totaling NT\$150.34bn and aggregate premium income totaling NT\$301.83bn, both up significantly from 2017.

In terms of sales channels' contribution to 2018 first-year premium income, bancassurance accounted for 55%, while sales staff and other channels contributed 45% or so. In terms of product composition, investment-type policies contributed 36.5% to first-year premiums in 2018, while traditional policies accounted for 63.5%, indicating that in 2018, investment-type policies saw sales weighting rise from 31.7% in 2017 on market recovery. The overall life insurance market remains 60% 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.



3. Banking Industry

(1) A major financial intermediary

Overview and development of Taiwan's banking sector: As of the end of December 2018, there were a total of 6,282 monetary institutions in Taiwan, including the Central Bank of the Republic of China (Taiwan), domestic banks, branches of foreign banks and mainland Chinese banks in Taiwan, credit cooperative associations, farmers' and fishermen's associations and Chunghwa Post Co., Ltd. (the official postal service), of which 3,445, or 55%, were domestic banks. As of end-2018, total deposits and loans of domestic banks amounted to NT\$32.5tn and NT\$24.8tn, respectively, or 78.0% and 89.6% 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, even during recent years. Among the more notable cases, Ta Chong Bank was acquired by Yuanta Bank in 2018, leading the number of domestic banks to decline by one to thirty-seven. Meanwhile, demand for brick-and-mortar banking has decreased due to the impact of FinTech innovations and online banking, resulting in withdrawal or consolidation of branches. According to the FSC, as of end-2018, there were a total of 3,403 domestic bank branches in Taiwan, down by fourteen, which represents a long-term downtrend.

(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	2011	2012	2013	2014	2015	2016	2017	2018
Indirect %	78.30	78.90	79.35	79.37	79.47	79.38	80.19	81.07
Direct %	21.70	21.10	20.65	20.63	20.53	20.62	19.81	18.93

Source: Central Bank of the Republic of China

(4) Bank earnings stabilize at a high level amid moderate economic recovery over recent years

Starting from 2001, supported by the government policies, Taiwanese banks had been aggressively writing off bad debts, taking operations and earnings gradually back on track. However, following the credit/cash card crisis in 2005-06 and the global financial crisis in 2008, the banking industry saw the valuations of financial assets decline, bad debts rise, and credit tighten again, putting a sizable dent in operating results and earnings. After that, as global economy and financial markets recovered, credit demand also started to pick up in the private sector, which helped to bolster bank earnings. According to the Banking Bureau of the FSC, banking sector pretax profit increased rapidly from NT\$83.9bn in 2009 to steadily above NT\$300bn in 2014 onwards. With the pretax ROE of Taiwanese banks gradually rising to a stable level, banking sector pretax profit reached NT\$318.1bn during January-November 2018. For 2019F, we expect gross bank earnings to stay flat given limited growth in capital demand as a result of a slowing global macroeconomic environment as well as intensified financial market volatility.

Domestic bank overall profitability (in terms of pretax earnings)

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
ROE (%)	4.49	9.10	9.33	10.41	10.26	11.65	10.58	9.24	8.97	8.88
ROA (%)	0.28	0.58	0.59	0.68	0.68	0.79	0.75	0.68	0.67	0.66

Source: Banking Bureau of the FSC

(5) Banks improve asset quality with appropriate credit policy, leading sector non-performing loan ratio to drop further to 0.24% as of end-2018

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 crisis 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 fell to 0.24% as of end-2018, from the high of 1.15% in 2009. At end-2018, KGI Bank registered a NPL ratio of 0.17%, with a coverage ratio of 756%, both bettering peers, and the overall asset quality was fair.

Average NPL ratio of Taiwanese banks

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
NPL* (%)	1.15	0.61	0.43	0.40	0.38	0.25	0.23	0.27	0.28	0.24

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

Source: Banking Bureau of the FSC

4. Securities Industry

In 2018, the domestic securities sector saw operational momentum taper off from a strong start. Underpinned by the steady expansion in the global economy, driven by developed markets like the US, Europe, and Japan, in 1H18, Taiwan, Korea and other emerging markets extended the economic recovery since 2016, driving the Taiex to grow in both price and volume. The Taiex hit 11,200 points twice in 2018, in January and June, and Taiex/TPEX turnover reached a daily average of NT\$181.1bn in 1H18, the highest level since 2000, boosting securities industry pretax earnings up 67% YoY to NT\$22.3bn. Thanks to the extension to a tax cut (by half) on day trading transactions and the market frenzy over breaching the 10,000-point mark, turnover contributed by retail investors increased 61% YoY, versus growth of 44% for FINI and 40% for local institutional investors. However, in 2H18, Taiwan and Korea's economies hit a plateau, trade frictions between China and the US heightened, and enterprises faced rising operational uncertainty, causing exports and export orders YoY growth to fall quarter by quarter. DGBAS estimates of GDP growth was revised down continuously from 2.69% to 2.63% in 2018. As such, the Taiex slipped to as low as 9,400 points in 4Q18, with Taiex/TPEX turnover shrinking 16% YoY to a daily average of NT\$140bn in the quarter to set the year's lowest level. As of the end of 2018, the Taiex was down 9% YoY to 9,727 points. While Taiex/TPEX turnover hit the highest level since 2010 at NT\$166bn, up 20% YoY, margin loan balance at end-2018 was NT\$170bn, down 31% YoY, marking the lowest level since 2008. The domestic securities sector posted pretax earnings of NT\$29.5bn, down 28% YoY, as the operational and earnings momentum seen in 1H18 waned in 2H18. Brokerage earnings rose 12% YoY to NT\$30.5bn, while equity proprietary trading earnings and underwriting business earnings slumped a respective 66% and 55% to NT\$6.3bn and NT\$1.5bn.

For 2019, global economic growth will slow down, with the IMF and IHS Market projecting global GDP growth at 3.5% and 2.9%, respectively, lower than the 3.7% and 3.2% in 2018. Given an economic slowdown in the US, Eurozone, and emerging markets, uncertain progress of Sino-US trade talks, sluggish economic growth in Europe and China, as well as the impact of a potential no-deal Brexit, economic growth forecasts may be revised still lower. In February, DGBAS lowered its 2019 GDP growth forecast for Taiwan from 2.41% to 2.27%, slower than 2.68% in 2018. This is attributable to global economic uncertainty due to Sino-US trade frictions, spillovers from China's growth slowdown, which impacts related supply chains and investments in Taiwan, and reduced private sector willingness to spend due to shrinking household wealth. Overall, the expected economic slowdown in Taiwan and rising uncertainty from the Sino-US trade dispute this year will cause capital market volatility and impact stock market turnover. As such, we forecast a lower average daily turnover on Taiwan's stock market than the NT\$166bn last year, suggesting a more challenging environment for the securities industry versus 2018.

5. 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. As Taiwan emerged to play a major part in the world's IT supply chain in the 1990s, coupled with a robust capital market, Taiwan's venture capital industry entered the rapid-growth stage.

The period between 1995 and 2000 was perhaps the golden age for Taiwan's venture capital industry. The venture capital business flourished with the growth of the high-tech industry. However, capital and cases invested declined following the dot-com bubble of 2001 in the US and the global financial crisis of 2008. It was not until 2012 did the number of venture capital companies, and cases and amount invested gradually start to make a comeback, which rebounded from a respective 220, 291 and NT\$10.66bn in 2012 to 253, 538 and NT\$18.57bn. Over these years, the accumulated amount of invested capital has exceeded NT\$360bn, with over 900 companies being assisted to access the capital market (including Taiex/TPEX/emerging stock board). Around 30% of Taiex/TPEX-listed companies entered the capital market with venture capital fund, attesting to the venture capital industry's great contribution to local industry, both in terms of efforts and capital.

6. Future trends

(1) Large players become main stream

A financial holding company consolidates different types of businesses and is able to adjust capital and resource allocations among subsidiaries in order to achieve optimal profitability. The competent authorities have proposed incentive policies for consolidating financial institutions, encouraging domestic and overseas M&A to expand the scale of financial institutions and enhance international competitiveness.

(2) Expanding into the Greater China market; continued government support with New Southbound Policy (NSP)

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 to provide them with financing option. Notwithstanding, despite being an immense market with substantial growth opportunities, China's 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. On the other hand, Southeast Asia has been a fast-growing region in recent years, with impressively rising consumption power and huge business opportunities, making itself a bright spot on the world economic map. The Taiwan government has been encouraging local financial industry to financially support Taiwanese companies' operations in NSP countries, creating win-win for financial and industrial firms.

(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 China Life Insurance, KGI Bank, and KGI Securities. New financial products are developed with the aim of strengthening the product portfolio, providing diversified services and expanding the customer base.

◎ 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:

	NTS'000	
Year	2018	2019 (as of March 31)
Amount	46,347	15,551

- (1) Continue to launch a variety of products to take into account both long-term insurance risks and appropriate asset allocation in response to market changes and trends; recommend policy holders to pay the premium in installments; provide customers with optimal insurance wealth management services through diversified marketing channels; continue to expand periodic, fixed-rate, investment-linked products to meet the needs of customers with different risk profiles.
- (2) Continue to promote periodic, fixed-rate, investment-based life insurance/annuities; strengthen investment-linked product platforms to provide more options in asset allocation to meet the needs of customers with different attributes.
- (3) Provide principal-protected products to conservative clients and continue to promote foreign currency policies in line with market demand to provide clients with financial insurance products in a wide range of currencies.
- (4) Develop variable-interest-rate products that are in line with market demand based on stringent asset-liability management and risk control to provide clients with life insurance protection at every stage of life, with the aim of providing comprehensive protection and increasing life insurance coverage for local citizens.
- (5) Aggressively develop insurance products that are principal-guaranteed or for retirees in response to aging population, pension reforms, and the promotion of financial inclusion, which is conducive to a diversified supply of financial products, increased customer protection, and satisfying clients' different needs for asset allocation; continue to operate in such markets as retirement planning, healthcare security, long-term care, specific injuries, major diseases, and disability aids with a focus on developing a full range of healthcare

insurance products for clients to flexibly choose from and bridge healthcare gaps, offering a solid and comprehensive healthcare platform.

- (6) Continue to promote group insurance and accidental injury products to meet the protection needs of policyholders.
- (7) Design innovative combination products for young adults to tap business opportunities in the new generation of customers; 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) Aggressively design innovative products and develop digital financial service applications in response to market demand changes and the digitalization trend, including spillover insurance policies and precision marketing using big data to conduct customer analytics, to continue deepening cultivation in financial insurance technology to enhance competitiveness.

◎ **KGI Bank**

- (1) In light of how FinTech is rapidly penetrating and changing consumers' financial lives, KGI Bank, committed to providing quality services and creating value for clients, has created a new model of cooperation between FinTech operators and bank innovations through KGI Inside strategies, using technical capabilities to fragment, modularize and API-ize financial services. KGI Bank has been a pioneer in open banking and the bank aims to open up financial services APIs to create the experience of seamless integration and context-based financial services.

KGI Bank actively cooperates with start-up entrepreneurs with “KGI Inside,” enabling them to be connected to API services, such as day-to-day payments, identity verification, risk control, big data, and online applications for digital loans and credit cards. Start-up partners include PChome (Pi mobile wallet), Line (e-payment), Chunghwa Telecom (Hami wallet), CWMoney (financial notebook app), Sinyi Realty (community management app), restaurant POS system developer iCHEF, and loan comparison site AlphaLoan, realizing context-based financial services. Total payments and digital loans disbursed amounted to NT\$437mn and NT\$4.96bn, respectively, as the bank has created more business opportunities and significantly saved development costs for start-up entrepreneurs, boosting customer experience and loyalty.

KGI Bank has also developed several derivative products featuring high customization and integration to strengthen customer loyalty. In addition, it has 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 steadily increase sales streams through business expansion in different investment markets and cautious risk assessment.

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

- Established an interest/exchange rate options platform, improved the self-management risk exposure and quotation ability of complex exchange rate-linked products, and expanded the business and types of structured 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.
- Launched XML collection and payment services for corporate customers, which give them the ability to make payments on electronic platforms without time constraints, increasing efficiency in financial services.
- Completed digitization of payment collection services. KGI Bank offers cloud-based payment collection services via its eACH web service and KGIExpress systems. The former is for online payment collection and the latter for real-time notifications. Through the cloud-based payment collection service, enterprises can strengthen cash flow management via its own appliance system, reduce the cost of interfacing with the bank, and provide customers with a better consumer experience.
- KGI Bank has led the industry in introducing the innovative model of KGI Inside digital financial service and offering plug-and-play connection, which represents the fastest way non-financial companies can access the financial services they need. KGI Bank has been a pioneer in open banking, opening up financial services APIs to create the experience of seamless integration. KGI Bank was a golden award winner of the 5th Top 100 Innovative Products Awards by Taiwan ICT Month and the only financial service provider among the winners.
- Connected to nationwide payment platform e-Bill and nationwide tax payment platform Paytax, providing clients with open banking and APIs to connect with start-ups via bank accounts (of all domestic banks) and credit cards (of 27 banks). KGI Bank has led the industry in realizing context-based financial services with property management fee payment by credit card and Line (one of the largest social networking apps) e-payment, making itself a winner of the award for the most innovative electronic fund flow service by the Financial Information Service Company for two consecutive years.
- Established a digital loan application platform which allowing the bank's existing clients to apply for loans online. Integrated optical character recognition (OCR) to reduce the number of fields in the application form and significantly speed up the lending application process, where loans are just a few clicks away with a fast disbursement process.
- Led the industry in breaking through the limitations of digital identity certification, integrating personal information with client judgement (using telecom bill payment records) through cross-industry collaboration, by applying mobile telecommunication

technology. This is the first experimental financial technology project in Taiwan to use Chunghwa Telecom’s mobile ID verification system for the application of personal loans or credit cards, providing young customers with reasonably priced financial services and realizing financial inclusion.

- Utilized AI technology to build predictive models, significantly enhancing model construction efficiency and reducing the labor needed, to strengthen customer value chain management. KGI Bank was the only representative of Taiwanese financial institutions to participate in the 2018 DevDays Asia conference organized by Microsoft Taiwan, where it shared the results of its work in AI.

(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.
- 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 credit card system	99,000	Aug 2019 - Jan 2022
New mobile banking platform	65,500	Apr 2019 - Apr 2021

◎ **KGI Securities**

- (1) KGI Securities has developed its derivatives business 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. 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, 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 has also developed derivatives linked to benchmark interest rates, bonds, credit targets and equity, and will continue to expand the scope of targets to which derivatives are linked, hoping to develop derivative products that cater to different types of investors, in response to customers' diverse needs.

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

The Equity Derivatives Division and Fix Income Division are responsible for the development of KGI Securities' new financial products. They aim to satisfy a variety of investors' preferences through product restructuring and design.

- KGI Securities leads peers in the equity derivatives business. In 2018, the company issued 4,505 warrants with a total amount of NT\$46.8bn, facilitating one-stop shopping of a diverse range of warrants, despite market volatility. It has moreover adopted a stable warrant market making strategy that upgrades the existing warrant market making system with higher liquidity and price linkage, giving clients a superior warrant investment experience.
- In the OTC derivatives segment, KGI Securities has developed various instruments on the back of its solid financial engineering capability. These innovations have helped the company gain a competitive advantage in cutting-edge financial products and secured its leading position in the OTC derivatives market. 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 2018, KGI Securities was ranked third in terms of total amount underwritten. Its comprehensive, diverse product portfolio helps maintain customer confidence. The company has also made headway in the asset swap business, ranking third in notional amount outstanding in 2018, 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: NTS'000

Project	Investment	Schedule
Comprehensive mobile order platform	20,600	Jan 2019- Dec 2019
New digital APP	24,700	Apr 2019- Dec 2019
Intelligent customer service	10,000	Apr 2019- Dec 2019
Marketing event management system	13,000	May 2019- Dec 2019
Big Data Platform	10,000	May 2019- Dec 2019
Designate separate management of the use of money trust	8,000	May 2019- Dec 2019
Asset allocation system	21,790	May 2019-Dec 2020

5.1.5 Short and Long Term Business Development Plans

A. Short-term business plans

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

B. Long-term business plans

◎ China Development Financial

CDF has entered a new era with four engines of growth: life insurance, banking, securities, and venture capital/ private equity. In the future, CDF 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.

◎ China Life Insurance

- (1) Provide a wide variety of products and services in response to social and market trends aims to enhance financial inclusion

China Life keeps its product design and services up to date, not only taken into consideration of the latest government policies, and social and market trends, but also in line with the company’s financial and operational targets. China Life features strict control over liability costs and pricing risks, when launches products for different target customer groups. China Life aims to achieve a high degree of financial inclusion, and only takes optimal risks in investment to protect client’s long-term interests.

- (2) Expand and strengthen the risk management system to achieve proactive management and early warnings

Risk management has always been one of the core competencies of China Life. China Life is dedicated to continued expansion and enhancement of its risk management system by self-developed risk management system. The system is bespoke to its own unique risk profile, and can identify complete risk information in a real-time fashion to allow proactive management and early warnings.

- (3) Improve and strengthen the information security management; build hacker defense technologies for better preparation against intrusions

In terms of strengthening information security and protecting the personal information of its policyholders, China Life has partially introduced the ISO20000 processes and tools since 2018 to ensure the integrity and availability of information security. Also, it introduced Botwall technology to defend against hacker attacks, which have been rampant in the financial industry in recent years. The technology features hacker defense tools and can help China Life to improve its capabilities to mitigate attacks, so its clients can enjoy peace of mind in a high-standard financial service environment.

(4) Continue to expand presence in China and seek opportunities in overseas markets

CCB Life has been aggressively preparing for an IPO. At the early stage, it introduced structural reform under the recommendation of a consulting firm in order to lay a solid foundation for the listing. In addition, as China's insurance supervision policy shifts to emphasize risk protection planning, CCB Life has also shifted the focus of its product sales to regularly-paid policies from high-FYP products. In the future, CCB Life will continue to strengthen corporate governance and risk management to achieve quality development that gives priority to customers' interests. CCB Life is focused on corporate value growth, and seeks to optimize its business structure and improve operations for better management efficiency, ultimately bringing the company's operations to a new level.

(5) Make good use of financial technology to provide clients with tailored planning for asset preservation and risk coverage

Through financial technologies such as big data and cloud to analyze the characteristics and needs of different customers, and sell products to consumers according to their needs at different stages in an accurate manner.

(6) Optimize administrative processes and service quality to create brand new customer experiences

All innovations and optimizations are based on 'customer experience'. China Life has continued the digital transformation and e-applications to optimize digital services on its platform and seek to reduce the waiting time for clients by providing more efficient and streamlined service processes, and allowing excellent service experience for its policyholders.

(7) Develop a wide array of online insurance products to create quality and speed insurance services

Given the development of financial technology and digitization of insurance services, China Life has delivered distribution channel innovations by leveraging big data analysis. In addition to providing protection and retirement products, China Life also develop innovative products for specific coverages, and has expanded its distribution network to banks, insurance agents, and third-party operators. The online insurance-purchasing process has also been optimized in order to provide customers with fast online services and create a high-quality e-commerce platform image.

◎ **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.
- Develop a unique, cross-border corporate banking business in the Greater China area by leveraging its overseas presence.
- Provide comprehensive and constructive solutions with integrated products to meet the financial and business needs of target clients, consequently boosting fee income and deepening cooperation relations with clients. 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.
- Introduce family-based wealth management to expand client base to the younger generation, and provide long-term investment and planning services to customers and their children to meet their various needs at different stages of life.
- Improve digital platform to allow more online transaction functions, and work with e-commerce and social media operators to explore new clients. Expand digital banking client base by promoting digital investment services.

(3) Financial market business

- Search for best-scenario investment portfolios, diversification of targets or strategies, and risk management enhancement 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 a trading platform that covers foreign-exchange options and offers comprehensive forex-based financial products.
- 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.
- Work on steadily increasing professional investor and institutional investor accounts. Use diverse businesses and reasonable human resource deployment to market financial products in the Greater China region and Southeast Asia.
- Soundly devise an asset/ debt allocation, strengthen the financial structure, and improve return on capital to effectively lower deposit-holding costs and liquidity risks.

(4) Digital banking

- Continue to expand digital product offerings, develop digital channels, provide salary accounts and leverage resources from the parent company to expand sales channels and customers.
- Establish a diversified ID certification platform compatible with various financial certificates, accounts of other banks, credit card information, biometrics, and other internationally innovative identity authentication applications to improve the convenience and user experience for customers accessing our services online.
- Continue to be customer-oriented and expand the scope of KGI Inside applications. Through cross-industry cooperation and cross-business data analysis, we seek to enhance our risk control and customer potential identification capabilities, and connect financial services such as digital wealth management and debt management to achieve precision marketing.
- Develop the applications of big data and AI technology, and facilitate opportunities for cooperation between businesses and the academia, and cross-industry collaboration on AI-related matters. Combining structural, non-structural and cross-industry materials, aspire to use AI to capture customers' overall status and different needs.

(5) Overseas market development

- Take advantage of our experience in consumer banking by using big data analysis and making a presence in multiple channels. 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 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

Since acquiring China Life in September 2017, the Company's main subsidiaries now cover four core business activities: commercial banking, securities, venture capital/private equity and life insurance, which enables the Company to offer customers 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 synergies, the Company's subsidiaries (KGI Bank, KGI Securities and KGI Futures) have obtained approval from the competent authority to engage in cross-selling activities. In September 2018, China Life also signed cross-selling agreements with KGI Bank and KGI Securities to expand its cross-selling portfolio.

Through cross-selling, the bank subsidiary can rapidly expand the customer base and all subsidiaries can effectively extend business scale and create more commercial opportunities. Moreover, through cooperation with banks, securities and insurance channels, can enhance the depth and breadth of the company's overall financial services. The Company's cross-selling activities are carried out in accordance with Article 43 of the Financial Holding Company Act, "Guidelines for Cross Marketing among Subsidiaries of Financial Holding Companies", and the Personal Information Protection Act. Therefore, while exercising cross-selling activities, the Company and its subsidiaries can ensure customers' rights and interests are well protected.

After the life insurance subsidiary joined, in addition to the existing life insurance customer base, it also strengthens the company's production and integration capabilities for financial products. Through the integration of life insurance, investment, trust and custody, plus the three major channels of banking, securities and life insurance, in addition to providing customers with one-stop service, it will further gain the benefits of the subsidiaries within the Group, so that the benefits of the Company can be maximized.

5.3 Market and Business Overview

◎ China Development Financial Holding (CDF)

As of end-3Q18, there were a total of 16 financial holding companies in Taiwan according to Financial Supervisory Commission (FSC), with a respective gross asset and equity value of NT\$55.4tn and NT\$3.85tn. While these 16 companies have dominated Taiwan's financial industry in recent years, we note that the local financial market has become increasingly challenging following the outbreak of the global financial crisis in 2008 and the subsequent euro debt overhang. Financial holding companies are finding it more difficult to manage daily operations given changing environmental and regulatory requirements. Despite the negative impact coupled with the global economy, Taiwan's financial holding companies have, however, benefited from the deregulation of investment in China in recent years. In light of the economic boom in China, as well as rapid growth in Southeast Asia, which offer enormous growth potential and business opportunities, Taiwanese financial holding companies are accelerating deployment across the Taiwan Strait and in ASEAN, and will likely continue to leverage the group resources in order to create business synergies with the ultimate aim of strengthening their competitiveness.

The four major subsidiaries of CDF are China Life, KGI Bank, KGI Securities and CDIB Capital Group (formerly CDIB). After many years of operation, both CDIB Capital Group and KGI Securities have become the respective leaders in Taiwan's investment banking and capital markets. After adding the life insurance subsidiary in September 2017, CDF entered an era of four pillars of growth - life insurance, banking, securities and venture capital/private equity. Business looks to grow significantly over the long run as a result.

◎ China Life

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 clients 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 clients.

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.

- Protection Planning: life insurance density was NT\$148,865 in 2018, up 2.6% YoY, with the penetration rates of life insurance and annuity insurance policies rising YoY, indicating growing demand for insurance.

- 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.
- 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 (%)
2017	3,420,235	206,440	6.04
2018	3,511,559	301,832	8.60

3. Competitive edge and positives and negatives for development outlook

(1) Competitive edge and positive factors

- Solid solvency, strong financial structures and outstanding investment performance. In 2018, net profit was NT\$10.18bn attributed by effective risk management and prudent investment strategies
- 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
- A wide spectrum of products to provide clients with comprehensive services covering protection, savings and investment to meet individual needs
- China Life has partially introduced ISO20000 processes and tools since 2018 to enhance the integrity and availability of information security. Moreover, it has also built hacker defense related technologies and improved disaster recovery capabilities in response to the hacker attacks in the financial industry in recent years and to provide clients with an efficient and secure financial service environment.

(2) Negative factors

- Given the murky global political and economic outlook, the Sino-US trade war and currency market swings, and the unchanged domestic aggregate reserve ratio of NT dollar insurance policies in 2019 which likely will lead to a widened US-Taiwan interest spread, the overall economic environment is challenging, and life insurers will come under more operating pressure.

(3) Measures in response

- Adhere to prudent financial health and business sustainability, providing clients with quality and professional products and services
- Launch diversified, multi-currency products in response to global economic uncertainties, providing clients 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 clients' diversified needs
- Continue to develop e-commerce in the digital Fintech era and enhance cooperation with third-party platforms. Via products, service quality and marketing innovation, China Life will provide clients with online insurance and services and digitize of traditional channels to strengthen competitiveness in the digital financial market. Meet different clients' product and service needs by fully integrating online and off-line services
- Establish a Digital Marketing Technology Department, Digital Process Technology Department, and Data and Investment System Department to provide the foundation necessary for business and operational transformation. It will also allow China Life to enhance staff competitiveness in a digital finance environment by allocating duties according to the professional talent and potential of individual employees.
- As digital financial services develop, 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 clients.
- In response to the needs of the aging population, we will offer innovative new products, supplementing insufficient 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 public and promote crisis awareness.
- Continue to expand business in China. As China's insurance supervision policy shifts to emphasize risk protection planning, CCB Life has also altered the focus of its product sales to regularly-paid policies from high-FYP products. In the future, CCB Life will

continue to strengthen corporate governance and risk management to achieve sustainable business growth that gives priority to customers' interests while also increasing corporate value.

- With the US entering a rate hike cycle, pushing up hedging costs on a widening US-Taiwan interest spread in recent years, China Life has adopted a more cautious approach in forex risk management and hedging activities. China Life will strengthen its reserve mechanism for forex swings for better management of forex risks.

◎ **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 exchanges. 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. Cosmos Bank first commenced business in February 1992. It operated as a commercial bank providing quality financial services to industries, corporates and the public. Cosmos Bank was acquired by China Development Financial on September 15, 2014 and reflagged as KGI Bank. As of the end of 2018, KGI Bank had 53 branches nationwide. 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 group resources from the group's subsidiaries so that KGI Bank will have a comprehensive platform 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, resulting in severe price competition. Due to the global economic recovery, stable financial market and industry-wide consolidation, Taiwanese banks have seen financial structures and profitability stabilized in recent years. 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

In 2018, with the global economic recovery peaking out alongside continued US rate hikes and an intensified Sino-US trade war, the financial market suffered increased volatility. Taiwan's GDP growth also lost pace on rising trade tensions across the world. Global financial uncertainties and slowing domestic economic growth will cap the business growth of Taiwan's banking industry in 2019 and possibly lead to deteriorating asset quality. As far as the overall marketplace is concerned, severe competition in the retail banking segment continues, while corporate banking is vulnerable to increasing economic swings both at home and abroad. Against such a backdrop, asset quality control will become a more critical issue that banks need to take heed of. The central bank of Taiwan has kept the benchmark interest rate at a low level, meaning oversupply of money will likely persist for a while. 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

Given the development of a digital finance environment and changes in user behavior, the government is relaxing controls over digital applications in the financial sector, which has to date led to a prevalence of digital accounts and mobile payment. In 2018, the government approved the very first financial regulatory sandbox case and announced the roadmap of issuing new licenses for online banks. Such policy relaxations are conducive to the rise of new service patterns within the financial sector, which can not only address overlooked demand by providing more diversified financial services, but also stimulate the innovation of banks at the service and product design levels.

4. Positives and negatives of future development

(1) Advantages

- 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 alleviates price competition in lending.
- One of the few banks that can continue to issue cash cards. The lending team tops peers in terms employee productivity, with competitive credit limit, interest rates and speed of approval.

- 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.
- 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 clients.

(2) Threats

- KGI Bank trails top-tier large peers in terms of business size and brand awareness.
- The company has fewer overseas and domestic branches than tier-one peers, which caps its development in offshore businesses and markets.
- Loan pricing pressure amid Taiwan's loose capital/ money markets, low interest rate environment and market competition.
- With both banking peers and non-banking entities aggressively slicing up the financial service market, the competition is intensified and the investment cost is high.

(3) Response strategies

- There are abundant resources within and outside the Group, including the group companies, employees, clients, 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.
- Accelerate the upgrade of internet banking/ mobile banking and enhance customized service functions to overcome limitations coupled with branch network, optimize user experience and expand the base of e-channel clients to boost customer loyalty and penetration.
- Capitalize on the capabilities of customizing loan products and assessing financial products' valuation to meet clients' strategy needs in a flexible way and to avoid price competition in lending.
- 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, accelerate the accumulation of new clients and enhance brand awareness.

◎ 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 firms with similar products offerings, 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 108 as of December 31, 2018 while the number of securities firms' operating outlets expanded from 420 to 871 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 NT\$28.0bn (or 20%), from NT\$137.3bn in 2017 to NT\$165.3bn in 2018. In terms of operating performance, of the 68 securities companies covered by the TSA and that report to the Taiwan Stock Exchange (TWSE), 56 were profitable in 2018 and 12 were loss-making, with average EPS at NT\$0.927, down substantially from NT\$1.333 in 2017.

As for the profitability of individual securities firms, in terms of absolute net profit value, the top three local securities firms in Taiwan, Yuanta Securities, KGI Securities and Fubon Securities, were the best performers in 2018. 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 Taiex turnover hit a multi-year high in 2018, the securities industry was affected by an over-competitive market. With the development of financial technology, brokerages have rolled out more user-friendly online trading platforms and apps to retain clients. The non-paired stock trading system will be introduced in 2020, and securities firms will need to make additional investment in IT systems accordingly. This in turn will bring about structural changes in the securities industry in the sense that small brokerages that are not backed by resources from a parent financial holding company and rely solely on trade volume may find it more difficult to survive the competition. In other words, large players will maintain their dominance in the market, while small players will speed up consolidation among themselves. Business diversification is also a definite trend. In addition to Taiex stock trading, brokerages are offering sub-brokerage and wealth management services to generate more fee income. The competent authorities will allow more innovative financial products to be introduced to the market, and roll out new measures to diversify sources of income for brokerages, such as exchange trade notes (ETN) in 2Q19.

(2) Demand side

Taiwan's economic growth reached a peak in 1H18, enhancing the willingness to trade of both domestic and foreign investors. As a result, Taiex average daily turnover rose 55% YoY to NT\$181bn in 1H18, marking a multi-year high. However, increasing trade friction between the US and China in 2H18 added to uncertainties in business earnings, with exports and export orders both declining QoQ. The Taiex plummeted to a year-low of 9,400 points in 4Q18, and daily turnover also shrank to NT\$160bn, up only 6% YoY. On a full-year basis, while Taiex average daily turnover increased 20% YoY to NT\$166bn, the Directorate General of Budget, Accounting & Statistics (DGBAS) projects Taiwan's GDP growth will decelerate to 2.27% in 2019, boding ill for Taiex upside. On top of that, the MSCI Emerging Markets Index has been upping the weighting of A-shares, and FINI trading volume in the Taiex could be cannibalized as a result. As such, we estimate daily turnover will fall YoY in 2019, hurting the brokerage fee income of securities firms. That said, the extension of a 50% day-trading tax cut to 2021 and income tax reforms could stimulate trading among retail investors. Notably, day trading accounted for 30% of Taiex daily turnover in 2018, and it will continue to serve as a major growth driver of turnover going forward. The government will allow insurers to adopt counter-cyclical measures for stock trading in 2019, and may lower the risk coefficient of such investment in calculating or determine insurers' risk-based capital. Put simply, insurers may be more willing to deploy funds in the Taiex as a result. In conclusion, insurers and retail investors could be the major driving force for increasing trading volume in the future.

(3) Growth potential

In summary, we believe it will not be easy for the TaieX to reach the previous high of 11,200 points in 2019 given slowing economic growth at home and mounting uncertainties over Sino-US trade. We expect turnover will fall YoY in 2019, hurting the fee income of brokerages, while capital market swings could be detrimental to proprietary gains. In a nutshell, securities firms probably won't be able to deliver stellar profit growth in 2019. Additionally, while the relaxation of new product launches could create new income sources for brokerages, the development of financial technology and the implementation of the non-paired trading system will require more capex. Consolidation of small brokerage firms may speed up as a result, while large players will most likely remain dominant.

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. 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, mutual funds, asset management, insurance, securities-based lending and other diversified and refined financial 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, equity 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 77 branches all over Taiwan, the second most among domestic peers. In recent years, the firm has been aggressively transforming into a dual-engine business model, combining brokerage and wealth management to segment clients, meet differentiated wealth management needs and add 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 boasts the most comprehensive deployment in the Asia-Pacific region. By linking platforms in Taiwan, Hong Kong, Thailand, Singapore, Indonesia and China, the company has a better grasp of international economic developments and can leverage the resources and experience of its overseas network for developing new products and expanding the wealth management business compared to most peers, ultimately providing comprehensive product lines and wealth management services to both domestic and overseas clients.

5. Positives and negatives for future development

(1) Positives

- Incorporate financial technology to introduce smart, automated investment advisory services, creating added-value for the brokerage business.
- The implementation of MiFID II will reduce competition among international investment banks and encourage foreign brokerages to work with their local peers instead of competing against them.
- New products and indices launched by the stock and futures exchanges will create more opportunities for arbitrage.
- A solid brokerage client base and positive brand image should help the company attract more high-net-worth clients, which is conducive to the development of the wealth management business.
- KGI Hong Kong's S&P BBB rating should help the company attract more hedge fund clients worldwide.

(2) Negatives

- Brokerage fee income could be hurt by the increasing prevalence of electronic trading, and new platform operators may cut prices to gain market share.
- Increasing financing cost for the US dollar and lower long-term NT dollar bond yields could shave investment gains for securities firms.
- The arrival of foreign high-frequency and program traders in Taiwan will affect the warrant business and hedging operations of securities firms.
- Competitors stepping up stock lending business will lead to the deterioration of segment profitability.
- The Sino-US trade war and monetary tightening cap equity and bond market performance in China and the Emerging Market as a whole.

(3) Strategies for tackling the challenges ahead

- Create an interactive customer-centric digital platform that provides clients with innovative service experience featuring B2C smart investment recommendations and customer services.
- Continue to adjust and develop relevant information equipment and platforms in preparation for the new system of non-paired trading to meet the needs of high-frequency trading clients.
- 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.
- Develop multiple trading strategies and rapid trading execution systems to maximize profits in a fast-changing market.
- 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.

◎ CDIB Capital Group

1. Major products and markets

CDIB Capital Group is mainly engaged in private equity and fund management. The company is based in Taipei, and its business operations cover the domestic and international markets. On the overseas side, the main target markets are locked in China and the Asia Pacific region, followed by the US and European markets.

2. Future supply-demand dynamics

In recent years, market conditions have seen considerable improvement, which is attributable to global economic recovery, improving industry environment, launches of various new tech products and the deregulation of cross-strait financial investment restrictions. Almost all of the 16 FHCs in Taiwan have established their own venture capital/private equity subsidiaries. We believe more private equity/venture capital will engage in the PE/VC business moving forward. According to statistics released by the Taiwan Venture Capital Association in 2018, as of end-2017, the number of venture capital firms increased to 253, and total investment value and case number also rose markedly to NT\$18.57bn and 538, respectively. In recent years, the Taiwan government has become highly proactive in encouraging private capital and resources to inject into industries in order to encourage industry transformation and upgrading. In addition to technology and information industries, venture capitalists will also look to invest in sectors spanning biotech, pharmaceuticals, culture and creativity, artificial intelligence, Internet of Things and blockchain. 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) Transform into private equity fund manager

CDIB will continue to enhance its competitiveness and expand its addressable market from Taiwan to other countries in Asia. The core business of CDIB has been on venture capital and private equity fund businesses. CDIB is actively broadening its business horizons from principle investment to include asset management and expanding assets under management to boost management fee income.

(2) Strengthen investment positions and fundraising

CDIB will continue to dispose non-core assets, bolster fundraising and enhance investor relationships to create maximum profits for shareholders and provide professional services to clients.

4. Positives and negatives of future development

(1) Positives

- Extensive industry experience and broad-based client network

As a private equity/venture capital firm, CDIB is committed to nurturing nascent, up-and-coming industries. As such, and with long history of 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.

- Focus on functional management and create synergies through integration of FHC resources

CDIB recruits experts of various fields to facilitate business operations. In addition to formulating a holistic strategy, the experts also contribute to the direct investment and investment banking businesses with their expertise, allowing CDIB to further consolidate resources within financial holding company (FHC) and create maximum synergies.

- Increasing global exposure

Under liberalization of the global capital market, CDIB's strategy is to establish more operating units overseas to engage in local operations. 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.

— Recruitment of outstanding professionals

Compared with other financial peers, CDIB mainly recruits young and professional employees with doctoral or master degrees. It also provides continuous internal as well as external education and training for theories to be put into practice in order to maintain the competitiveness of employees. CDIB recruits business elites from home and abroad. This high-level and dynamic human resource structure fully reflects our business philosophy of valuing professionalism, which we rely on to overcome the challenges ahead in pursuit of future growth.

(2) Negatives and response strategies

— Expand platform synergies and investment universe to offset the negatives of fierce competition

As CDIB was formally an industrial bank, the company had 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 faced intensified competition from so-called ‘financial department stores.’ Also, given limited local IPOs and fundraising growth in recent years, competition over investment projects has intensified considerably.

Facing a new competitive landscape, CDIB has tried to explore new investment opportunities through the previously established business network, and has adjusted its business model from an industrial bank to a private equity/venture capital firm (reflagged CDIB Capital Group on March 15, 2017) to focus more on private equity fund management. Going forward, CDIB intends to leverage FHC resources to accelerate deployment in venture capital and private equity funds in China, Taiwan and the Asia-Pacific region, with the aim of becoming a bellwether private equity fund manager in the Asia-Pacific region.

— Transform into an international private equity fund manager to balance income sources

CDIB’s revenue primarily comes from capital gains coupled with 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. In order to reduce earnings volatility, CDIB aims to transform into a top-tier global PE/VC fund manager. CDIB also seeks to diversify its income sources by increasing fundraising and expanding

AUM, while boosting management and investment returns at the same time, to create higher fee income and more investment gains.

— Elevate human resources to tackle globalization challenges ahead

Given its aggressive expansion in Asia-Pacific markets, CDIB has faced increasing competition from bellwether global financial peers in recent years. The company intends to strengthen employee training and introduce more professionals to sharpen business competitiveness. In the meantime, investment in innovative industries is also deemed important as CDIB seeks to develop and explore new businesses. CDIB will accelerate business integration with other CDF subsidiaries to create economies of scale and maximize operating synergies, consequently providing clients with better investment return and services.

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		2017	2018	As of March 31, 2019
Numbers of Employee	China Development Financial	175	172	163
	China Life (Note1)	5,653	5,785	5,708
	KGIB	2,525	2,540	2,503
	KGIS	3,902	3,816	3,789
	CDIB Capital	215	221	218
	AMC	13	13	13
	Total	12,483	12,547	12,394
Average Age (note 2)		40.04	41.17	41.44
Average Years of Service (note 2)		6.80	7.49	7.75
Education	Ph.D.	0.1%	0.2%	0.2%
	Master	14.2%	14.7%	14.8%
	Bachelor's Degree	65.2%	65.4%	65.4%
	Senior High School (& below)	20.5%	19.7%	19.6%
Certification and Qualification	CFA	10	12	14
	CPA(domestic)	34	20	20
	CPA(overseas)	4	4	5
	CISA	3	1	1
	FRM	26	29	29
	IPMA Level D	1	1	1
	Attorney at law, R.O.C.	12	16	16
	Attorney at law, USA	2	3	2
	Attorney at law, Australia	1	1	1
	Internal auditor	21	19	19
	Certified Financial Services Auditor	2	1	1
	Certified Public Bookkeeper (for Specialized Professionals and Technicians)	3	3	3
	Proficiency test for foreign exchange transaction	71	70	67
	Proficiency test for corporate basic internal control	66	68	68

Year		2017	2018	As of March 31, 2019
Certification and Qualification	Investment trust and consulting laws exam	1,155	1,189	1,172
	Investment trust and consulting specialist exam	981	947	952
	Proficiency test for Stock Affairs Specialist	91	83	86
	Proficiency test for junior foreign exchange personnel	484	471	473
	Proficiency test for junior credit personnel	731	710	713
	Proficiency test for advanced credit personnel	47	45	44
	Proficiency test for financial risk management	7	8	7
	Proficiency test for credit collateral valuation	13	13	13
	Financial knowledge and professional ethics exam	1,990	1,946	1,943
	Trust laws exam	133	111	113
	Trust personnel exam	3,150	3,114	3,091
	Certified Project Management Professional	13	12	10
	Proficiency test for Certified Financial Planner	761	722	722
	Bill Finance Specialist exam	66	73	72
	Futures Commission Merchant Specialist exam	2,606	2,489	2,492
	Futures Brokerage Merchant Specialist exam	9	11	12
	Futures Trading Analyst exam	26	24	23
	Futures Fund Specialist exam	1,299	1,225	1,218
	Structured Instrument Specialist exam	705	702	691
	Proficiency test for Bond Specialist	69	64	65
	Proficiency test for basic asset securitization	31	30	31
	Bank internal control and internal audit exam	1986	1,988	1,975
	Securities Margin Trading Specialist exam	706	678	678
	Securities Investment Analyst exam	61	63	64
	Senior Securities Specialist exam	2,252	2,170	2,186
	Securities Specialist exam	2,154	2,089	2,095
Certified Financial Planner (CFP)	19	18	18	

Year		2017	2018	As of March 31, 2019
Certification and Qualification	Life insurance representative	3,125	3,038	3,009
	Life insurance representative exam for sale of foreign currency non-investment linked insurance policies	1,798	1,754	1,744
	Property insurance representative	2,708	2,632	2,606
	Investment-linked policy representative	2,053	1,976	1,961
	General exam for investment-linked insurance and financial system	262	251	253
	Securities exchange regulations and practices exam	280	285	282
	Proficiency test for debt collector	400	392	390
	Securities practitioner exam (SAC)	9	9	9
	Securities lending specialist exam	221	218	218
	Professional in Business Analysis	1	1	1
	CFSSME	16	17	17
	Elementary ERP planner	1	1	1
	Advanced calculation method on Capital adequacy ratio of securities firms exam	5	5	6
	Property insurance broker	3	5	5
	Life insurance broker	4	7	7
	CAIA	1	1	1
	MFP	2	2	2
	Grade b special exam for finance specialist	1	1	1
	Life insurance agent	1	3	3
	Chartered Life Underwriters	1	1	1
	Junior professional and technical examinations for realtors	2	2	2
	Real estate appraiser	1	1	1
	Assistant real estate broker	7	5	4
	Proficiency test for deposit business	179	174	174
	Basic Test of the FinTech Knowledge	16	16	16
	Financial derivatives specialist exam	53	93	96
Proficiency test for risk management	7	13	13	
International Trade Specialist	1	1	1	
Accounting grade c subject test	19	22	22	

Year		2017	2018	As of March 31, 2019
Certification and Qualification	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)	3	3	3
	Certified Anti-Money Laundering Specialists (CAMS)	14	24	25
	Legal Profession Qualification Certificate	5	4	2
	Certificate of Accounting Profession	7	6	7
	Fund Qualification Exam	2	2	2
	Futures Practitioners Qualifying Exam	1	1	1
	AMAC Fund Qualification Exam- Basic Knowledge of Private Equity Fund	0	9	9
	AMAC Fund Qualification Exam- Regulations and Ethics Standards	0	10	10
	AMAC Fund Qualification Exam-Basic Knowledge of Securities Investment Fund	0	4	4
	Fellow, Life Management Institute	0	1	2
	Anti-Money Laundering/Countering the Financing of Terrorism Specialist exam	0	21	22
	CPA(China)	0	0	1
	Securities Practitioner's Qualify exam- Basic Knowledge of Securities Market	0	0	1
	Securities Practitioner's Qualify exam- Securities Investment Analysis	0	0	1
	Wealth Management Planner	0	2	2
	Property Insurance Agent	0	2	2
	Property Insurance Underwriters	0	1	1
Claim Adjuster for Property Insurance	0	1	1	
Total		33,012	32,262	32,150

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

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

5.4.2 Education and Training for Employees in 2018

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 2018, 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 872,790. On average, each employee received 46 hours of training in 2018. 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 87%.

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. In addition to "KGI e-Learning" and "CDF Financial Academy", the training center of China Life also joined to become the platforms for 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.

The company's charity projects can be divided into four major categories: charitable donations and educational aid, community investments, arts cultivation and commercial initiatives, and employee engagement

5.5.1 Charitable donations and educational aid

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". To support and cultivate programs related to culture, art education, and social welfare. Regardless of a sponsorship program or an emergency aid, education is our focus: donations and support are provided to students from primary school children to post graduate students. We continue to support and cultivate various culture, art education and social welfare.

Charitable donations – Emergency Aid

Donor	Project	Beneficiary	Description	2018 Performance
CDF	Hualian Earthquake	Schools with severely damaged instruments due to earthquakes	CDF donated NT\$5mn to schools damaged in the earthquake, namely Mingyi Elementary School, Huagang Junior High School, and Hualian High School, so that they will have money to buy new musical instruments.	Beneficiaries: Mingyi Elementary School: 1,500 Huagang Junior High School: 800 Hualian Senior High School: 900
CDF	Donation for Tainan Earthquake	Orphaned children	CDF donated NT\$ 10 million for home reconstruction and child education right after the Tainan earthquake happened in February, 2016. To ensure effective utilization of donations, NT\$6 million was deposited as emergency funding and the remaining \$4 million was put in an education trust for the orphaned children by the earthquake.	
CDIB Education and Cultural Affairs Foundation	Financial Assistance to student victims of Formosa Fun Coast explosion	Student Victims	A subsidy project to cover the cost of school fees for student victims of the incident.	<ul style="list-style-type: none"> beneficiary :87 students subsidy amount: NT\$ 3.07 million Accumulative subsidy amount & beneficiary since 2016: NT\$17.37 million, 508 people
KGI Charity Foundation	Emergent Aid Program	Low-income students	Financial aid and emergency funds for student's family that experience sudden upheavals	Beneficiary: 69students, 55 schools

Educational Aid

Donor	Project	Recipients	Description	2018 Performance
CDIB Education and Cultural Affairs Foundation	Perfect Nutrition	Elementary and junior high schools in rural areas	Subsidies to food budgets	Beneficiary: 204 schools Total 10,787students
	Country 100 Mobile Reading	Disadvantage families in rural areas	Sponsored National Taiwan Museum Cultural Foundation to conduct "Our Class Has Got Talent" exhibition's sleepover activity	Beneficiary: 40 students,
	Our Class Has Got Talent	Individuals or groups with potential	Talent reward program	Beneficiary: 70students, 14 schools
	Scholarship for skilled vocational high school students	High school students with potential	Talent reward program Sponsored National Chung Cheng University to conduct National Intercollegiate Athletic Games	Beneficiary: 67 students, 50 schools
	Heritage 100 X Tutelage 100	Low-income college students	Beneficiaries who receive the scholarship are encouraged to tutor underprivileged children for 100 hours in a synergy effect of not only providing academic support but also serving as positive role models to children	Beneficiary: 100 college students, 100 underprivileged children, 10,000 tutorial hours, 100 schools
KGI Charity Foundation	Love, Starting From Elementary School	Low-income students	Support low-income students to secure their right to life and education	Beneficiary: 119 schools Total 310 students

Donor	Project	Recipients	Description	2018 Performance
	Let Love Flower	Economically disadvantaged students living in rural areas	Assist students from economically disadvantaged backgrounds to have fair opportunity for quality education	Beneficiary: 42 schools
KGI Securities Thailand	Dream Come True Bicycle Donation Drive III	Children aged 8-15 who have commuting difficulties to school	Ensure students won't have to interrupt their education due to commuting difficulties	Beneficiary: 151 schools, 920 bicycles

5.5.2 Community Investments

In the process of making donations to social philanthropy, CDF strives to integrate charity work with business to create win-win situations. Having long committed to venture capital / private equity business, CDF has utilized its core competence and set up the CDIB Capital Innovation Accelerator Fund. CDF is actively building an international “China Development and Innovation Accelerator” resource platform which not only providing free event space, but also enable new entrepreneurs to share resources anytime and anywhere through various entrepreneurial community activities, and increase exchanges between large enterprises, investees and startups, thus creating a win-win-win situation for startups, strategic investors, and innovation funds.

In addition, CDF also pays attention to the artistic needs of disadvantaged children in rural areas. In addition to bringing the arts and cultural activities into the countryside, students from disadvantaged areas are invited to participate in artistic performances, so that children can see more possibilities and create a better future.

Donor	Project	Recipients	Description	2018 Performance
CDF	Education Charity Fund	Underprivileged students	A supportive program of the Taiwan Financial Services Roundtable to help underprivileged students complete their study	Donation: NT\$2.5 million
CDIB Capital	China Development and Innovation Accelerator	Social Enterprise and Start-ups	In order to nurture new ventures, we have created a “China Development and Innovation Accelerator” resource integration platform to enhance communication and resolve difficulties for entrepreneurship through various entrepreneurial community activities	1. Seven start-ups have been invested in; 2. Having held 10 lectures by instructors, a one-day start-up board director event. Overall 128 entrepreneurial events, with more than 5,948 participants, have been held; 3. Representatives from 12 well-known businesses have been invited to meet with 15 social enterprises for one-on-one resource matching
CDIB Education and Cultural Affairs Foundation	Zero Distance in Art	Disadvantaged students and families	Invited students from disadvantaged areas to attend art performance event	Beneficiary: 207 students,
	National Taichung Theater “Dream Come True” program	Primary and secondary school students in remote areas		Beneficiary: 250 students, 6 schools

5.5.3 Art Cultivation and Commercial Initiatives

In addition to continued support for art talent cultivation and event sponsorship, we have also engaged in long-term cooperation with colleges and universities to pass down our first-hand experiences in venture capital and finance to students. We do this to fulfill our corporate social responsibilities, and we believe this will help young students develop a better understanding of our group. In other words, these are good opportunities to strengthen our brand image and awareness among the younger generation, and could ultimately attract young people to join us in the future. In addition, we have also launched an online charity donation platform to work with charitable organizations to implement the Sustainable Development Goals (SDGS-17) "Partnerships for the Goal" of United Nations.

Art Cultivation

Organizer	Project	Recipients	Description	2018 Performance
CDIB Education and Cultural Affairs Foundation	Art Cultivation	Art and culture groups and schools	Sponsored a variety of performance events, including the TIFA Taiwan International Art Festival, the NELKEN-Line Project corporate film shooting, the Dream Come True project, Yi Production dance group's Jie-Hui-Jiu, the Lan Yang International Double Bass Summer Camp, Taipei National University of the Arts' Kuandu Art Festival, and other activities.	Beneficiary: 38,560 people

Partnership for Sustainability

Organizer	Project	Description	2018 Performance
KGI Bank	Online charitable donation platform	KGI Bank launched a charitable donation platform and cooperated with 21 domestic charitable organizations to enable various non-profit organizations to gain more exposure opportunities and provide a safe and convenient donation platform service. Encourage customers transform love to action and donate through credit cards and financial cards	Total: 418 donations Total Donation Amount: NT\$332,000

5.5.4 Employee Engagement

Employees are not only our biggest asset, but also the most important partners for sustainable development. We call on employees to spontaneously spread love to more corners and jointly create a harmonious and sustainable social value.

Employee Engagement

Organizer	Project	Recipients	Description	2018 Performance
KGI Securities	Gift Box of Love	Students in rural areas in Chiayi	KGI Securities staff collected shoebox presents in winter time, sending their loving thoughts to children in rural areas.	400 employees collected over 500 shoebox presents
CDIB Education and Cultural Affairs Foundation	Lunch Dates	Students and Teachers at rural areas	CDF staff visited schools in rural areas with insufficient funding to serve as one-day volunteers during lunch time, providing extra food for students and teachers. <ul style="list-style-type: none"> CDIB Capital President, James Ho and the team visited Fu-Long Elementary School in Hsinchu County to serve 48 students and teachers China Life President, Shu-Fen Huang and the team visited San-He Elementary School in Longtan of Taoyuan, where there were 110 people, teachers, and students included 	Beneficiary: Total 158 students and teachers
KGI Securities	Bread Love	Physical and mental disabilities students of the Catholic Huakuang Center and Qi Zhi Vocational Training Center	Regular purchased pastries and steamed buns made by handicapped people sheltered by the Huakuang Social Welfare Foundation (Hsinchu) and Qi Zhi Vocational Training Center (Taoyuan). Some employees donate the purchased food to orphanages. KGI Securities employees and their families also visited some of the orphanages before Thanksgiving to celebrate the holiday with the orphans	220 employees participated Raised NT\$ 400,000 30 students benefited
				Raised NT\$ 800,000 Beneficiaries: 20 students of the shelter factories ; 78 orphans; 30 elders who live alone 484 employees participated
KGI Bank	KGI Volunteer Day	Elders from Senior Care Centers	In cooperation with the United Way of Taiwan, KGI Volunteer Day cares for the elderly from various Elder Centers. By rewarding the compensatory leave , employees are encourage to spend half a day a month during weekend at care facilities in Taipei, Taichung and Kaohsiung and provide companionship to senior citizens.	Since launched in 2013, more than 1,049 employees have participated in this program 249 employees participated and served for 1,028 hours in 2018
	Birthday Giveaway by Employees	Social Enterprises and Charity Organization	Bought from Social Network Co., Ltd gift sets of double-layer glasses as a way of supporting the development of social enterprises, helping more charity groups raise funds via this platform.	Purchase value was NT\$0.55mn gifts from 36 charity organizations
KGI Securities	Second-hand Book Donation	Children with intellectual disability	Invited employees to donate second-hand books in collaboration with the Children Are Us Foundation (Kaohsiung) and Mollie Used Books	16 employees donated 172 books
	Scholarships	Disadvantaged students, employees, spouses, and children	Extending the talent cultivation program of the foundation, inviting sponsored students to act as class instructors, opening courses on dance and watercolors for employees and their spouses and children.	50 people participated
CDIB Education and Cultural Affairs Foundation	Annual Charity Day Event	Social enterprises and Social groups	The annual charity day event was held on December 13 in the form of a market fair, with 12 social enterprises and charity groups selling products to raise money for donation	About 1000 employees attended the market fair, sales totaling NT\$1mn

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

In 2018, the total numbers of non-executive employees is: 7,809; average annual employee welfare cost for 2018 is: NT\$1.359 million, decreased 6.9% 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

- 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.
- System software and hardware are maintained by professional service providers.

Overview of operating information systems:

1. 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.

2. 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 policy making, risk management, customer service, and data warehousing.

3. KGI Securities

- By function, the IT infrastructure mainly comprises of (1) business systems for securities/futures/options brokerage, proprietary securities/futures trading, domestic bonds, derivative products, institutional investor transactions, capital market, wealth management, sub-brokerage, brokerage registry and transfer and offshore securities unit (OSU); and (2) business supporting systems for data warehouse, customer relations management, account opening and integration, money-laundering prevention, risk management, accounting, human resources, fixed assets and office automation.

4. 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

5.7.2 Future development or procurement plans

IT development and installation projects in 2019 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
- Email platform conversion project

2. China Life

- iAgent – policy checking
- iAgent – performance tracking
- iAgent –policy assignment
- New imaging system
- Boarding platform
- Policy Digitalized Proceeding System (PDPS) and platform
- DR system continuous construction

3. KGIB

- Information security enhancement project
- Email platform conversion project
- Cash card system upgrade project
- Commercial Bank Data Warehousing (DW) Project
- New credit card system project
- New mobile banking installation project
- Hong Kong branch construction project
- New financial management system project
- Fund, bond, ETF system project
- Event management system construction Project

4. KGIS

- Non-paired securities trading system project
- Comprehensive platform project for order placing
- Securities ledger account system project
- Exchange Traded Note (ETN) system project
- New warrants market making and hedging system construction project
- Wealth management electronic trading overseas bonds expansion project

- Sub-brokerage OLTS optimization project
- Stock agency business management system construction project
- Customer Service Management System (CRM) upgrade project
- Visual analysis tool construction project
- Process management platform construction project
- Email platform conversion project

5. CDIB Capital Group

- Email platform conversion project

5.7.3 Emergency backup and security measures

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

- Data center operations at CDIB Capital Group, KGI Bank and KGI Securities are all supported by a remote back-up center, which regularly carries out post-disaster event IT system recovery drills; In order to ensure the stability of data center operations, CDF Group has improved the center's electrical facilities and core network with an additional backup structure that enables continuous centralization. Testing drills are run periodically by technicians; Formulating backup policy and cycles that meet the characteristics of storage for each system, performing periodic data recovery drills, and defining the recovery measures that correspond to the importance level of the backup, which could include on-site, remote, and synchronized recovery.
- 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. In order to strengthen the management mechanism of CDF and its subsidiaries and enhance the information security governance framework, CDF plans to usher in ISO 27001; China Life will go through the re-certification process again in 2018; KGI Securities had received ISO certification in 2016 and has completed the management system and process adjustment; and KGI Bank, in response to the group’s information security governance management consistency, also plans to usher in ISO27001.
- In 2018, the Company completed the overall assessment for the information security technology structure, improved information security protection capabilities, and built next-generation information security and event management systems to integrate information security alerts, events, and intelligence, and analyze through the big data platform. Features that provide instant security threat information.

5.8 Labor Relations

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

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

- (5) Birthday gift
- (6) Injury/illness remedies
- (7) Club event subsidies
- (8) Film screening
- (9) Family day
- (10) Shopping discounts

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

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

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

◎ **KGI Bank**

Punishment date and letter number	Articles violated	Shortcomings and punishment
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
Beishilaodongzi No. 10760029022 from Taipei City Government, August 10, 2018	Labor Standards Act, Article 32 paragraph 1	Penalty of NT\$300,000 due to making employees work overtime without consent of the labor union
Fulaodongzi No. 1070121418 from Hsinchu City Government, August 10, 2018	Labor Standards Act, Article 32 paragraph 1	Penalty of NT\$20,000 due to making employees work overtime without consent of the labor union
Xinbeifulaojianzi No. 1073584828, 10735848281, and 10735848282 from New Taipei City Government, October 16, 2018	Labor Standards Act, Article 24, Article 32 paragraph 1, and Article 49 paragraph 1	<ol style="list-style-type: none"> 1. Penalty of NT\$200,000 due to failing to add shift bonus into the basis for overtime pay calculation, which led to less overtime pay than legally stipulated. 2. Penalty of NT\$400,000 due to making employees work overtime without consent of the labor union 3. Penalty of NT\$150,000 due to making female employees work during nighttime without consent of the labor union.
Fushelaozi No. 1070265231 from Taidong County Government, December 18, 2018	Labor Standards Act, Article 32 paragraph 1	Penalty of NT\$20,000 due to making employees work overtime without consent of the labor union
Beishilaodongzi No. 10860093292 from Taipei City Government, March 8, 2018	Labor Standards Act, Article 32 paragraph 1	Penalty of NT\$600,000 due to making employees work overtime without consent of the labor union

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. In response to government policy, the Company has set up breastfeeding rooms in main office buildings and obtained relevant certification. Moreover, our main subsidiaries have passed government certification for healthy working environments.

5.9 Material Contracts

◎ China Development Financial Holding Corporation

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	From 2018.9.2 to 2019.9.2	<ol style="list-style-type: none"> 1. Liability insurance for directors, supervisors and key staff 2. Compensation for securities liabilities 3. Compensation for employment liabilities 4. Remedial liabilities 	Exclusions include but are not limited to: Claims made between U.S. insured parties, claims for known losses, and claims relating to hazards, pollution and money-laundering activities.

◎ China Life Insurance Co., Ltd.

Contract Type	Contracting Party	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 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 and Health)	None
Reinsurance Contracts	Scor Reinsurance Company (Asia) Ltd.	Since August 1, 1993	Reinsurance treaties(for Life, and Health)	None
Reinsurance Contracts	Hannover Reinsurance Company	Since November 1, 2009	Reinsurance treaties(for Life, PA, health and CAT)	None
Reinsurance Contracts	The TOA Reinsurance Company	Since January 1, 2016	Reinsurance treaties(for PA and Group)	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

Contract Type	Contracting Party	Valid Period	Main contents	Restrictive clauses
Construction Contract	Chung-Lu Construction Co., Ltd.	From December 16, 2016 to December 31, 2019	Taipei Academy New Construction Contract	None
Amendment to Construction Contract	Chung-Lu Construction Co., Ltd.	From March 1, 2017 to December 31, 2019	First Amendment to Taipei Academy New Construction Contract (for revision of total price)	None
Partial Old Line Life Insurance Policies and Riders	Allianz Taiwan Life Insurance Co. Ltd.	From October 19, 2017	The Board approved the acquisition of certain old line life insurance policies and riders for 1 NT dollar from Allianz Taiwan Life Insurance Co. Ltd. on October 19, 2017. The transaction was approved by the Financial Supervisory Commission on February 27, 2018 and consummated on May 18, 2018.	None

◎ **KGI Commercial Bank Co., Ltd.**

Contract Type	Contracting Party	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.	None

VI. Financial Overview

6.1 Five-Year Financial Summary

6.1.1 Consolidated Condensed Balance Sheet

Unit ; NT\$ thousands

Item	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019 (Note 2)	
	Year	2014(Note 4)	2015	2016	2017		2018
Cash and cash equivalents, Due from the central bank and call loans to financial institutions		66,845,161	112,215,613	100,196,911	97,636,786	86,038,806	N/A
Financial assets at fair value through profit or loss		151,177,813	157,780,085	159,280,102	125,949,607	374,931,034	
Available-for-sale financial assets		139,610,600	70,643,015	106,359,065	558,889,116	—	
Financial assets at fair value through other comprehensive income		—	—	—	—	485,335,934	
Debt investments measured at amortized cost		—	—	—	—	970,536,279	
Securities purchased under resell agreements		32,871,543	52,622,253	29,883,158	55,150,889	39,770,534	
Receivables, net		131,789,029	100,754,149	92,190,214	100,219,420	99,099,379	
Current tax assets		720,044	990,101	855,145	745,603	1,168,303	
Discount and loans, net		225,777,475	217,780,328	252,376,992	325,147,363	369,131,396	
Reinsurance assets, net		—	—	—	302,104	534,353	
Held-to-maturity financial assets, net		18,790,000	402,564	300,000	198,886,022	—	
Investments accounted for using the equity method, net		8,562,987	10,775,665	12,675,804	16,375,012	16,102,926	
Restricted assets		24,425,207	29,776,730	27,933,924	40,973,737	43,927,569	
Other financial assets		73,755,267	59,869,095	64,285,076	752,610,493	91,362,530	
Investment property, net		2,070,706	2,048,311	2,179,356	25,450,094	25,432,290	
Property and equipment, net		14,393,809	14,717,160	14,512,916	30,880,691	31,717,297	
Intangible assets, net		8,896,357	8,584,490	7,948,378	22,169,720	21,171,147	
Deferred tax assets		5,834,810	5,561,925	4,912,053	9,081,862	12,652,560	
Other assets, net		14,180,410	22,197,691	16,308,415	32,055,871	48,902,361	
Total assets		919,701,218	866,719,175	892,197,509	2,392,524,390	2,717,814,828	
Deposits from the central bank and financial institutions		12,680,778	10,024,399	31,078,769	28,867,956	22,434,914	
Financial liabilities at fair value through profit or loss		35,082,307	39,898,179	51,565,266	55,729,704	87,786,725	
Derivative financial liabilities for hedging		20,659	—	—	—	—	
Notes and bonds issued under repurchase agreements		132,826,606	119,611,868	119,560,443	100,177,627	125,478,900	
Commercial paper payable, net		13,925,045	13,139,202	17,549,797	20,549,392	14,985,902	

Item	Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2019 (Note 2)
		2014(Note 4)	2015	2016	2017	2018	
Payables		58,243,555	57,152,044	60,337,328	85,630,607	89,641,244	N/A
Current tax liabilities		1,994,883	911,029	826,620	5,443,513	967,872	
Deposits and remittances		304,557,970	325,312,132	315,451,964	362,729,069	398,286,010	
Bonds payable		34,660,984	28,618,692	27,684,236	30,000,000	31,150,000	
Other borrowings		35,204,646	21,809,459	19,878,458	25,704,261	18,818,061	
Provisions		1,215,264	1,419,454	1,373,667	1,288,449,104	1,557,304,939	
Other financial liabilities		98,296,995	65,475,084	62,753,830	109,126,375	111,539,399	
Deferred tax liabilities		1,423,785	1,460,166	1,487,885	9,391,454	7,275,275	
Other liabilities		13,544,034	13,116,729	15,552,208	21,501,190	28,582,681	
Total liabilities	Before distribution	743,677,511	697,948,437	725,100,471	2,143,300,252	2,494,251,922	
	After distribution	752,776,184	705,435,443	732,588,342	2,152,274,629	(Note 3)	
Equity attributable to owners of the parent							
Common stock	Before distribution	153,444,462	151,125,441	149,744,213	149,768,196	149,633,560	
	After distribution	153,444,462	151,125,441	149,744,213	149,768,169	(Note 3)	
Capital surplus		590,923	654,803	1,104,521	1,173,719	1,630,992	
Retained earnings	Before distribution	19,477,595	18,507,160	16,798,782	20,870,156	22,095,706	
	After distribution	10,378,922	11,020,154	9,310,911	11,895,779	(Note 3)	
Other equity		(24,165)	(2,746,831)	(1,782,652)	73,567	(10,522,131)	
Treasury shares		(3,298,709)	(2,376,747)	(2,376,747)	(4,205,566)	(3,605,444)	
Non-controlling interests		5,833,601	3,606,912	3,608,921	81,544,066	64,330,223	
Total equity	Before distribution	176,023,707	168,770,738	167,097,038	249,224,138	223,562,906	
	After distribution	166,925,034	161,283,732	159,609,167	240,249,761	(Note 3)	

Note 1 : Financial statements of the Company in 2014 to 2018 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2019 have not been reviewed by CPA.

Note 3 : Distribution for earnings in 2018 has 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, 2019 (Note 2)
		2014(Note 4)	2015	2016	2017	2018	
Cash and cash equivalents		1,458,812	2,665,707	1,357,441	1,014,547	4,570,426	N/A
Financial assets at fair value through profit or loss		0	0	0	0	471,765	
Available-for-sale financial assets		1,293,830	1,226,972	1,199,734	1,344,910	0	
Receivables, net		155	139	115	4,689	50,567	
Current tax assets		1,114,182	1,438,314	1,436,182	1,234,121	1,881,337	
Investments accounted for using the equity method, net		192,203,350	186,684,329	186,391,735	200,445,118	185,756,820	
Other financial assets		300	300	300	300	500,300	
Property and equipment, net		12,251	10,094	9,906	21,488	28,054	
Other assets, net		544,217	540,719	541,742	29,946	33,988	
Total assets		196,627,097	192,566,574	190,937,155	204,095,119	193,293,257	
Derivative financial liabilities for hedging		20,659	0	0	0	0	
Commercial paper payable		2,999,869	5,099,745	3,999,774	9,899,365	9,898,975	
Payables		1,000,906	649,830	554,345	699,065	722,528	
Current tax liabilities		791,615	1,021,390	857,328	472,630	1,129,319	
Bonds payable		18,000,000	18,000,000	18,000,000	22,000,000	19,000,000	
Other borrowings		3,599,573	2,599,847	3,999,892	3,299,950	3,299,951	
Provisions		24,161	31,627	37,290	41,362	6,946	
Other liabilities		208	309	409	2,675	2,855	
Total liabilities	Before distribution	26,436,991	27,402,748	27,449,038	36,415,047	34,060,574	
	After distribution	35,535,664	34,889,754	34,936,909	45,389,424	(Note 3)	
Common stock	Before distribution	153,444,462	151,125,441	149,744,213	149,768,196	149,633,560	
	After distribution	153,444,462	151,125,441	149,744,213	149,768,196	(Note 3)	
Capital surplus		590,923	654,803	1,104,521	1,173,719	1,630,992	
Retained earnings	Before distribution	19,477,595	18,507,160	16,798,782	20,870,156	22,095,706	
	After distribution	10,378,922	11,020,154	9,310,911	11,895,779	(Note 3)	
Other equity		(24,165)	(2,746,831)	(1,782,652)	73,567	(10,522,131)	
Treasury shares		(3,298,709)	(2,376,747)	(2,376,747)	(4,205,566)	(3,605,444)	
Total equity	Before distribution	170,190,106	165,163,826	163,488,117	167,680,072	159,232,683	
	After distribution	161,091,433	157,676,820	156,000,246	158,705,695	(Note 3)	

Note 1 : Financial statements of the Company in 2014 to 2018 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2019 have not been reviewed by CPA.

Note 3 : Distribution for earnings in 2018 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, 2019 (Note 2)
	2014(Note 3)	2015	2016	2017	2018	
Interest revenues	12,811,017	14,245,989	11,391,971	27,465,994	64,564,921	N/A
Interest expenses	(4,398,754)	(5,138,176)	(4,332,469)	(5,395,582)	(7,982,593)	
Interest profit, net	8,412,263	9,107,813	7,059,502	22,070,412	56,582,328	
Noninterest profits and gains, net	20,209,724	20,600,798	20,068,226	63,343,239	195,767,549	
Net revenues	28,621,987	29,708,611	27,127,728	85,413,651	252,349,877	
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	(13,707)	329,789	(751,478)	(613,750)	(45,761)	
Net change in reserve for insurance liabilities	—	—	—	(48,277,392)	(213,695,965)	
Operating expenses	(16,829,647)	(20,595,413)	(19,265,421)	(22,002,711)	(25,166,272)	
Net profit before income tax from continuing operations	11,778,633	9,442,987	7,110,829	14,519,798	13,441,879	
Income tax expense	(941,302)	(827,812)	(1,123,925)	(2,154,331)	(627,239)	
Net profit from continuing operations	10,837,331	8,615,175	5,986,904	12,365,467	12,814,640	
Net income	10,837,331	8,615,175	5,986,904	12,365,467	12,814,640	
Other comprehensive income for the year, net of income tax	752,399	(3,116,463)	802,045	4,499,766	(35,062,270)	
Total comprehensive income for the year	11,589,730	5,498,712	6,788,949	16,865,233	(22,247,630)	
Net profit attributable to owners of parent	10,752,042	8,528,231	5,923,081	11,695,285	7,852,688	
Net profit attributable to non-controlling interests	85,289	86,944	63,823	670,182	4,961,952	
Total comprehensive income attributable to owners of parent	11,506,549	5,415,879	6,736,201	13,408,973	(4,995,817)	
Total comprehensive income attributable to non-controlling interests	83,181	82,833	52,748	3,456,260	(17,251,813)	
Earnings per share(In dollar)	0.73	0.58	0.40	0.80	0.54	

Note 1 : Financial statements of the Company in 2014 to 2018 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2019 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

Item	Financial Summary for The Last Five Years (Note1)					As of March 31, 2019 (Note 2)
	2014(Note3)	2015	2016	2017	2018	
Share of the profit of subsidiaries, associates and joint ventures	11,499,962	9,590,588	6,787,470	12,687,096	9,353,789	N/A
Other revenues and gains	51,888	79,871	68,441	51,725	19,686	
Operating expenses	(859,858)	(790,869)	(807,444)	(1,026,932)	(993,269)	
Other expenses and losses	(374,951)	(345,682)	(304,713)	(338,275)	(547,105)	
Net profit before income tax from continuing operations	10,317,041	8,533,908	5,743,754	11,373,614	7,833,101	
Income tax benefit (expense)	435,001	(5,677)	179,327	321,671	19,587	
Net profit for the year	10,752,042	8,528,231	5,923,081	11,695,285	7,852,688	
Other comprehensive income for the year, net of income tax	754,507	(3,112,352)	813,120	1,713,688	(12,848,505)	
Total comprehensive income for the year	11,506,549	5,415,879	6,736,201	13,408,973	(4,995,817)	
Earnings per share(In dollar)	0.73	0.58	0.40	0.80	0.54	

Note 1 : Financial statements of the Company in 2014 to 2018 were audited.

Note 2 : As of the publication date, the financial statements of the first quarter of 2019 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 2014 to 2018

Year	Accounting Firm	CPA	Audit Opinion
2018	Deloitte & Touche	Wu, Mei-Hui 、 Kuo, Cheng-Hung	Unqualified 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

6.2 Five-Year Financial Analysis

Consolidated Financial Analysis

Unit ; NT\$ thousands ; %

Item		Year	Financial Summary for The Last Five Years (Note1)					As of March 31, 2019 (Note 3)
			2014 (Note11)	2015	2016	2017	2018	
Operating ratio	Total assets turnover (Times)	0.04	0.03	0.03	0.05	0.10	N/A	
	Ratio of loans to deposits (CDIB Capital Group)	71.22	—	—	—	—		
	Ratio of loans to deposits (KGI Bank)	73.60	62.38	74.55	79.07	80.69		
	NPL ratio (CDIB Capital Group)	0.25	—	—	—	—		
	NPL ratio (KGI Bank)	0.42	0.34	0.34	0.21	0.17		
	Average revenue per employee	3,982	3,858	3,585	6,842	20,033		
	Average net income per employee	1,508	1,119	791	991	1,017		
Profitability ratio	Ratio of return on total assets (%)	1.38	0.96	0.68	0.75	0.50		
	Ratio of return on stockholders' equity (%)	6.28	5.00	3.57	5.94	5.35		
	Profit margin ratio (%)	37.86	29.00	22.07	14.48	5.08		
	Basic Earnings per share(in dollar)	0.73	0.58	0.40	0.80	0.54		
Financial structure (%)	Ratio of debt to assets	80.86	80.53	81.27	89.58	91.77		
	Ratio of debt to net worth	422.49	413.55	433.94	859.99	1,115.68		
	Double Leverage Ratio of Financial Holding Company	113.69	113.77	114.74	120.34	116.95		
	According to Article 41 of Financial Holding Company Law	(Note 2)	(Note 2)	(Note 2)	(Note 2)	(Note 2)		
Leverage ratio	Operating leverage ratio	1.11	1.12	1.31	4.49	17.08		
	Financial leverage ratio of Financial Holding Company	1.04	1.04	1.05	1.03	1.05		
Ratio of growing	Ratio of assets growing	41.94	(5.76)	2.94	168.16	13.60		
	Ratio of income growing	27.73	(19.83)	(24.70)	104.19	(7.42)		
Cash flow	Cash flow ratio	(1.13)	(16.86)	(12.73)	20.94	34.85		
	Cash flow adequacy ratio	(Note 7)	(Note 7)	(1.84)	1.10	17.47		
	Cash flow content ratio	(332.74)	(33.11)	(3,706.61)	249.82	102.82		
Operating Scale	Market share of assets	2.49	2.14	2.08	4.56	4.85		
	Market share of equity	6.51	5.86	5.41	6.70	6.06		
	Market share of deposit(CDIB Capital Group)	0.50	—	—	—	—		
	Market share of deposit(KGI Bank)	0.41	0.99	0.92	0.94	1.05		
	Market share of assets loans(CDIB Capital Group)	0.51	—	—	—	—		
	Market share of assets loans(KGI Bank)	0.38	0.81	0.92	1.03	1.12		

Item		Year	Financial Summary for The Last Five Years (Note 1)					As of March 31, 2019 (Note 3)
			2014 (Note 11)	2015	2016	2017	2018	
Capital adequacy Ratio	Subsidiaries' Capital adequacy Ratio calculated by regulation	KGI Bank	12.86	14.96	13.23	14.18	13.39	N/A
		KGI Securities	343	340	329	295	327	
		CDIB Capital Group	17.73	108.63	148.43	(Note 8)	(Note 8)	
		China Life Insurance	(Note 9)	(Note 9)	(Note 9)	350	272	
	Qualified capital of subsidiaries	KGI Bank	16,294,778	53,303,814	53,986,254	57,719,776	63,912,516	
		KGI Securities	23,195,681	20,503,870	17,895,797	18,167,949	19,780,482	
		CDIB Capital Group	45,327,171	14,497,173	20,910,410	52,975,226	47,686,090	
		China Development Asset Management Corporation	(Note 10)	(Note 10)	(Note 10)	2,421,554	2,358,918	
		China Life Insurance	(Note 9)	(Note 9)	(Note 9)	28,422,520	28,048,402	
	Net Group qualified capital		62,798,158	66,777,653	69,883,202	110,250,824	119,768,805	
	Legal requirement of subsidiaries' capital	KGI Bank	10,139,165	28,497,462	35,206,376	37,661,494	47,125,976	
		KGI Securities	10,147,407	9,042,459	8,151,174	9,237,377	9,081,894	
		CDIB Capital Group	20,453,387	1,067,612	1,215,027	27,081,901	24,636,062	
		China Development Asset Management Corporation	(Note 10)	(Note 10)	(Note 10)	1,627,981	1,595,846	
		China Life Insurance	(Note 9)	(Note 9)	(Note 9)	16,262,902	20,653,219	
Legal requirement of group capital		234,893,887	227,063,385	232,710,468	293,713,849	289,929,125		
Group Capital Adequacy Ratio		147.47	165.38	150.87	118.21	114.97		
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	74.83	107.83	114.16	249.75	331.78		
	The same Group	41.33	26.44	22.29	71.27	206.23		

Reasons for changes in financial ratios in the recent 2 years:

- The increase of total assets turnover, average revenue per employee and operating leverage ratio were mainly due to the increase of consolidated net revenues by China Life Insurance which was consolidated as of September 2017.
- The decrease of basic earnings per share (in dollar) was mainly due to the decrease of net profit attributable to owners of parent of 2018.
- The decrease of profit margin ratio was mainly due to the increase of the net change in reserve for insurance liabilities of 2018.
- The increase of ratio of debt to net worth was mainly due to the increase of insurance liabilities by China Life Insurance.
- The decrease of ratio of assets growing was mainly due to the increase of consolidated total assets by China Life Insurance which was consolidated as of 2017.
- The decrease ratio of return on total assets was mainly due to the increase of average consolidated total assets by China Life Insurance which was consolidated as of 2017.
- The decrease of ratio of income growing was mainly due to the decrease of the income before tax of 2018.
- The increase of cash flow ratio and cash flow adequacy ratio were mainly due to the increase of net cash flows generated from operating activities of 2018.
- The decrease of cash flow content ratio was mainly due to the increase of cash flows generated from investing activities of 2018.
- 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 of 2018.

Note 1 : Financial statements of the Company in 2014 to 2018 were audited.

Note 2 : None.

Note 3 : As of the publication date, the financial statements of the first quarter of 2019 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 May 1, 2015, the Corporation's board of the directors approved the transfer to KGI Bank of (a) all assets and liabilities associated with the commercial banking business of the Corporation and (b) the Corporation's holdings of shares in the Corporation'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 the Corporation will continue to expand its assets management business.

Note 9: 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. After the Corporation acquired 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.

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' Review Report

The Board of Directors has prepared this Company's 2018 business report, financial statements and the earnings distribution plan, among which the financial statements have been audited by CPAs Mei-Huei 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:

2019 Annual General Meeting of the Shareholders

Audit Committee
Convener Ching-Yen Tsay

Date: April 29, 2019

6.4 Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

China Development Financial Holding Corporation and Subsidiaries

Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017 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, 2018 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 25, 2019

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, 2018 and 2017, the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Financial Holding Companies, Regulations Governing the Preparation of Financial Reports by Public Banks, Regulations Governing the Preparation of Financial Reports by Securities Firms, Regulations Governing the Preparation of Financial Reports by Futures Commission Merchants, Regulations Governing the Preparation of Financial Reports by Securities Issuers, 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, 2018. 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.

The key audit matters for the Group's consolidated financial statements for the year ended December 31, 2018 are as follows:

Impairment of Discounts, Loans, Receivables, Loan Commitments and Provisions

As stated in Note 5, to determine the impairment loss of discounts, loans, receivables, loan commitments and provisions, the management should (1) judge whether credit risk has increased significantly or credit impairment has already occurred, (2) estimate the expected future cash flows based on past events, present status and future economic circumstances of the assets with similar credit risk, and (3) review periodically the methodology and assumptions adopted for both expected future cash flows and its timing to decrease the difference between the 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 use of critical judgments and estimates; therefore, the impairment of discounts, loans, receivables, loan commitments and provisions is deemed to be a key audit matter for the year ended December 31, 2018.

Refer to Notes 4, 5 and 57 for the critical accounting policies, judgment, estimation uncertainty and related disclosure of the impairment for discounts, loans, receivables, loan commitments and provisions.

We understood and assessed the internal controls related to the discounts, loans, receivables, loan commitments and provisions. We verified whether the methodology used in the impairment model and parameters of the assumptions reflected past events, present status and future economic circumstances. We assessed the consistency of the impairment occurrence rate and recovery rate, etc. used in estimating expected future cash flows and evaluating values of collateral. Finally, we performed sampling on discounts, loans, receivables, loan commitments and provisions cases to verify whether the allowance for debt complies with the law and related regulations issued by the authorities.

Assessment of Insurance Liabilities and Liability Adequacy Reserve

As stated in Note 33, reserve for life insurance liabilities were \$1,513,115,547 thousand as of December 31, 2018. There was no need to make provision for liability adequacy reserve because the recorded insurance liability is sufficient as shown in Note 33.

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, 2018.

Refer to Notes 4, 5 and 56 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 55, the Group held financial instruments measured at fair value with no quoted markets prices in an active market that included financial assets belonging to the Level 2 or 3 category of fair value measurement which amounted to \$399,858,460 thousand and financial liabilities of \$83,948,344 thousand as of December 31, 2018. The amounts are material to the Group's financial statements. 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 the key audit matter for the year ended December 31, 2018.

Refer to Notes 4, 5 and 55 for the relevant accounting policies, 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, 2018 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 25, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
CASH AND CASH EQUIVALENTS (Notes 4, 6 and 50)	\$ 59,607,423	2	\$ 63,807,752	3
DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS (Notes 7, 50 and 51)	26,431,383	1	33,829,034	2
FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Notes 4, 8, 9, 50 and 51)	374,931,034	14	125,949,607	5
AVAILABLE-FOR-SALE FINANCIAL ASSETS (Notes 4, 10, 19, 50 and 51)	-	-	558,889,116	23
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Notes 4, 11, 50, 51 and 57)	485,335,934	18	-	-
DEBT INVESTMENTS MEASURED AT AMORTIZED COST (Notes 4, 12, 50 and 57)	970,536,279	36	-	-
SECURITIES PURCHASED UNDER RESELL AGREEMENTS (Note 13)	39,770,534	1	55,150,889	2
RECEIVABLES, NET (Notes 4, 14, 50, 51 and 57)	99,099,379	4	100,219,420	4
CURRENT TAX ASSETS	1,168,303	-	745,603	-
DISCOUNTS AND LOANS, NET (Notes 4, 15, 50 and 57)	369,131,396	13	325,147,363	14
REINSURANCE ASSET, NET (Note 16)	534,353	-	302,104	-
HELD-TO-MATURITY FINANCIAL ASSETS, NET (Note 17)	-	-	198,886,022	8
INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET (Notes 18 and 19)	16,102,926	1	16,375,012	1
RESTRICTED ASSETS (Notes 20, 50 and 51)	43,927,569	2	40,973,737	2
OTHER FINANCIAL ASSETS (Notes 19, 21, 50 and 51)	91,362,530	3	752,610,493	32
INVESTMENT PROPERTIES, NET (Notes 22 and 51)	25,432,420	1	25,450,094	1
PROPERTY AND EQUIPMENT, NET (Notes 23 and 51)	31,717,297	1	30,880,691	1
INTANGIBLE ASSETS, NET (Note 24)	21,171,147	1	22,169,720	1
DEFERRED TAX ASSETS (Note 47)	12,652,560	-	9,081,862	-
OTHER ASSETS, NET (Notes 25, 50 and 51)	<u>48,902,361</u>	<u>2</u>	<u>32,055,871</u>	<u>1</u>
TOTAL	<u>\$ 2,717,814,828</u>	<u>100</u>	<u>\$ 2,392,524,390</u>	<u>100</u>
LIABILITIES AND EQUITY				
LIABILITIES				
Deposits from the Central Bank and financial institutions (Notes 26 and 50)	\$ 22,434,914	1	\$ 28,867,956	1
Financial liabilities at fair value through profit or loss (Notes 4, 8 and 50)	87,786,725	3	55,729,704	2
Notes and bonds issued under repurchase agreements (Notes 4, 8, 10, 11, 27 and 50)	125,478,900	5	100,177,627	4
Commercial paper payable, net (Notes 28, 50 and 51)	14,985,902	1	20,549,392	1
Payables (Notes 29 and 50)	89,641,244	3	85,630,607	4
Current tax liabilities	967,872	-	5,443,513	-
Deposits and remittances (Notes 30 and 50)	398,286,010	15	362,729,069	15
Bonds payable (Note 31)	31,150,000	1	30,000,000	1
Other borrowings (Notes 32, 50 and 51)	18,818,061	1	25,704,261	1
Provisions (Note 33)	1,557,304,939	57	1,288,449,104	54
Other financial liabilities (Notes 35, 50 and 51)	111,539,399	4	109,126,375	5
Deferred tax liabilities (Note 47)	7,275,275	-	9,391,454	1
Other liabilities	<u>28,582,681</u>	<u>1</u>	<u>21,501,190</u>	<u>1</u>
Total liabilities	<u>2,494,251,922</u>	<u>92</u>	<u>2,143,300,252</u>	<u>90</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT (Notes 36, 37 and 38)				
Capital				
Common stock	149,622,812	5	149,763,034	6
Advance receipts for capital stock	10,748	-	5,162	-
Capital surplus	1,630,992	-	1,173,719	-
Retained earnings				
Legal reserve	6,776,135	-	5,606,606	-
Special reserve	565,041	-	2,078,602	-
Unappropriated earnings	14,754,530	1	13,184,948	1
Other				
Exchange differences on translation of financial statements of foreign operations	(930,286)	-	(2,031,949)	-
Unrealized gain (loss) on available-for-sale financial assets	-	-	2,113,838	-
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	(66,615)	-	-	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	(5,071,947)	-	-	-
Other comprehensive income (loss) reclassified using the overlay approach	(4,451,944)	-	-	-
Others	(1,339)	-	(8,322)	-
Treasury shares	<u>(3,605,444)</u>	<u>-</u>	<u>(4,205,566)</u>	<u>-</u>
Total equity attributable to owners of the parent	159,232,683	6	167,680,072	7
NON-CONTROLLING INTERESTS (Notes 36 and 37)	<u>64,330,223</u>	<u>2</u>	<u>81,544,066</u>	<u>3</u>
Total equity	<u>223,562,906</u>	<u>8</u>	<u>249,224,138</u>	<u>10</u>
TOTAL	<u>\$ 2,717,814,828</u>	<u>100</u>	<u>\$ 2,392,524,390</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
INTEREST REVENUE (Notes 39 and 50)	\$ 64,564,921	25	\$ 27,465,994	32	135
INTEREST EXPENSE (Notes 39 and 50)	<u>(7,982,593)</u>	<u>(3)</u>	<u>(5,395,582)</u>	<u>(6)</u>	48
INTEREST PROFIT, NET	<u>56,582,328</u>	<u>22</u>	<u>22,070,412</u>	<u>26</u>	156
NONINTEREST PROFITS AND GAINS, NET					
Service fee and commission, net (Notes 21, 40 and 50)	(1,375,497)	(1)	6,775,862	8	(120)
Net income from insurance operations (Notes 41 and 50)	184,725,121	73	39,368,179	46	369
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net (Note 42)	(26,109,031)	(10)	9,448,553	11	(376)
Realized gain (loss) on available-for-sale financial assets, net (Note 43)	-	-	7,413,380	9	(100)
Realized gain (loss) on financial assets measured at fair value through other comprehensive income (Notes 4 and 44)	2,543,975	1	-	-	-
Gain (loss) on disposal of financial assets measured at amortized cost (Note 4)	(850,917)	-	-	-	-
Foreign exchange gain (loss), net	17,302,371	7	(6,963,086)	(8)	348
Impairment loss on assets, net	(31,478)	-	(1,194,707)	(1)	(97)
Share of the profit (loss) of associates and joint ventures	(305,739)	-	1,836,537	2	(117)
Gain (loss) on reclassification using the overlay approach (Note 8)	15,784,002	6	-	-	-
Gain on financial assets measured at cost, net (Note 45)	-	-	3,025,225	3	(100)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
Consulting service revenue (Note 50)	\$ 1,289,448	1	\$ 1,150,248	1	12
Others (Note 50)	<u>2,795,294</u>	<u>1</u>	<u>2,483,048</u>	<u>3</u>	13
Total noninterest profits and gains, net	<u>195,767,549</u>	<u>78</u>	<u>63,343,239</u>	<u>74</u>	209
TOTAL NET REVENUE	<u>252,349,877</u>	<u>100</u>	<u>85,413,651</u>	<u>100</u>	195
ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES, NET	<u>(45,761)</u>	<u>-</u>	<u>(613,750)</u>	<u>(1)</u>	(93)
NET CHANGE IN RESERVE FOR INSURANCE LIABILITIES	<u>(213,695,965)</u>	<u>(85)</u>	<u>(48,277,392)</u>	<u>(56)</u>	343
OPERATING EXPENSES (Notes 34, 46 and 50)					
Employee benefits	(15,293,934)	(6)	(13,758,724)	(16)	11
Depreciation and amortization	(2,417,238)	(1)	(1,814,357)	(2)	33
Other general and administrative expenses	<u>(7,455,100)</u>	<u>(3)</u>	<u>(6,429,630)</u>	<u>(8)</u>	16
Total operating expenses	<u>(25,166,272)</u>	<u>(10)</u>	<u>(22,002,711)</u>	<u>(26)</u>	14
NET PROFIT BEFORE INCOME TAX	13,441,879	5	14,519,798	17	(7)
INCOME TAX EXPENSE (Note 47)	<u>(627,239)</u>	<u>-</u>	<u>(2,154,331)</u>	<u>(2)</u>	(71)
NET PROFIT FOR THE YEAR	<u>12,814,640</u>	<u>5</u>	<u>12,365,467</u>	<u>15</u>	4
OTHER COMPREHENSIVE INCOME (LOSS)					
Items that will not be reclassified subsequently to profit or loss, net of income tax					
Remeasurement of defined benefit plans	(133,082)	-	(166,180)	-	(20)
Share of the other comprehensive income (loss) of associates and joint ventures	(244,410)	-	212	-	(115,388)

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease)
	Amount	%	Amount	%	%
Gain (loss) on equity instruments measured at fair value through other comprehensive income	\$ (5,053,240)	(2)	\$ -	-	-
Income tax relating to the items that will not be reclassified subsequently to profit or loss (Note 47)	1,055,355	-	18,770	-	5,523
Items that will be reclassified subsequently to profit or loss, net of income tax					
Exchange differences on translation of financial statements of foreign operations	965,962	-	(2,238,906)	(3)	143
Unrealized gain on available-for-sale financial assets	-	-	5,717,190	7	(100)
Share of the other comprehensive income (loss) of associates and joint ventures-Items that will be reclassified profit or loss	149,173	-	959,832	1	(84)
Income tax relating to items that may be reclassified subsequently to profit or loss (Note 47)	4,881,814	2	208,848	-	2,237
Gain (loss) on debt instruments measured at fair value through other comprehensive income	(20,899,840)	(8)	-	-	-
Other comprehensive income (loss) reclassified using the overlay approach (Note 8)	<u>(15,784,002)</u>	<u>(6)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(35,062,270)</u>	<u>(14)</u>	<u>4,499,766</u>	<u>5</u>	<u>(879)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (22,247,630)</u>	<u>(9)</u>	<u>\$ 16,865,233</u>	<u>20</u>	<u>(232)</u>

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2018		2017		Percentage Increase (Decrease) %
	Amount	%	Amount	%	
NET PROFIT ATTRIBUTABLE TO:					
Owners of parent	\$ 7,852,688	3	\$ 11,695,285	13	(33)
Non-controlling interests	<u>4,961,952</u>	<u>2</u>	<u>670,182</u>	<u>1</u>	640
	<u>\$ 12,814,640</u>	<u>5</u>	<u>\$ 12,365,467</u>	<u>14</u>	4
TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:					
Owners of parent	\$ (4,995,817)	(2)	\$ 13,408,973	16	(137)
Non-controlling interests	<u>(17,251,813)</u>	<u>(7)</u>	<u>3,456,260</u>	<u>4</u>	(599)
	<u>\$ (22,247,630)</u>	<u>(9)</u>	<u>\$ 16,865,233</u>	<u>20</u>	(232)
EARNINGS PER SHARE (Note 48)					
Basic	<u>\$0.54</u>		<u>\$0.80</u>		
Diluted	<u>\$0.54</u>		<u>\$0.80</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, 2018 AND 2017
(In Thousands of New Taiwan Dollars, Except Earnings Per Shares)

	Equity Attributable to Owners of the Parent													Total Equity Attributable to Owners of the Parent	Non-controlling Interests	Total Equity
	Capital			Retained Earnings			Other Equity				Treasury Shares					
	Common Stock	Advance Receipts for Capital Stock	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translation of Financial Statements of Foreign Operations	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach		Others				
BALANCE AT JANUARY 1, 2017	\$ 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)	-	-	-	-	-	-	-	-	-	
Cash dividends - NTS0.5 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 change 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 (loss) 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)	
Purchase of the Corporation's shares, as treasury shares	-	-	-	-	-	-	-	-	-	-	-	(1,834,558)	(1,834,558)	(3,413,272)	(5,247,830)	
Disposal of the Corporation's 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	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	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	
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	1,743,732	6,304,294	
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	83,287,798	255,528,432	
Appropriation of the 2017 earnings	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)	
Cash dividends - NTS0.6 per share	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-	-	-	
Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)	-	(8,974,377)	
Net profit for the year ended December 31, 2018	-	-	-	-	-	7,852,688	-	-	-	-	-	-	7,852,688	4,961,952	12,814,640	
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(80,056)	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(12,848,505)	(22,213,765)	(35,062,270)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	7,772,632	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(4,995,817)	(17,251,813)	(22,247,630)	
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-	-	-	
Disposal of the Corporation's shares, as treasury shares	-	-	176,732	-	-	-	-	-	-	-	-	393,661	570,393	-	570,393	
Parent's appropriation of cash dividends to subsidiaries	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529	-	287,529	
Share-based payments	66,239	5,586	(6,988)	-	-	(4,159)	-	-	-	-	6,983	-	67,661	-	67,661	
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,773,969)	(1,773,969)	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	215,673	-	(215,673)	-	-	-	-	-	-	-	
Net change in special reserve of subsidiaries	-	-	-	-	-	36,660	-	-	-	-	-	-	36,660	68,207	104,867	
BALANCE AT DECEMBER 31, 2018	\$ 149,622,812	\$ 10,748	\$ 1,630,992	\$ 6,776,135	\$ 565,041	\$ 14,754,530	\$ (930,286)	\$ (5,138,562)	\$ -	\$ (4,451,944)	\$ (1,339)	\$ (3,605,444)	\$ 159,232,683	\$ 64,330,223	\$ 223,562,906	

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 13,441,879	\$ 14,519,798
Adjustments for reconciliation with net profit		
Depreciation expenses	1,060,720	773,724
Amortization expenses	1,356,518	1,040,633
Allowance for bad debts and losses on commitments and guarantees, net	45,761	613,750
Loss (gain) on financial assets and liabilities measured at fair value through profit or loss, net	33,567,261	(8,712,317)
Interest expense	7,982,593	5,395,582
Interest revenue	(64,564,921)	(27,465,994)
Dividend income	(8,047,472)	(2,429,076)
Net changes in insurance liabilities	219,261,788	46,434,109
Share of loss (profit) of associates and joint ventures	315,648	(813,664)
Gain on reclassification using the overlay approach	(15,784,002)	-
Gain on disposal of investments	(4,036,172)	(2,651,539)
Loss on impairment of financial asset	31,671	882,194
Unrealized gain on foreign currency exchange	(20,285,967)	-
Others	(1,386,425)	217,208
Changes in operating assets and liabilities		
Due from the Central Bank and call loans to financial institutions	8,069,859	17,482,176
Financial assets at fair value through profit or loss	(39,738,891)	141,732,568
Financial assets at fair value through other comprehensive income	(45,611,801)	-
Debt investments measured at amortized cost	(6,446,000)	-
Available-for-sale financial assets	-	(37,588,106)
Securities purchased under resell agreements	1,147,446	(1,147,446)
Receivables	4,419,206	4,458,178
Discount and loans	(43,303,363)	(42,344,819)
Other financial assets	(10,557,441)	(2,618,512)
Other assets	(9,135,656)	1,393,946
Deposits from the Central Bank and financial institutions	(6,433,042)	(2,210,813)
Financial liabilities at fair value through profit or loss	(10,425,324)	(95,881,532)
Notes and bonds issued under repurchase agreements	25,301,273	(19,382,816)
Payables	5,521,255	3,716,164
Deposits and remittances	35,556,941	47,277,105
Other financial liabilities	2,011,472	8,949,375
Other liabilities	(296,740)	(11,315,994)
Cash generated from operations	73,038,074	40,323,882
Interest received	49,201,826	22,505,993
Dividends received	8,408,148	2,504,119
Interest paid	(6,251,961)	(4,520,688)
Income tax refunded (paid)	(5,776,433)	109,947
Net cash generated from operating activities	<u>118,619,654</u>	<u>60,923,253</u>

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of financial assets at fair value through other comprehensive income	\$(137,595,284)	\$ -
Proceeds from sale of financial assets at fair value through other comprehensive income	90,952,094	-
Acquisition of financial assets measured at amortized cost	(153,040,348)	-
Proceeds from maturity of sale of financial assets measured at amortized cost	12,947,132	-
Principal from financial assets measured at amortized cost	22,650,548	-
Acquisition of available-for-sale financial assets	-	(80,836,615)
Proceeds from sale of available-for-sale financial assets	-	75,277,742
Acquisition of debt investments with no active market	-	(27,500,501)
Proceeds from sale of debt investments with no active market	-	40,190,233
Acquisition of held-to-maturity financial assets	-	(30,249,374)
Proceeds from sale of held-to-maturity financial assets	-	4,169,837
Acquisition of financial assets measured at cost	-	(1,243,771)
Proceeds from sale of financial assets measured at cost	-	4,661,799
Acquisition of equity-method investments	(223,159)	(1,449,619)
Proceeds from sale of investments accounted for using the equity method	-	1,063,663
Net cash inflow on acquisition of subsidiaries	-	(7,880,764)
Acquisition of property and equipment	(1,938,950)	(1,285,782)
Cash received through mergers	49,856,478	-
Others	<u>1,025,994</u>	<u>696,215</u>
Net cash used in investing activities	<u>(115,365,495)</u>	<u>(24,386,937)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term borrowings	(6,030,609)	5,770,201
Increase (decrease) in commercial paper payable	(5,563,490)	2,999,595
Proceeds from corporate bonds	-	10,000,000
Repayments of corporate bonds	(5,200,000)	(6,000,000)
Proceeds from bank debentures	6,350,000	1,000,000
Repayments of bank debentures	-	(2,750,000)
Proceeds of long-term borrowings	-	755,543
Repayments of long-term borrowings	(855,590)	(699,942)
Cash dividends paid	(8,686,848)	(7,326,255)
Sale of treasury shares	570,393	-
Net Changes in non-controlling interests	(1,993,427)	(35,828)
Others	<u>56,111</u>	<u>11,917</u>
Net cash (used in) generated from financing activities	<u>(21,353,460)</u>	<u>3,725,231</u>

(Continued)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	\$ <u>338,272</u>	\$ <u>(1,219,211)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(17,761,029)	39,042,336
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>132,256,162</u>	<u>93,213,826</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 114,495,133</u>	<u>\$ 132,256,162</u>

Reconciliation of the amounts in the consolidated statements of cash flows with the equivalent items reported in the consolidated balance sheets as of December 31, 2018 and 2017:

	<u>December 31</u>	
	2018	2017
Cash and cash equivalents in consolidated balance sheets	\$ 59,607,423	\$ 63,807,752
Due from the Central Bank and call loans to banks which qualify as cash and cash equivalents as defined in IAS 7	15,117,176	14,444,967
Securities purchased under agreements to resell which qualify as cash and cash equivalents as defined in IAS 7	<u>39,770,534</u>	<u>54,003,443</u>
Cash and cash equivalents in consolidated statements of cash flows	<u>\$ 114,495,133</u>	<u>\$ 132,256,162</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, 2018 AND 2017 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

China Development Financial Holding Corporation (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 surviving 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 shares through a share swap and completed on January 18, 2013. Thus, KGI Securities is a 100% subsidiary of the Corporation. The effective date of the merger between KGI Securities and Grand Cathay was June 22, 2013. KGI Securities was the survivor company after the merger.

On 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 (TWSE).

CDIB Capital Group was incorporated under the Company Act and relevant regulations and started operations on May 14, 1959. Effective January 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 Financial Supervisory Commission (FSC) approved the conversion on March 10, 2017 with Official Letter No. 1060025880.

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, 2018, KGI Securities had a head office and 78 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, 2018, KGI Bank had a main office, international banking department, a trust department, various business departments, an offshore banking unit (OBU), and 53 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, 2018, China Life Insurance had a head office, an offshore insurance unit, and 8 domestic branches.

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. This acquisition has been approved by the FSC on February 27, 2018, and then the delivery was completed on May 18, 2018.

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 approved by the board of directors and authorized for issue on March 25, 2019.

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) would not have any material impact on the Group's accounting policies, except for the following:

- 1) IFRS 9 "Financial Instruments" and Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"

IFRS 9 supersedes IAS 39 "Financial Instruments: Recognition and Measurement", with consequential amendments to IFRS 7 "Financial Instruments: Disclosures" and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

On the basis of the facts and circumstances that existed as at January 1, 2018, the Group have performed an assessment of the classification of recognized financial assets and has elected not to restate prior reportings. The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the financial assets and financial liabilities as at January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash and cash equivalents	Loans and receivables	Financial assets at amortized cost	\$ 63,807,752	\$ 63,807,716	j)
Financial assets at fair value through profit or loss	Fair value through profit or loss (i.e. FVTPL)	FVTPL	125,949,607	125,948,302	a)
Receivables, net	Loans and receivables	FVTPL	-	1,011,817	j)
Discount and loans, net	Loans and receivables	Financial assets at amortized cost	100,219,420	99,108,996	j)
Available-for-sale financial assets	Available-for-sale financial assets	Financial assets at amortized cost	325,147,363	325,142,978	j)
		FVTPL	558,889,116	164,941,478	b)
		FVTOCI	-	270,598,480	e)
		Financial assets at amortized cost	-	123,076,109	h)
Held-to-maturity financial assets, net	Held-to-maturity financial assets	FVTOCI	-	75,210,285	f)
		Financial assets at amortized cost	198,886,022	126,571,738	i)
Restricted assets - restricted demand deposits	Loans and receivables	Financial assets at amortized cost	40,757,666	40,750,912	j)
Other financial assets - financial assets measured at cost	Available-for-sale	FVTPL	15,350,439	19,520,398	c)
	Fair value through profit or loss (i.e. FVTPL)	FVTOCI	805,588	456,150	g)
Other financial assets - debt instruments with no active market	Loans and receivables	FVTPL	-	17,539,588	d)
		FVTOCI	-	60,548,590	f)
		Financial assets at amortized cost	647,998,509	570,469,232	i)
Other financial assets - guarantee deposits received on futures contracts	Loans and receivables	Financial assets at amortized cost	20,656,857	20,656,403	j)
Other assets - operating guarantee deposits	Loans and receivables	Financial assets at amortized cost	7,324,619	7,059,897	l)
	Available-for-sale financial assets	FVTOCI	129,385	422,939	l)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>FVTPL</u>	\$ 125,949,607	\$ -	\$ (1,305)	\$ 125,948,302	\$ (1,305)	\$ -	a)
Add:							
Reclassification from available-for-sale financial assets (IAS 39)		164,941,478	-	164,941,478	(1,573,404)	1,573,404	b)
Reclassification from financial assets measured at cost (IAS 39)		15,854,656	3,665,742	19,520,398	3,663,873	-	c)
Reclassification from debt instruments with no active market (IAS 39)		17,093,593	445,995	17,539,588	219,471	79,189	d)
	<u>125,949,607</u>	<u>197,889,727</u>	<u>4,110,432</u>	<u>327,949,766</u>	<u>2,308,635</u>	<u>1,652,593</u>	
<u>FVTOCI</u>							
Add: Debt instruments							
Reclassification from available-for-sale financial assets (IAS 39)		245,902,008	-	245,902,008	(23,992)	23,992	e)
Reclassification from held-to-maturity financial assets (IAS 39)		72,299,261	2,911,024	75,210,285	(1,865)	1,019,513	f)
Reclassification from debt instruments with no active market (IAS 39)		60,385,912	162,678	60,548,590	(1,706)	58,576	f)
Add: Equity instruments							
Reclassification from available-for-sale financial assets (IAS 39)		24,782,902	(86,430)	24,696,472	2,258	(32,473)	e)
Reclassification from financial assets measured at cost (IAS 39)		301,371	154,779	456,150	44,132	110,458	g)
		<u>403,671,454</u>	<u>3,142,051</u>	<u>406,813,505</u>	<u>18,827</u>	<u>1,180,066</u>	

(Continued)

Financial Assets	IAS 39 Carrying Amount as of January 1, 2018	Reclassifications	Remeasurements	IFRS 9 Carrying Amount as of January 1, 2018	Retained Earnings Effect on January 1, 2018	Other Equity Effect on January 1, 2018	Remark
<u>Financial assets at amortized cost</u>							
Add:							
Reclassification from available-for-sale financial assets (IAS 39)		\$ 123,262,728	\$ (186,619)	\$ 123,076,109	\$ (3,189)	\$ (62,050)	h)
Reclassification from held-to-maturity financial assets (IAS 39)		126,586,761	(15,023)	126,571,738	(4,811)	-	i)
Reclassification from debt instruments with no active market (IAS 39)		570,519,004	(49,772)	570,469,232	(18,818)	-	i)
		<u>820,368,493</u>	<u>(251,414)</u>	<u>820,117,079</u>	<u>(26,818)</u>	<u>(62,050)</u>	
Cash and cash equivalent	\$ 63,807,752	-	(36)	63,807,716	(36)	-	j)
Receivables, net	100,219,420	-	(98,607)	100,120,813	(91,957)	-	j)
Discount and loans	325,147,363	-	(4,385)	325,142,978	(4,385)	-	j)
Investments accounted for using the equity method	16,375,012	-	114,034	16,489,046	392,262	(284,525)	k)
Restricted assets (restricted demand deposits)	40,757,666	-	(6,754)	40,750,912	(6,754)	-	j)
Other financial assets (guarantee deposits received on futures contracts)	20,656,857	-	(454)	20,656,403	(454)	-	j)
Other assets (operating guarantee deposits)	7,454,004	-	28,832	7,482,836	(75)	10,199	l)
Deferred tax liability	9,391,454	-	641,520	10,032,974	(318,098)	(114,842)	m)
Provisions	1,288,449,104	-	87,885	1,288,536,989	(92,026)	-	n)
Net effects of reclassifications and remeasurements as of January 1, 2018		<u>\$ 1,421,929,674</u>	<u>\$ 6,304,294</u>		<u>\$ 2,179,121</u>	<u>\$ 2,381,441</u>	
Non-controlling interest					<u>\$(61,908)</u>	<u>\$ 1,805,640</u>	

(Concluded)

a) The Group elected to designate its investments previously classified as FVTPL under IAS 39 as at FVTPL under IFRS 9. According to the facts and circumstances that exist at January 1, 2018, a decrease \$1,305 thousand in retained earnings of was recognized.

b) The Group elected to designate its stock investments previously classified as available-for-sale under IAS 39 as at FVTPL under IFRS 9, because these stock investments are not designated as FVTOCI. A decrease of \$1,571,282 thousand in retained earnings and an increase of \$1,571,282 thousand in other equity were recognized on January 1, 2018, respectively.

Debt investments and funds previously classified as available-for-sale under IAS 39 were classified mandatorily as at FVTPL under IFRS 9, because the contractual cash flows were not solely payments of principal and interest on the principal outstanding. Except insurance subsidiary's debt investments and funds apply overlay approach under IFRS 4 "Insurance Contracts" which do not have an impact on retained earnings and other equity. A decrease of \$2,122 thousand in retained earnings and an increase of \$2,122 thousand in other equity were recognized on January 1, 2018.

c) The Group elected to designate its equity instrument investment originally measured at cost based on IAS 39 is classified as a financial asset measured at FVTPL under IFRS 9, and should be measured at fair value. An increase of \$3,663,873 thousand in retained earnings was recognized on January 1, 2018.

d) The Group elected to designate its debt investments previously classified as other financial assets - debt investments with no active market under IAS 39 were classified as FVTPL under IFRS 9, because the contractual cash flows are not solely payments of principal and interest on the principal outstanding. The debt investments of insurance subsidiary were elected to apply overlay approach under IFRS 4 "Insurance Contracts". An increase of \$219,471 thousand in retained earnings and an increase of \$79,189 thousand in other equity were recognized on January 1, 2018.

e) The Group elected to designate its stock investments previously classified as available-for-sale under IAS 39 as at FVTOCI under IFRS 9. An increase of \$2,258 thousand in retained earnings and a decrease of \$32,473 thousand in other equity were recognized on January 1, 2018.

Investments in bonds previously classified as available-for-sale under IAS 39 were classified as at FVTOCI with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows and sell financial assets. A decrease of \$23,992 thousand in

retained earnings and an increase of \$23,992 thousand in other equity were recognized on January 1, 2018.

- f) The Group elected to designate its debts investments previously classified as held-to-maturity financial assets or other financial assets-debt investments with no active market under IAS 39 as financial assets with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows and sell financial assets. A decrease of \$3,571 thousand in retained earnings and an increase of \$1,078,089 thousand in other equity were recognized on January 1, 2018.
- g) The Group elected to designate its investments in equity instruments previously measured at cost under IAS 39 as at FVTOCI under IFRS 9 and were remeasured at fair value. Consequently, an increase of \$44,132 thousand in retained earnings and an increase of \$110,458 thousand in other equity were recognized on January 1, 2018.
- h) The Group elected to designate its debt investments previously classified as available-for-sale under IAS 39 as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. A decrease of \$3,189 thousand in retained earnings and a decrease of \$62,050 thousand in other equity were recognized on January 1, 2018.
- i) The Group elected to designate its debt investments previously classified as held-to-maturity financial assets or other financial assets-debt investments with no active market under IAS 39 as financial assets with the assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. A decrease of \$23,629 thousand in retained earnings was recognized on January 1, 2018.
- j) Except for factoring which was previously classified as loans and receivables under IAS 39 was classified as at FVTPL under IFRS 9, the group elected to designate its cash and cash equivalents, receivables, discounts and loans, restricted assets - restricted demand deposits and other financial assets - guarantee deposits received on futures contracts that were previously classified as loans and receivables under IAS 39 as financial assets at amortized cost with an assessment of expected credit losses under IFRS 9; because the former's contractual cash flows were not solely payments of principal and interest on the principal outstanding, and the latter's contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows. As a result of retrospective application, a decrease of \$39,706 thousand in retained earnings due to the adjustment of factoring and a decrease of \$63,880 thousand in retained earnings due to the adjustments of the remaining comprised were recognized on January 1, 2018.
- k) The Group recognized IFRS 9 influences of investments accounted for equity method based on the investment ratio. An increase of \$392,262 thousand in retained earnings and a decrease of \$284,525 thousand in other equity were recognized on January 1, 2018.
- l) The Group elected to designate its operating guarantee deposits previously classified as available-for-sale or amortized cost under IAS 39 as at FVTOCI and financial assets at amortized cost under IFRS 9. A decrease of \$75 thousand in retained earnings and an increase of

\$10,199 thousand in other equity were recognized on January 1, 2018.

m) With regards to the classification and measurement under IFRS 9 and the impact of income tax, the Group recognized deferred tax liabilities. As a result, a decrease of \$318,098 thousand in retained earnings and a decrease of \$114,842 thousand in other equity were recognized on January 1, 2018.

n) In accordance to the assessment of impairment of financial assets under IFRS 9, the Group recognized provisions for off-balance-sheet guarantee, letters of credit, loan commitments and provisions that the insurance subsidiary prepares for the dividend insurance policy. As a result, a decrease of \$92,026 thousand in retained earnings was recognized on January 1, 2018.

2) The reconciliation of loss allowance for initial application IFRS 9

The reconciliation of loss allowance from IAS 39 to IFRS 9

The following table shows the reconciliation of balance of loss allowance recognized under IAS 39 based on the Credit Loss Occurrence Model in the prior period to balance of loss allowance recognized under IFRS 9 based on the Expected Credit Loss Model on January 1, 2017.

Category	Allowance under IAS 39 and IAS 37	Reclassifications	Remeasurements	Allowance under IFRS 9
Loan and receivables (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Cash and cash equivalents	\$ -	\$ -	\$ 36	\$ 36
Receivables	2,583,373	-	(1,060,803)	1,522,570
Discount and loans	2,566,333	-	(547,724)	2,018,609
Other financial assets	12,697	-	2,475	15,172
Other assets	-	-	75	75
Impairment recognized in accordance with Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	<u>1,467,050</u>	<u>-</u>	<u>625,220</u>	<u>2,092,270</u>
	<u>6,629,453</u>	<u>-</u>	<u>(980,721)</u>	<u>5,648,732</u>
Available-for-sale (IAS 39)/FVTOCI (IFRS 9)				
Available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>28,057</u>	<u>28,057</u>
Available-for-sale (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Available-for-sale financial assets	<u>-</u>	<u>-</u>	<u>10,569</u>	<u>10,569</u>
Held-to-maturity (IAS 39)/FVTOCI (IFRS 9)				
Held-to-maturity financial assets	<u>-</u>	<u>-</u>	<u>6,345</u>	<u>6,345</u>
Held-to-maturity (IAS 39)/Financial assets at amortized cost (IFRS 9)				
Held-to-maturity financial assets	<u>-</u>	<u>-</u>	<u>15,022</u>	<u>15,022</u>
Debt investments with no active market (IAS 39)/ FVTOCI (IFRS 9)				
Debt investments with no active market	<u>-</u>	<u>-</u>	<u>5,809</u>	<u>5,809</u>
Debt investments with no active market (IAS 39)/ Financial assets at amortized cost (IFRS 9)				
Debt investments with no active market	<u>-</u>	<u>-</u>	<u>49,772</u>	<u>49,772</u>
Loan commitments and provisions				
Loans and receivables (loan commitments)	-	-	94,258	94,258
Guarantee receivable	91,133	-	(22,304)	68,829
Letters of credit receivable	-	-	302	302
Impairment recognized in accordance with Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	<u>5,137</u>	<u>-</u>	<u>22,304</u>	<u>27,441</u>
	<u>96,270</u>	<u>-</u>	<u>94,560</u>	<u>190,830</u>
	<u>\$ 6,725,723</u>	<u>\$ -</u>	<u>\$ (770,587)</u>	<u>\$ 5,955,136</u>

- b. The IFRSs endorsed by the FSC for application starting from 2019

New IFRSs	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments 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: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities will be classified within financing activities; cash payments for the interest portion will be classified within operating activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, are recognized as expenses on a straight-line basis. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance leases.

The Group applies IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Lease liabilities will be recognized on January 1, 2019 for leases currently classified as operating leases with the application of IAS 17. Lease liabilities will be measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets will be measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payment. The Group will apply IAS 36 to all right-of-use assets.

The Group expects to apply the following practical expedients:

- a) The Group will apply a single discount rate to a portfolio of leases with reasonably similar characteristics to measure lease liabilities.
- b) The Group will account for those leases for which the lease term ends on or before December 31, 2019 as short-term leases.
- c) The Group will exclude initial direct costs from the measurement of right-of-use assets on January 1, 2019.
- d) The Group will use hindsight, such as in determining lease terms, to measure lease liabilities.

The Group as lessor

The Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

Anticipated impact on assets, liabilities and equity

With the application of IFRS 16, right-of-use assets and lease liabilities will increase by \$19,048,852 thousand and \$5,868,951 thousand, and prepayments will decrease by \$13,179,901 thousand on January 1, 2019.

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group has assessed that 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)
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (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
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

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 Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

1) 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.

2) IFRS 17 “Insurance Contracts”

IFRS 17 establishes the principle for the accounting treatment of insurance contracts and supersedes IFRS 4 “Insurance Contracts”. 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.

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 value, and net defined benefit liabilities which are measured at the present value of the defined benefit obligation less the fair value of plan assets. 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, 2018 and 2017, the consolidated entities included in the consolidated financial statements included 63 and 65 companies, respectively (please refer to the attached Table 8).

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Acquisition-related costs are generally recognized in profit or loss as they are 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 interests 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 interests in the acquiree, the excess is 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 recognized amounts of the acquiree's identifiable net assets. The choice of the measurement basis is made on a transaction-by-transaction basis.

According to the Official Letter No. 10302153881 issued by the FSC on February 10, 2015, the insurance enterprises recognizes the increase in retained earnings arising from bargain purchase gain due to mergers and acquisitions, and should provide the same amount of special surplus reserve. The special surplus reserve can cover the losses after one full years since the recognition date. When the value of the assets under evaluation of the merger is similar to that at the time of merger and acquisition, and there is no unanticipated significant impairment, then it would be transferred to paid-in capital.

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 year 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 year. 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 Equivalents

Cash equivalents include time deposits that can be terminated on demand without reducing principal, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Investments in Associates

An associate is an entity over which the Group has significant influence and that is not a subsidiary.

The Group uses the equity method to account for their investments in associates. 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 an investment (including goodwill) is tested for impairment as a single asset by comparing its recoverable amount with its carrying amount. Any impairment loss recognized is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date on which it ceases to have significant influence over the associate. Any retained investment is measured at fair value at that date and the fair value

is regarded as its fair value on initial recognition as a financial asset. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. The Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities.

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

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

Financial Instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instruments. Investment in associates measured by fair value through profit or loss are recognized as financial assets at fair value through profit or loss and the change in fair value is recognized in profit or loss.

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

2018

Financial assets are classified into the following categories: Financial assets at FVTPL, financial assets at amortized cost, investments in debt instruments at FVTOCI and investments in equity instruments at FVTOCI.

a) Financial assets or liabilities at FVTPL

Financial assets or liabilities are classified as at FVTPL when such financial assets or liabilities are mandatorily classified or designated as at FVTPL. Financial assets or liabilities mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

A financial asset or liability may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

Financial assets at FVTPL are subsequently measured 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 dividends or interest earned on such a financial asset. Fair value is determined in the manner described in Note 55.

b) Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit-impaired on purchase or origination but have subsequently become credit-impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.
Cash equivalents include time deposits that can be terminated on demand without reducing principal and short term investments which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

c) Investments in debt instruments at FVTOCI

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- i. The debt instrument is held within a business model whose objective is achieved by both the collecting of contractual cash flows and the selling of such financial assets; and
- ii. The contractual terms of the debt instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Investments in debt instruments at FVTOCI are subsequently measured at fair value. Changes in the carrying amounts of these debt instruments relating to changes in foreign currency exchange rates, interest income calculated using the effective interest method and impairment losses or reversals are recognized in profit or loss. Other changes in the carrying amount of these debt instruments are recognized in other comprehensive income and will be reclassified to profit or loss when the investment is disposed of.

d) Investments in equity instruments at FVTOCI

On initial recognition, the Group may make an irrevocable election to designate investments in equity instruments as at FVTOCI. Designation as at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognized by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in other comprehensive income and accumulated in other equity. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments; instead, it will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

2017

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 55.

Investments in equity instruments under financial assets at fair value through profit or loss that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments are subsequently measured at cost less any identified impairment loss at the end of each reporting period and are recognized in a separate line item as financial assets measured at cost. If, in a subsequent period, the fair value of the financial assets can be reliably measured, the financial assets are remeasured at fair value. The difference between the carrying amount and the fair value is recognized in profit or loss.

b) Held-to-maturity financial assets

Non-derivative financial assets with fixed or determinable payments and the 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 deposits received from clients are 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

2018

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost and investments in debt instruments that are measured at FVTOCI.

For financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

Based on the Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual loans, credit assets classified as normal (this balance should be net of the balance of borrowings by ROC government agencies from the Bank), 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.

These assets have allowances at 1%, 2%, 10%, 50% and 100%, respectively, of outstanding credit. The doubtful accounts of credit cards receivables are evaluated on the basis of Regulations Governing Institutions Engaging In Credit Card Business. The minimum allowance for credit assets on or off balance sheet is equal to the book value of the above listed.

Based on the Order No. 10300329440 issued by the FSC, for the Bank to have an enhanced risk coverage toward collateral and 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 Bank to have an enhanced control of the exposure to the risk in Mainland China, the minimum provision for the credit 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.

Credit deemed uncollectable 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 is required to record the minimum amounts based upon each of the following category for allowance of uncollectible accounts:

- a) 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.

- b) 1% of the ending balance for all the five categories of loan assets excluding life insurance loans, automatic premium loans and holding government debts.
- c) Total unsecured portion of loans overdue and receivable on demand.
- d) 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. If the authorities in order to increase the ability to bear the loss of specific loan asset and demand the Group to increase the allowance for bad debts of specific loan assets according to the criteria and time limit specified by them, the Group shall cooperate with it.

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

2017

- 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.

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

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

2018

Starting from 2018, on derecognition of a financial asset at amortized cost in its entirety, the difference between the asset’s carrying amount and the sum of the consideration received and receivable is recognized in profit or loss. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset’s carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset’s carrying amount and the sum

of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

2017

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) Derivative financial instruments

2018

Starting from 2018, derivatives embedded in hybrid contracts that contain financial asset hosts that are within the scope of IFRS 9 are not separated; instead, the classification is determined in accordance with the entire hybrid contract. Derivatives embedded in non-derivative host contracts that are not financial assets that are within the scope of IFRS 9 (e.g. financial liabilities) 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 host contracts are not measured at FVTPL.

2017

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.

7) Adoption of overlay approach on financial assets

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

- a) The amount of profit or loss of the designated financial assets in accordance with IFRS 9; and

- b) The amount of profit or loss of the designated financial assets as if applied to IAS 39.

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

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

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

- a) The asset is accounted for on initial recognition; or
- b) The asset now meets the criteria of which is held in respect of activities other than contracts within the scope of IFRS 4 “Insurance Contract” but previously did not.

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

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, plant 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.

Impairment of non-financial assets

The Group evaluates the possibility of impairment loss on non-financial assets as of the balance sheet date. If there is sufficient objective evidence of asset impairment, the Group recognizes an impairment loss 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, China Life Insurance's 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. Additionally, the effects of the gain or loss from disposal of participating life insurance policy approved as equity instrument investments at fair value through other comprehensive income shall transfer directly into special reserve based on income before tax and dividend. If the special reserve is a negative amount, the Company shall set aside the same amount of special reserve.

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. Other reserve

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

g. Liability adequacy reserve

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

h. 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 China Life Insurance’s 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. Remeasurement, comprising actuarial gains and losses, (the effect of the changes to the asset ceiling) and the return on plan assets (excluding interest), is recognized in other comprehensive income in the period in which they occur. Remeasurement

recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss.

Net defined benefit liabilities (assets) represent the actual deficit (surplus) in the Group's defined benefit plan. Any surplus resulting from this calculation is limited to the present value of any refunds from the plans or reductions in future contributions to the plans.

c. Other long-term benefits

Other long-term employee benefits are accounted for in the same way as the accounting required for defined benefit plan except that remeasurement is recognized in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

a. Current tax

According to the Income Tax Law, an additional tax on unappropriated earnings is provided for as income tax in the year the shareholders approve to retain 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

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

Impairment loss on loans and receivables - 2017

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.

Impairment loss on loans, receivables, loan commitments and provisions - 2018

The management regularly reviews portfolios of loans and receivables, loan commitments and provisions to assess impairment. To determine whether an impairment loss should be recognized, the management assesses whether there has been a significant increase in credit risk or credit impairment has already occurred. When analyzing expected future cash flows, the management takes into account past events, present condition and future economic circumstances of the assets with similar credit risks. The management also regularly reviews the methodology and assumptions adopted for both expected future cash flows and their timing to decrease the difference between estimated and actual amount of impairment loss.

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	
	2018	2017
Cash in banks	\$ 48,315,132	\$ 44,944,821
Due from banks	3,922,906	10,532,178
Short-term notes	3,366,859	3,755,416
Cash on hand	1,734,504	1,403,492
Future excess margin	1,516,523	1,485,104
Check for clearing	<u>751,499</u>	<u>1,686,741</u>
	<u>\$ 59,607,423</u>	<u>\$ 63,807,752</u>

Cash and cash equivalents as of December 31, 2018 and 2017 as shown in the consolidated statements of cash flows can be reconciled to the related items in the consolidated balance sheets as follows; please refer to the consolidated statements of cash flows for the reconciliation information.

7. DUE FROM THE CENTRAL BANK AND CALL LOANS TO FINANCIAL INSTITUTIONS

	December 31	
	2018	2017
Due from the Central Bank	\$ -	\$ 6,520,000
Call loans to financial institutions	6,643,433	13,846,833
Deposit reserve - demand accounts	8,854,579	7,670,687
Deposit reserve - checking accounts	9,467,197	5,053,887
Due from the Central Bank - interbank settlement funds	1,300,216	600,326
Deposit reserve - foreign currencies	<u>165,958</u>	<u>137,301</u>
	<u>\$ 26,431,383</u>	<u>\$ 33,829,034</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 51.

8. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	December 31	
	2018	2017
<u>Financial assets mandatorily classified as at FVTPL</u>		
Derivative financial instrument		
Interest rate swap contracts	\$ 14,276,585	\$ -
Currency swap and forward exchange contracts	9,911,136	-
Option and futures contracts	4,143,945	-
Others	1,423,617	-
Non-derivative financial assets		
Shares	108,988,496	-
Bank debentures	53,166,795	-
Operating securities (Note 9)	51,128,316	-
Mutual funds	44,986,204	-
Corporate bonds	13,439,633	-
Commercial papers	7,020,871	-
Others	<u>17,188,833</u>	<u>-</u>
	<u>325,674,431</u>	<u>-</u>
<u>Financial assets held for trading</u>		
Derivative financial instrument		
Currency swap and forward exchange contracts	-	9,210,098
Interest rate swap contracts	-	8,352,583
Option and futures contracts	-	2,328,239
Others	-	3,253,738
Non-derivative financial assets		
Operating securities (Note 9)	-	61,897,936
Commercial papers	-	8,775,184
Bank debentures	-	3,006,792
Convertible (exchangeable) corporate bonds	-	1,950,536
Others	<u>-</u>	<u>2,308,709</u>
	<u>-</u>	<u>101,083,815</u>
<u>Financial assets designated as at FVTPL</u>		
Government bonds	20,515,907	12,808,586
Others	<u>28,740,696</u>	<u>12,057,206</u>
	<u>49,256,603</u>	<u>24,865,792</u>
Financial assets at FVTPL	<u>\$ 374,931,034</u>	<u>\$ 125,949,607</u>
<u>Financial liabilities held for trading</u>		
Derivative financial instrument		
Option and futures contracts	\$ 22,123,276	\$ 11,722,449
Interest rate swap contracts	16,967,047	9,555,330
Currency swap and forward exchange contracts	8,882,350	7,229,847
Others	2,870,703	4,323,214
Non-derivative financial liabilities		
Borrowed securities payable	4,339,043	4,343,645
Others	<u>402,286</u>	<u>151,093</u>
	<u>55,584,705</u>	<u>37,325,578</u>

(Continued)

	December 31	
	2018	2017
<u>Financial liabilities designated as at FVTPL</u>		
Bank debentures payable	\$ 27,131,475	\$ 17,417,983
Structured products	3,155,241	986,143
Others	<u>1,915,304</u>	<u>-</u>
	<u>32,202,020</u>	<u>18,404,126</u>
Financial liabilities at FVTPL	<u>\$ 87,786,725</u>	<u>\$ 55,729,704</u> (Concluded)

As of December 31, 2018 and 2017, 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
	2018	2017			
15KGIB1	\$ 3,257,698	\$ 3,163,888	March 24, 2015 - March 24, 2045 (Note 1)	Principal due on maturity	0%
P16KGIB1	3,380,630	3,283,280	May 3, 2016 - May 3, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB2	3,380,630	3,283,280	May 27, 2016 - May 27, 2046 (Note 2)	Principal due on maturity	0%
P16KGIB3	2,458,640	2,387,840	November 8, 2016 - November 8, 2046 (Note 1)	Principal due on maturity	0%
P17KGIB1	6,146,600	5,969,600	January 23, 2017 - January 23, 2047 (Note 1)	Principal due on maturity	0%
P18KGIB1	6,146,600	-	January 30, 2018 - January 30, 2048 (Note 3)	Principal due on maturity	0%
P18KGIB2	4,917,280	-	February 27, 2018 - February 27, 2048 (Note 3)	Principal due on maturity	0%
	<u>29,688,078</u>	<u>18,087,888</u>			
Valuation adjustments	<u>(2,556,603)</u>	<u>(669,905)</u>			
	<u>\$ 27,131,475</u>	<u>\$ 17,417,983</u>			

Note 1: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after two years from the issue date (inclusive).

Note 2: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after one year from the issue date (inclusive).

Note 3: Based on 100% of the carrying value of each bond principal plus the interest; the Bank may redeem all the debentures after five years from the issue date (inclusive).

China Life Insurance elected to adopt the overlay approach in expressing financial assets designated as at FVTPL under IFRS 4 “Insurance Contracts” starting from application of IFRS 9 in 2018. Investment of financial assets relating insurance contracts issued by China Life Insurance designated as at adoption of the overlay approach financial assets were as follows:

Financial assets mandatorily classified as at FVTPL

	December 31, 2018
Share	\$ 101,694,025
Bank debentures	52,914,479
Mutual funds	43,632,536
Corporate bonds	<u>12,961,579</u>
	<u>\$ 211,202,619</u>

For the year ended December 31, 2018, the reclassification amounts under profit or loss and other comprehensive income of financial assets that adopted the overlay approach are described as follows:

	For the Year Ended December 31, 2018
Gain on application of IFRS 9	\$ 1,545,759
Loss if IAS 39 was applied	<u>(17,329,761)</u>
Loss on reclassification using the overlay approach	<u>\$ (15,784,002)</u>

Due to the adjustment using the overlay approach, loss on financial assets measured at FVTPL decreased from \$26,109,031 thousand to \$10,325,029 thousand for the year ended December 31, 2018.

The contract (nominal) amounts of the Group’s outstanding derivative financial instruments as of December 31, 2018 and 2017 are summarized as follows:

	December 31	
	2018	2017
Currency swap and forward exchange contracts	\$ 2,083,698,557	\$ 1,910,480,656
Interest rate swap contracts	1,302,045,596	1,046,708,289
Options and futures contracts	744,617,319	398,434,896
Non-deliverable forward contracts	240,344,692	173,435,869
Cross-currency swap contracts	32,681,055	27,978,819
Assets swap contracts	27,162,701	10,863,540
Structured note contracts	7,205,434	15,265,526
Credit default swap contracts	2,959,775	5,203,007
Commodity swap contracts	964,180	695,444
Equity derivative financial contracts	123,291	217,776

As of December 31, 2018 and 2017, financial assets at fair value through profit or loss with aggregate carrying values of \$47,273,587 thousand and \$59,315,331 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 financial instruments at fair value through profit or loss pledged as collateral for the Group, please refer to Note 51.

9. OPERATING SECURITIES

	December 31	
	2018	2017
Dealing		
Overseas securities	\$ 25,976,409	\$ 27,853,047
Corporate bonds	8,433,846	8,982,915
Government bonds	8,038,635	10,465,806
Listed, OTC and emerging market stock	2,376,519	2,770,834
Others	<u>1,337,879</u>	<u>3,488,218</u>
	<u>46,163,288</u>	<u>53,560,820</u>
Underwriting		
Corporate bonds	486,298	593,309
Listed and OTC stock	<u>46,981</u>	<u>293,181</u>
	<u>533,279</u>	<u>886,490</u>
Hedge positions		
Listed and OTC stock	2,129,947	6,032,090
Mutual funds	2,085,719	690,260
Others	<u>216,083</u>	<u>728,276</u>
	<u>4,431,749</u>	<u>7,450,626</u>
	<u>\$ 51,128,316</u>	<u>\$ 61,897,936</u>

10. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	December 31, 2017
Government bonds	\$ 180,341,905
Listed, OTC and emerging market stock	144,164,822
Corporate bonds	112,005,423
Bank debentures	62,451,073
Negotiable certificates of deposit	30,834,526
Unlisted stocks	16,251,776
Mutual funds	8,545,481
Others	<u>4,294,110</u>
	<u>\$ 558,889,116</u>

As of December 31, 2017, available-for-sale financial assets, with aggregate carrying values of \$40,043,756 thousand, had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on available-for-sale financial assets pledged as collateral for the Group, please refer to Note 51.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	December 31, 2018
Investments in debt instruments at FVTOCI	
Government bonds	\$ 185,779,230
Corporate bonds	118,547,705
Bank debentures	103,734,454
Negotiable certificates of deposit	48,698,585
Less: Security deposit	<u>(9,861)</u>
	<u>456,750,113</u>
Investments in equity instruments at FVTOCI	
Common stocks	17,050,968
Preferred stocks	<u>11,534,853</u>
	<u>28,585,821</u>
	<u>\$ 485,335,934</u>

a. Investments in debt instruments at FVTOCI

As of December 31, 2018, investments in debt instruments at FVTOCI, with aggregate carrying values of \$62,699,207 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

For the information on investments in debt instruments at FVTOCI pledged as collateral for the Group, please refer to Note 51.

For the information regarding credit risk analysis and assessment of impairment on investments in debt instruments at FVTOCI, please refer to Note 57.

b. Investments in equity instruments at FVTOCI

For the year ended December 31, 2018, the Group sold its shares in order to manage its investment portfolio. The sold shares had a fair value of \$5,113,201 thousand and the Group transferred a gain of \$215,673 thousand from the related other equity - unrealized gain on financial assets at fair value through other comprehensive income to retained earnings.

For the year ended December 31, 2018, out of the total dividend income of \$603,544 thousand, \$538,225 was related to investments held and \$65,319 was related to investments derecognized at the end of the reporting period.

For the information on investments in equity instruments at FVTOCI pledged as collateral for the Group, please refer to Note 51.

12. FINANCIAL ASSETS AT AMORTIZED COST

	December 31, 2018
Bank debentures	\$ 554,605,427
Corporate bonds	265,513,453
Government bonds	91,516,528
Others	<u>58,900,871</u>
	<u>\$ 970,536,279</u>

As of December 31, 2018, financial assets at amortized cost, with aggregate carrying values of \$291,964 thousand had been sold under repurchase agreements (recognized as notes and bonds issued under repurchase agreements).

There are no any financial assets at amortized cost was pledged as collateral.

For the information regarding credit risk analysis and assessment of impairment on financial assets at amortized cost, please refer to Note 57.

13. SECURITIES PURCHASED UNDER RESELL AGREEMENTS

	December 31	
	2018	2017
Corporate bonds	\$ 15,196,326	\$ 12,792,557
Commercial papers	10,244,264	11,184,033
Bank debentures	6,689,953	6,007,002
Government bonds	6,589,991	18,465,702
Negotiable certificates of deposit	<u>1,050,000</u>	<u>6,701,595</u>
	<u>\$ 39,770,534</u>	<u>\$ 55,150,889</u>
Resold amounts	<u>\$ 39,819,654</u>	<u>\$ 55,174,815</u>
Last maturity date	January 2019	April 2018

14. RECEIVABLES, NET

	December 31	
	2018	2017
Receivables on margin loans, refinancing margin and refinancing deposits receivable	\$ 21,181,502	\$ 34,509,657
Receivable accounts for settlement	18,167,610	16,526,561
Interest receivable	16,287,188	13,018,711
Accounts receivable factoring without recourse	8,180,472	8,498,843
Accounts receivable - forfeiting	8,122,872	4,400,120
Trading securities receivable	8,031,155	7,459,935
Settlement price	6,308,741	3,997,006

(Continued)

	December 31	
	2018	2017
Installment accounts and lease receivables	\$ 3,703,463	\$ 4,164,820
Others	<u>11,021,392</u>	<u>10,507,828</u>
	101,004,395	103,083,481
Less: Allowance for bad debts	(1,706,909)	(2,650,275)
Unrealized interest revenue	<u>(198,107)</u>	<u>(213,786)</u>
	<u>\$ 99,099,379</u>	<u>\$ 100,219,420</u>
		(Concluded)

For the year ended December 31, 2017, the Group's changes in allowance for bad debts of receivables were as follows:

	For the Year Ended December 31, 2017
Balance, January 1	\$ 2,917,166
Allowance	412,184
Loans reclassified to nonperforming loans	(255,585)
Write-off	(390,636)
Recovery of written-off credit	40,274
Effect of exchange rate changes	<u>(73,128)</u>
Balance, December 31	<u>\$ 2,650,275</u>

For the information on credit risk management and impairment loss analysis of receivables for 2018, please refer to Note 57.

For the amount of receivables pledged as collateral for the Group, please refer to Note 51.

15. DISCOUNTS AND LOANS, NET

	December 31	
	2018	2017
Short-term loans	\$ 82,152,934	\$ 72,264,667
Medium-term loans	191,493,381	171,185,239
Long-term loans	67,260,197	55,425,459
Loans reclassified to nonperforming loans	423,086	455,444
Export negotiations	56,079	17,155
Policy loans	26,403,907	24,244,766
Automatic premium loans	<u>5,822,457</u>	<u>5,614,425</u>
	373,612,041	329,207,155
Less: Allowance for bad debts	(4,352,345)	(3,966,481)
Discounts on loans	<u>(128,300)</u>	<u>(93,311)</u>
	<u>\$ 369,131,396</u>	<u>\$ 325,147,363</u>

For the year ended December 31, 2017, the Group's changes in allowance for bad debts of discounts and loans were as follows:

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

For the information on credit risk management and impairment loss analysis of discounts and loans for 2018, please refer to Note 57.

16. REINSURANCE CONTRACT ASSETS

	December 31	
	2018	2017
Claims recoverable from reinsurers	\$ 456,849	\$ 201,338
Due from reinsurers and ceding companies	175	38,403
Reinsurance reserve assets		
Ceded unearned premium reserve	50,125	49,879
Ceded reserve for claims	<u>27,204</u>	<u>12,484</u>
	<u>77,329</u>	<u>62,363</u>
	<u>\$ 534,353</u>	<u>\$ 302,104</u>

No impairment loss was recognized for reinsurance assets.

17. HELD-TO-MATURITY FINANCIAL ASSETS, NET

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

18. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD, NET

Associates that are not individually material:

	December 31			
	2018		2017	
	Carrying Amount	%	Carrying Amount	%
CDIB & Partners Investment Holding Corporation	\$ 5,364,742	34	\$ 6,040,521	34
CDIB Capital Asia Partners L.P.	3,587,002	-	3,582,136	-
KGI Securities (Thailand) Public Company Limited	2,416,178	35	2,192,355	35
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	1,648,309	-	1,674,714	-
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	1,421,496	-	1,369,820	-
CDIB Capital Healthcare Ventures Limited	749,682	43	719,342	43
CDIB Capital Creative Industries Limited	696,239	46	635,089	46
Others	<u>219,278</u>		<u>161,035</u>	
	<u>\$ 16,102,926</u>		<u>\$ 16,375,012</u>	

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

	For the Year Ended December 31	
	2018	2017
The Group's share of:		
Net profit (loss) for the year	\$ (315,648)	\$ 813,662
Other comprehensive income (loss)	<u>(95,237)</u>	<u>960,044</u>
Total comprehensive income (loss) for the year	<u>\$ (410,885)</u>	<u>\$ 1,773,706</u>

The investments accounted for using the equity method and the share of profit or loss and other comprehensive income of those investments for the years ended December 31, 2018 and 2017 were based on the associates' financial statements audited by the auditors.

There are no any investments accounted for using the equity method that are pledged as collateral.

19. INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

a. Investments 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, 2018

	Private Equity Fund	Asset Securitization	Total
Financial assets at fair value through profit or loss	\$ 6,871,063	\$ 1,751,160	\$ 8,622,223
Debt instruments measured at amortized cost	-	60,397,100	60,397,100
Maximum exposure	6,871,063	62,148,260	69,019,323

December 31, 2017

	Private Equity Fund	Asset Securitization	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	63,614,761	69,610,249

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	
	2018	2017
Management on private equity fund		
Total assets	\$ 22,431,078	\$ 21,713,595
Total liabilities	102,172	127,922
Investments accounted for using the equity method	6,831,114	6,721,477
Financial assets at fair value through profit or loss	429,846	312,781
Maximum exposure	7,260,960	7,034,258

20. RESTRICTED ASSETS

	December 31	
	2018	2017
Restricted demand deposits	\$ 43,724,691	\$ 40,757,666
Accounts receivables	106,867	101,685
Others	<u>96,011</u>	<u>114,386</u>
	<u>\$ 43,927,569</u>	<u>\$ 40,973,737</u>

The above restricted demand deposits refer to amounts received from clients for business.

After the filing of a certain civil action against Morgan Stanley & Co. International PLC (Morgan Stanley) (Note 52), 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. 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 51.

21. OTHER FINANCIAL ASSETS

	December 31	
	2018	2017
Separate - account insurance products	\$ 63,501,665	\$ 61,824,990
Guarantee deposits received on futures contracts	20,496,181	20,656,857
Time deposits not qualifying as cash equivalents	4,864,875	4,707,175
Debt instruments with no active market	-	647,998,509
Financial assets measured at cost	-	16,156,027
Others	<u>2,499,809</u>	<u>1,266,935</u>
	<u>\$ 91,362,530</u>	<u>\$ 752,610,493</u>

a. Separate-account insurance products

1) Separate-account insurance products - assets and liabilities

	Assets	
	December 31	
	2018	2017
Cash in banks	\$ 387,402	\$ 838,493
Financial assets at fair value through profit or loss	63,050,586	60,904,301
Other receivables	<u>63,677</u>	<u>82,196</u>
	<u>\$ 63,501,665</u>	<u>\$ 61,824,990</u>

	Liabilities	
	December 31	
	2018	2017
Reserve for separate-account	\$ 63,353,697	\$ 61,371,597
Other payables	<u>147,968</u>	<u>453,393</u>
	<u>\$ 63,501,665</u>	<u>\$ 61,824,990</u>

2) Separate-account insurance products - revenues and expenses

	Revenues	
	For the Year Ended December 31	
	2018	2017
Premium income	\$ 6,268,728	\$ 2,319,555
Gains (losses) from financial assets and liabilities at fair value through profit or loss	(2,890,490)	1,700,622
Interest income	776	91
Other revenues	184,274	58,189
Gains (losses) on foreign exchange	<u>376,083</u>	<u>(159,439)</u>
	<u>\$ 3,939,371</u>	<u>\$ 3,919,018</u>

	Expenses	
	For the Year Ended December 31	
	2018	2017
Insurance claim payments	\$ 5,814,370	\$ 2,450,703
Net change in separate-account reserve	(3,898,334)	885,926
Custodian fee	<u>2,023,335</u>	<u>582,389</u>
	<u>\$ 3,939,371</u>	<u>\$ 3,919,018</u>

3) The rebate from counterparties in the investment-linked insurance business for the years ended December 31, 2018 and 2017 was \$403,688 thousand and \$92,531 thousand, respectively.

b. Debt instruments with no active value

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

c. Financial assets measured at cost

	December 31, 2017
Unlisted stocks - common stock	\$ 6,016,468
Unlisted overseas partnership fund	5,616,943
Others	<u>4,522,616</u>
	<u>\$ 16,156,027</u>
Classified according to financial asset measurement categories	
Available-for-sale financial assets	\$ 15,350,439
Financial assets at FVTPL	<u>805,588</u>
	<u>\$ 16,156,027</u>

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

For the information on other financial assets pledged as collateral for the Group, please refer to Note 51.

22. INVESTMENT PROPERTIES, NET

	<u>December 31</u>	
	2018	2017
Land	\$ 20,024,687	\$ 19,983,888
Buildings and facilities	<u>5,407,733</u>	<u>5,466,206</u>
	<u>\$ 25,432,420</u>	<u>\$ 25,450,094</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
<u>Cost</u>		
Beginning balance	\$ 26,147,467	\$ 2,838,006
Additions	-	99,397
Disposals	(136,462)	(119,750)
Effect of increase in consolidated subsidiaries	-	23,266,469
Reclassification	<u>357,643</u>	<u>63,345</u>
Ending balance	<u>26,368,648</u>	<u>26,147,467</u>
<u>Accumulated depreciation</u>		
Beginning balance	(198,324)	(160,115)
Depreciation	(212,660)	(39,257)
Disposals	5,400	1,570
Reclassification	<u>(33,266)</u>	<u>(522)</u>
Ending balance	<u>(438,850)</u>	<u>(198,324)</u>
<u>Accumulated impairment</u>		
Beginning balance	(499,049)	(498,535)
Disposals	1,663	-
Impairment gain or loss	<u>8</u>	<u>(514)</u>
Ending balance	<u>(497,378)</u>	<u>(499,049)</u>
Carrying amount	<u>\$ 25,432,420</u>	<u>\$ 25,450,094</u>

The above items of investment property were depreciated on a straight-line basis at 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	5 years

The fair values of the Group's investment property as of December 31, 2018 and 2017 were \$25,033,305 thousand and \$25,123,845 thousand, 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 \$2,520,610 thousand and \$2,520,574 thousand, respectively on December 31, 2018 and 2017. Because its fair value cannot be reliably determined, it was excluded from the amount of fair value above mentioned.

The fair values of investment properties held by KGI Securities and CDIB Capital Group for the year ended December 31, 2018, and the fair values of investment properties held by KGI Securities and its subsidiaries for the years ended December 31, 2018 and 2017 were arrived at without appraisal from independent appraisers, but instead were arrived at by reference to available external appraisal reports for the previous period and valuation models commonly used by market participants. All the other subsidiaries of the Group engaged independent appraisers for the valuation of their investment properties. The sales comparison approach and income approach were used in the valuation, whereby the sales comparison approach compares a subject property's characteristics with those of comparable properties which have been recently sold in similar transaction, and income approach takes the net operating income of the rent collected and divides it by the capitalization rate.

All of the Group's investment properties 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 51.

23. PROPERTY AND EQUIPMENT

	December 31	
	2018	2017
Land	\$ 20,222,381	\$ 20,516,124
Buildings and facilities	6,144,281	6,490,061
Computer equipment	826,709	846,248
Leased assets	658,309	571,396
Leasehold improvements	315,272	337,851
Other equipment	304,436	355,604
Transportation equipment	<u>6,079</u>	<u>8,482</u>
	28,477,467	29,125,766
Prepayments for acquisition of properties	<u>3,239,830</u>	<u>1,754,925</u>
	<u>\$ 31,717,297</u>	<u>\$ 30,880,691</u>

The changes in the Group's property and equipment were as follows:

	Land	Buildings and Facilities	Computer Equipment	Leased Assets	Leasehold Improvements	Other Equipment	Transportation Equipment	Prepayments for Acquisition of Properties	Total
Cost									
Balance at January 1, 2017	\$ 8,837,807	\$ 6,617,306	\$ 1,309,908	\$ 323,075	\$ 723,167	\$ 1,770,372	\$ 20,736	\$ 3,843	\$ 19,606,214
Additions	-	45,860	220,263	139,696	148,767	60,657	1,780	366,490	983,513
Disposals	-	(26,569)	(103,048)	(38,847)	(35,490)	(115,508)	(8,844)	(2,207)	(330,513)
Reclassification	(82,106)	9,697	69,085	291,547	(8,869)	38,279	-	(18,919)	298,714
Effects of changes on consolidated subsidiaries	11,814,677	2,237,668	270,974	-	72	111,586	5,259	1,405,773	15,846,009
Effect of exchange rate changes	-	-	(7,634)	-	(19,933)	(48,101)	(261)	(55)	(75,984)
Balance at December 31, 2017	<u>20,570,378</u>	<u>8,883,962</u>	<u>1,759,548</u>	<u>715,471</u>	<u>807,714</u>	<u>1,817,285</u>	<u>18,670</u>	<u>1,754,925</u>	<u>36,327,953</u>
Accumulated depreciation and impairment									
Balance at January 1, 2017	(6,091)	(2,249,198)	(783,921)	(82,772)	(420,569)	(1,533,374)	(17,373)	-	(5,093,298)
Additions	(48,163)	(229,408)	(226,002)	(90,736)	(101,327)	(85,209)	(1,785)	-	(782,630)
Disposals	-	25,817	100,703	21,337	33,601	113,710	8,844	-	304,012
Reclassification	-	58,888	(8,096)	8,096	-	-	-	-	58,888
Effect of exchange rate changes	-	-	4,016	-	18,432	43,192	126	-	65,766
Balance at December 31, 2017	<u>(54,254)</u>	<u>(2,393,901)</u>	<u>(913,300)</u>	<u>(144,075)</u>	<u>(469,863)</u>	<u>(1,461,681)</u>	<u>(10,188)</u>	<u>-</u>	<u>(5,447,262)</u>
Balance at December 31, 2017, net	<u>\$ 20,516,124</u>	<u>\$ 6,490,061</u>	<u>\$ 846,248</u>	<u>\$ 571,396</u>	<u>\$ 337,851</u>	<u>\$ 355,604</u>	<u>\$ 8,482</u>	<u>\$ 1,754,925</u>	<u>\$ 30,880,691</u>

(Continued)

	Land	Buildings and Facilities	Computer Equipment	Leased Assets	Leasehold Improvements	Other Equipment	Transportation Equipment	Prepayments for Acquisition of Properties	Total
Cost									
Balance at January 1, 2018	\$ 20,570,378	\$ 8,883,962	\$ 1,759,548	\$ 715,471	\$ 807,714	\$ 1,817,285	\$ 18,670	\$ 1,754,925	\$ 36,327,953
Additions	-	62,714	203,909	144,864	84,457	53,352	464	1,389,190	1,938,950
Disposals	(70,148)	(94,955)	(361,687)	(83,062)	(31,383)	(97,019)	(10,692)	-	(748,946)
Reclassification	(223,748)	(173,046)	61,545	77,538	2,386	6,585	-	95,715	(153,025)
Effect of exchange rate changes	-	-	6,661	-	6,609	15,291	(43)	-	28,518
Balance at December 31, 2018	<u>20,276,482</u>	<u>8,678,675</u>	<u>1,669,976</u>	<u>854,811</u>	<u>869,783</u>	<u>1,795,494</u>	<u>8,399</u>	<u>3,239,830</u>	<u>37,393,450</u>
Accumulated depreciation and impairment									
Balance at January 1, 2018	(54,254)	(2,393,901)	(913,300)	(144,075)	(469,863)	(1,461,681)	(10,188)	-	(5,447,262)
Additions	153	(227,777)	(286,985)	(108,015)	(111,348)	(111,139)	(2,796)	-	(847,907)
Disposals	-	51,918	360,471	55,498	30,022	96,793	10,692	-	605,394
Reclassification	-	35,366	550	112	(162)	(661)	-	-	35,205
Effect of exchange rate changes	-	-	(4,003)	(22)	(3,160)	(14,370)	(28)	-	(21,583)
Balance at December 31, 2018	<u>(54,101)</u>	<u>(2,534,394)</u>	<u>(843,267)</u>	<u>(196,502)</u>	<u>(554,511)</u>	<u>(1,491,058)</u>	<u>(2,320)</u>	<u>-</u>	<u>(5,676,153)</u>
Balance at December 31, 2018, net	<u>\$ 20,222,381</u>	<u>\$ 6,144,281</u>	<u>\$ 826,709</u>	<u>\$ 658,309</u>	<u>\$ 315,272</u>	<u>\$ 304,436</u>	<u>\$ 6,079</u>	<u>\$ 3,239,830</u>	<u>\$ 31,717,297</u>

(Concluded)

The above items of property and equipment are depreciated on a straight-line basis over their estimated useful 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 51.

24. INTANGIBLE ASSETS

	December 31	
	2018	2017
Purchase policy value	\$ 12,767,519	\$ 13,155,578
Operation rights	4,191,909	4,859,555
Goodwill	3,369,090	3,347,646
Computer software	806,233	770,545
Others	<u>36,396</u>	<u>36,396</u>
	<u>\$ 21,171,147</u>	<u>\$ 22,169,720</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, 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
Decreases	-	-	(194,850)	(17,570)	-	(212,420)
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>
<u>Accumulated amortization and impairment</u>						
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)
Decreases	-	-	-	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>
<u>Cost</u>						
Balance at January 1, 2018	\$ 13,320,077	\$ 8,542,562	\$ 3,347,646	\$ 1,423,067	\$ 51,994	\$ 26,685,346
Additions	-	-	-	279,334	-	279,334
Decreases	-	-	-	(39,801)	-	(39,801)
Reclassification	-	-	-	50,895	-	50,895
Effects of exchange rate changes	-	-	21,444	(278)	-	21,166
Balance at December 31, 2018	<u>13,320,077</u>	<u>8,542,562</u>	<u>3,369,090</u>	<u>1,713,217</u>	<u>51,994</u>	<u>26,996,940</u>
<u>Accumulated amortization and impairment</u>						
Balance at January 1, 2018	(164,499)	(3,683,007)	-	(652,522)	(15,598)	(4,515,626)
Amortization	(388,059)	(667,646)	-	(294,214)	-	(1,349,919)
Decreases	-	-	-	39,589	-	39,589
Effects of exchange rate changes	-	-	-	163	-	163
Balance at December 31, 2018	<u>(552,558)</u>	<u>(4,350,653)</u>	<u>-</u>	<u>(906,984)</u>	<u>(15,598)</u>	<u>(5,825,793)</u>
Balance at December 31, 2018, net	<u>\$ 12,767,519</u>	<u>\$ 4,191,909</u>	<u>\$ 3,369,090</u>	<u>\$ 806,233</u>	<u>\$ 36,396</u>	<u>\$ 21,171,147</u>

Apart from the purchase policy value is amortized on present value of annuity of expected remaining policies over effective period of policies, the other items of intangible assets above are amortized on a straight-line basis over the estimated economic lives as follows:

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

25. OTHER ASSETS

	December 31	
	2018	2017
Guarantee deposits paid	\$ 13,733,989	\$ 5,979,918
Prepayment - surface rights	13,179,623	13,382,227
Security borrowing margins	10,778,769	2,330,427
Operating guarantee deposits	7,438,483	7,454,004
Prepaid expense	1,265,709	1,022,925
Others	<u>2,505,788</u>	<u>1,886,370</u>
	<u>\$ 48,902,361</u>	<u>\$ 32,055,871</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 51.

26. DEPOSITS FROM THE CENTRAL BANK AND FINANCIAL INSTITUTIONS

	December 31	
	2018	2017
Call loans from financial institutions	\$ 22,242,268	\$ 27,975,434
Deposits from Chunghwa Post Co., Ltd.	<u>192,646</u>	<u>892,522</u>
	<u>\$ 22,434,914</u>	<u>\$ 28,867,956</u>

27. NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS

	December 31	
	2018	2017
Corporate bonds	\$ 58,385,910	\$ 36,527,243
Bank debentures	36,276,317	37,306,248
Government bonds	30,237,248	26,344,136
Commercial paper	<u>579,425</u>	<u>-</u>
	<u>\$ 125,478,900</u>	<u>\$ 100,177,627</u>
Repurchased amounts	<u>\$ 125,952,224</u>	<u>\$ 100,376,007</u>
Last maturity date	May 2019	April 2018

28. COMMERCIAL PAPER PAYABLE, NET

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Commercial paper payable	\$ 14,989,859	\$ 20,553,799
Less: Unamortized discount	<u>(3,957)</u>	<u>(4,407)</u>
	<u>\$ 14,985,902</u>	<u>\$ 20,549,392</u>
Rate	0.60%-2.59%	0.41%-1.57%

As of December 31, 2018, Ta Ching Finance Corporation, China Bills Finance Corporation, Mega Bills Finance Corporation, Taiwan Finance Corporation, International Bills Finance Corporation, Taiwan Cooperative Bills Finance Corporation, Taishin International Bank, Shanghai Commercial Bank, Sunny Bank, Far Eastern International Bank and Taiwan Business Bank guaranteed the above commercial paper. However, some commercial paper which amounted to \$11,668,008 thousand, had no guarantee.

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.

29. PAYABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Accounts payable for settlement	\$ 45,453,733	\$ 45,054,894
Guaranteed price deposits received from securities borrowers	14,465,995	12,510,125
Accrued expenses and payable on insurance policies	11,126,598	10,619,440
Settlement proceeds	4,838,810	4,577,576
Others	<u>13,756,108</u>	<u>12,868,572</u>
	<u>\$ 89,641,244</u>	<u>\$ 85,630,607</u>

30. DEPOSITS AND REMITTANCES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Time deposits	\$ 229,617,422	\$ 198,081,691
Saving deposits	93,330,058	99,318,877
Demand deposits	55,634,932	40,173,703
Negotiable CDs	17,211,000	22,502,900
Checking deposits	2,440,582	2,505,161
Inward remittance	<u>52,016</u>	<u>146,737</u>
	<u>\$ 398,286,010</u>	<u>\$ 362,729,069</u>

31. BONDS PAYABLE

	<u>December 31</u>	
	2018	2017
Corporate bonds payable	\$ 23,800,000	\$ 29,000,000
Bank debentures payable	<u>7,350,000</u>	<u>1,000,000</u>
	<u>\$ 31,150,000</u>	<u>\$ 30,000,000</u>

Corporate Bonds Payable

Name	<u>December 31</u>		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	2018	2017			
1st corporate bonds in 2011 - the Corporation	\$ 1,000,000	\$ 1,000,000	Bond B 2012.03.07-2019.03.07	Interest payable annually; principal due on maturity	Bond B 1.42%
1st corporate bonds in 2013 - the Corporation	-	3,000,000	2013.05.23-2018.05.23	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2014 - the Corporation	6,000,000	6,000,000	2015.03.30-2020.03.30	Interest payable annually; principal due on maturity	1.42%
1st corporate bonds in 2015 - the Corporation	2,000,000	2,000,000	2015.09.15-2020.09.15	Interest payable annually; principal due on maturity	1.37%
1st corporate bonds in 2017 - the Corporation	10,000,000	10,000,000	Bond A 2017.09.08-2024.09.08	Interest payable annually; principal due on maturity	Bond A 1.75%
			Bond B 2017.09.08-2027.09.08		Bond B 1.90%
			Bond C 2017.09.08-2032.09.08		Bond C 2.10%
1st corporate bonds in 2015 - KGI Securities	<u>4,800,000</u>	<u>7,000,000</u>	Bond A 2015.06.08-2018.06.08	Interest payable annually; principal due on maturity	Bond A 1.20%
			Bond B 2015.06.08-2020.06.08		Bond B 1.42%
	<u>\$ 23,800,000</u>	<u>\$ 29,000,000</u>			
Fair value	<u>\$ 24,225,699</u>	<u>\$ 29,457,956</u>			

Bank Debentures Payable

Name	<u>December 31</u>		Issuance Period	Method of Paying Principle and Interests	Interest Rate
	2018	2017			
P06 KGIB 1	\$ 1,000,000	\$ 1,000,000	2017.05.19-2020.05.19	Interest payable annually; principal due on maturity	0.9%
P07 KGIB 1	3,000,000	-	2018.12.27, no maturity date	Interest payable annually (Note)	2.35%
P07 KGIB 2	3,350,000	-	2018.12.27-2033.12.27	Interest payable annually; principal due on maturity	1.68%
	<u>7,350,000</u>	<u>1,000,000</u>			
Unamortized discount	<u>-</u>	<u>-</u>			
Net amount	<u>\$ 7,350,000</u>	<u>\$ 1,000,000</u>			
Fair Value	<u>\$ 7,353,175</u>	<u>\$ 1,002,863</u>			

KGI Bank has the right to redeem the bonds after 5 years and 1 month from the issue date if its self-owned capital adequacy ratio is still in accordance with the requirements set by the competent authority. KGI Bank is allowed to redeem the bonds based on the carrying value of each bond plus interest after approved by the competent authority.

32. OTHER BORROWINGS

	<u>December 31</u>	
	2018	2017
Short-term credit borrowings	\$ 10,021,939	\$ 15,566,162
Note issuance facility	4,339,771	4,899,515
Short-term secured borrowings	4,329,666	4,816,052
Long-term credit borrowings	<u>126,685</u>	<u>422,532</u>
	<u>\$ 18,818,061</u>	<u>\$ 25,704,261</u>

(Continued)

	December 31	
	2018	2017
Rate	0.72%-8.55%	0.5%-4.75%
Last maturity date	July 2021	October 2020 (Concluded)

33. PROVISIONS

	December 31	
	2018	2017
Insurance liabilities	\$ 1,552,528,196	\$ 1,284,198,018
Foreign exchange valuation reserve	3,169,331	2,703,763
Provisions for employee benefits	1,040,517	1,106,252
Others	<u>566,895</u>	<u>441,071</u>
	<u>\$ 1,557,304,939</u>	<u>\$ 1,288,449,104</u>

Insurance Contracts and Provision for Financial Instruments with Discretionary Participation Feature

As at December 31, 2018 and 2017, China Life Insurance's movement in reserves of insurance contracts and financial instruments with discretionary participation feature is as follows:

	December 31	
	2018	2017
Reserve for life insurance liabilities	\$ 1,513,115,547	\$ 1,263,844,149
Premium deficiency reserve	7,504,145	9,164,460
Special reserve	6,364,597	6,259,742
Unearned premium reserve	3,854,791	3,384,890
Reserve for claims	1,686,742	1,544,777
Other reserve	<u>20,002,374</u>	<u>-</u>
	<u>\$ 1,552,528,196</u>	<u>\$ 1,284,198,018</u>

a. Reserve for life insurance liabilities:

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Life insurance	\$ 1,173,394,667	\$ 56,735,343	\$ 1,230,130,010
Health insurance	122,642,721	-	122,642,721
Annuity insurance	647,909	157,700,581	158,348,490
Investment-linked insurance	<u>1,834,656</u>	<u>-</u>	<u>1,834,656</u>
	<u>\$ 1,298,519,953</u>	<u>\$ 214,435,924</u>	<u>\$ 1,512,955,877</u>

Note: The total amount of liability reserve is \$1,513,115,547 thousand on December 31, 2018 after reserve for life insurance-accrued paid is added.

	December 31, 2017		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		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 the Year Ended December 31, 2018		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Beginning balance	\$ 1,048,113,729	\$ 215,730,420	\$ 1,263,844,149
Reserve	276,895,391	19,649,096	296,544,487
Recover	(59,348,314)	(21,707,044)	(81,055,358)
Gains (losses) on foreign exchange	4,341,192	763,453	5,104,645
Others (Note 1)	<u>28,517,954</u>	<u>-</u>	<u>28,517,954</u>
Ending balance (Note 2)	<u>\$ 1,298,519,952</u>	<u>\$ 214,435,925</u>	<u>\$ 1,512,955,877</u>

Note 1: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

Note 2: The total amount of liability reserve is \$1,513,115,547 thousand on December 31, 2018 after reserve for life insurance-accrued paid is added.

	For the Year Ended December 31, 2017		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		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 (losses) 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, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 1,160	\$ -	\$ 1,160
Individual injury insurance	1,237,170	-	1,237,170
Individual health insurance	2,011,560	-	2,011,560
Group insurance	555,939	-	555,939
Investment-linked insurance	48,909	-	48,909
Annuity insurance	-	53	53
	<u>3,854,738</u>	<u>53</u>	<u>3,854,791</u>
Less ceded unearned premium reserve			
Individual life insurance	10,712	-	10,712
Individual injury insurance	1,513	-	1,513
Individual health insurance	27,559	-	27,559
Group insurance	5,267	-	5,267
Investment-linked insurance	5,074	-	5,074
	<u>50,125</u>	<u>-</u>	<u>50,125</u>
Net amount	<u>\$ 3,804,613</u>	<u>\$ 53</u>	<u>\$ 3,804,666</u>
	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	-	57	57
	<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	4,963	-	4,963
	<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, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 3,384,833	\$ 57	\$ 3,384,890
Reserve	3,854,737	53	3,854,790
Recover	(3,421,034)	(57)	(3,421,091)
Gains (losses) on foreign exchanges	1	-	1
Others (Note)	<u>36,201</u>	<u>-</u>	<u>36,201</u>
Ending balance	<u>3,854,738</u>	<u>53</u>	<u>3,854,791</u>
Less ceded unearned premium reserve			
Beginning balance	49,879	-	49,879
Increase	50,125	-	50,125
Decrease	<u>(49,879)</u>	<u>-</u>	<u>(49,879)</u>
Ending balance	<u>50,125</u>	<u>-</u>	<u>50,125</u>
Net amount	<u>\$ 3,804,613</u>	<u>\$ 53</u>	<u>\$ 3,804,666</u>

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

	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, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance			
Reported but not paid claim	\$ 260,846	\$ 81,393	\$ 342,239
Unreported claim	1,497	-	1,497
Individual injury insurance			
Reported but not paid claim	52,370	-	52,370
Unreported claim	207,078	-	207,078
Individual health insurance			
Reported but not paid claim	93,733	-	93,733
Unreported claim	508,774	-	508,774
Group insurance			
Reported but not paid claim	56,073	-	56,073
Unreported claim	397,937	-	397,937
Investment-linked insurance			
Reported but not paid claim	11,657	-	11,657
Unreported claim	-	-	-
Annuity insurance			
Reported but not paid claim	-	15,299	15,299
Unreported claim	-	85	85
	<u>1,589,965</u>	<u>96,777</u>	<u>1,686,742</u>
Less ceded reserve for claims			
Individual life insurance	5,654	-	5,654
Individual injury insurance	4,687	-	4,687
Individual health insurance	13,863	-	13,863
Group insurance	<u>3,000</u>	<u>-</u>	<u>3,000</u>
	<u>27,204</u>	<u>-</u>	<u>27,204</u>
Net amount	<u>\$ 1,562,761</u>	<u>\$ 96,777</u>	<u>\$ 1,659,538</u>

	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
			(Continued)

	December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
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	-	56	56
	<u>1,437,951</u>	<u>106,826</u>	<u>1,544,777</u>
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	800	-	800
	<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, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 1,437,951	\$ 106,826	\$ 1,544,777
Reserve	1,590,478	96,834	1,687,312
Recover	(1,446,997)	(106,826)	(1,553,823)
Gains (losses) on foreign exchange	(513)	(57)	(570)
Others (Note)	9,046	-	9,046
Ending balance	<u>1,589,965</u>	<u>96,777</u>	<u>1,686,742</u>
Less ceded unearned premium reserve			
Beginning balance	12,484	-	12,484
Increase	27,204	-	27,204
Decrease	(12,484)	-	(12,484)
Ending balance	<u>27,204</u>	<u>-</u>	<u>27,204</u>
Net amount	<u>\$ 1,562,761</u>	<u>\$ 96,777</u>	<u>\$ 1,659,538</u>

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

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	1,484,694	139,498	1,624,192
Recover	(46,365)	(32,458)	(78,823)
Gains (losses) on foreign exchange	(378)	(214)	(592)
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	(9,169)	-	(9,169)
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>

China Life Insurance's 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, such as, 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, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Participating policies dividend reserve	\$ 6,364,597	\$ -	\$ 6,364,597
Dividend risk reserve	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 6,364,597</u>	<u>\$ -</u>	<u>\$ 6,364,597</u>

	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	
	2018	2017
	Insurance Contract	Insurance Contract
Beginning balance	\$ 6,259,742	\$ -
Adjustment to IFRS 9	<u>(6,676)</u>	<u>-</u>
Adjusted beginning balance	6,253,066	-
Effect of changes in consolidated entities	-	5,792,803
Reserve for participating policy dividend revenue	1,963,273	466,939
Recover for participating policy dividend revenue	(1,720,408)	-
Reserve for dividend risk reserve	-	-
Gain on equity instruments dividend policy measured at FVTOCI	<u>(131,334)</u>	<u>-</u>
Ending balance	<u>\$ 6,364,597</u>	<u>\$ 6,259,742</u>

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

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Individual life insurance	\$ 1,578	\$ -	\$ 1,578
Individual injury insurance	871,147	-	871,147
Individual health insurance	2,435,161	-	2,435,161
Group insurance	3,090,678	-	3,090,678
Annuity insurance	<u>-</u>	<u>539</u>	<u>539</u>
	<u>\$ 6,398,564</u>	<u>\$ 539</u>	<u>\$ 6,399,103</u>

	December 31, 2017		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		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, 2018		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Individual life insurance	\$ 7,376,763	\$ -	\$ 7,376,763
Individual health insurance	<u>127,382</u>	<u>-</u>	<u>127,382</u>
	<u>\$ 7,504,145</u>	<u>\$ -</u>	<u>\$ 7,504,145</u>

	December 31, 2017		
	Financial Instruments with Discretionary Participation Feature		
	Insurance Contract		Total
Individual life insurance	\$ 9,042,441	\$ -	\$ 9,042,441
Individual health 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 as below:

	For the Year Ended December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ 9,164,460	\$ -	\$ 9,164,460
Reserve	1,385,231	-	1,385,231
Recover	(3,073,841)	-	(3,073,841)
Gains (losses) on foreign exchange	28,294	-	28,294
Others (Note)	<u>1</u>	<u>-</u>	<u>1</u>
Ending balance	<u>\$ 7,504,145</u>	<u>\$ -</u>	<u>\$ 7,504,145</u>

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

	For the Year Ended December 31, 2017		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ -	\$ -	\$ -
Effect of changes in consolidated entities	10,161,474	-	10,161,474
Reserve	238,749	-	238,749
Recover	(1,207,303)	-	(1,207,303)
Gains (losses) on foreign exchange	<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. Other reserve

	December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Others	<u>\$ 20,002,374</u>	<u>\$ -</u>	<u>\$ 20,002,374</u>

	For the Year Ended December 31, 2018		
	Insurance Contract	Financial Instruments with Discretionary Participation Feature	Total
Beginning balance	\$ -	\$ -	\$ -
Recover	(466,188)	-	(466,188)
Others (Note)	<u>20,468,562</u>	<u>-</u>	<u>20,468,562</u>
Ending balance	<u>\$ 20,002,374</u>	<u>\$ -</u>	<u>\$ 20,002,374</u>

Note: The amount is transferred from the acquisition of a partial traditional insurance policies of Allianz Life Insurance on May 18, 2018.

h. Liability adequacy reserve

	Insurance Contract and Financial Instruments with Discretionary Participation Feature	
	December 31	
	2018	2017
Reserve for life insurance liabilities	\$ 1,512,955,877	\$ 1,263,844,149
Unearned premium reserve	3,854,791	3,384,890
Premium deficiency reserve	7,504,145	9,164,460
Special reserve	6,364,597	6,259,742
Other reserve	<u>20,002,374</u>	<u>-</u>
Book value of insurance liabilities	<u>\$ 1,550,681,784</u>	<u>\$ 1,282,653,241</u>
Estimated present value of cash flows	<u>\$ 1,256,360,366</u>	<u>\$ 974,892,299</u>
Balance of liability adequacy reserve	<u>\$ -</u>	<u>\$ -</u>

China Life Insurance's liability adequacy testing methodology is listed as follows:

	December 31	
	2018	2017
Test method	Gross Premium Valuation Method (GPV)	Gross Premium Valuation Method (GPV)
Groups	Integrated testing	Integrated testing
Assumptions	Adopt the best-estimated scenario investment return on the most recent actuary report (the actuary report of 2017), and discount rates were evaluated with consideration of current information.	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.

i. Foreign exchange valuation reserve

1) The hedge strategy and risk exposure

China Life Insurance Co., Ltd. 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	
	2018	2017
Beginning balance	\$ 2,703,763	\$ -
Effect of changes in consolidated entities Reserve	-	2,800,849
Compulsory reserve	1,065,269	252,467
Extra reserve	<u>2,533,566</u>	<u>55,714</u>
	3,598,835	308,181
Recover	<u>(3,133,267)</u>	<u>(405,267)</u>
Ending balance	<u>\$ 3,169,331</u>	<u>\$ 2,703,763</u>

3) Effects due to foreign exchange valuation reserve

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

	For the Year Ended December 31, 2017		
Item	Inapplicable Amount	Applicable Amount	Effects
Net income	\$ 6,030,262	\$ 9,083,972	\$ 3,053,710
Earnings per share (dollar)	1.50	2.26	0.76
Foreign exchange valuation reserve	-	2,703,763	2,703,763
Equity	96,157,695	95,337,747	(819,948)

34. 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 \$614,054 thousand in 2018 and \$444,209 thousand in 2017, respectively.

The Corporation's foreign subsidiaries recognized their contributions as pension expenses in accordance with their local laws and regulation and amounting to \$7,528 thousand and \$5,963 thousand for the years ended December 31, 2018 and 2017, 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 \$257 thousand in 2018 and \$103 thousand in 2017, 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	
	2018	2017
Present value of defined benefit obligation	\$ 3,001,474	\$ 3,054,510
Fair value of plan assets	<u>(2,013,124)</u>	<u>(2,066,806)</u>
Net defined benefit liabilities	<u>\$ 988,350</u>	<u>\$ 987,704</u>

Movements in net defined benefit liabilities (assets) 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, 2018	\$ 3,054,510	\$ (2,066,806)	\$ 987,704
Service cost			
Current service cost	24,161	-	24,161
Past service cost and loss (gain) on settlements	9,573	-	9,573
Net interest expense (income)	<u>39,261</u>	<u>(26,745)</u>	<u>12,516</u>
Recognized in profit or loss	<u>72,995</u>	<u>(26,745)</u>	<u>46,250</u>
Remeasurement			
Return on plan assets (excluding amounts included in net interest)	-	(19,394)	(19,394)
Actuarial gain - changes in demographic assumptions	53,237	-	53,237
Actuarial gain - changes in financial assumptions	43,677	-	43,677
Actuarial gain - experience adjustments	70,761	(15,093)	55,668
Change in exchange rate	<u>(106)</u>	<u>-</u>	<u>(106)</u>
Recognized in other comprehensive income	<u>167,569</u>	<u>(34,487)</u>	<u>133,082</u>
Contributions from the employer	-	(179,471)	(179,471)
Benefits paid	(294,385)	294,385	-
Change in exchange rate	110	-	110
Others	<u>675</u>	<u>-</u>	<u>675</u>
Balance at December 31, 2018	<u>\$ 3,001,474</u>	<u>\$ (2,013,124)</u>	<u>\$ 988,350</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	<u>\$ 2,749,772</u>	<u>\$ (1,952,034)</u>	<u>\$ 797,738</u>
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)	-	9,140	9,140
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>12,169</u>	<u>134,449</u>
Contributions from the employer	-	(85,415)	(85,415)
Benefits paid	<u>(205,212)</u>	<u>205,212</u>	<u>-</u>
Balance at December 31, 2017	<u>\$ 2,731,466</u>	<u>\$ (1,847,345)</u>	<u>\$ 884,121</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	<u>\$ 303,737</u>	<u>\$ (216,349)</u>	<u>\$ 87,388</u>
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

	Valuation at December 31	
	2018	2017
Discount rates	0.90%	0.95%
Expected rates of salary increase	2.50%	2.50%

CDIB Capital Group and subsidiaries

	Valuation at December 31	
	2018	2017
Discount rates	0.90%	0.95%
Expected rates of salary increase	2.50%	2.50%

KGI and subsidiaries

	Valuation at December 31	
	2018	2017
Discount rates	1.18%-8.25%	1.39%-7.00%
Expected rates of salary increase	2.00%-4.00%	2.00%-4.00%

KGI Bank and subsidiaries

	Valuation at December 31	
	2018	2017
Discount rates	0.95%-1.25%	0.95%-1.38%
Expected rates of salary increase	2.50%-3.00%	2.50%-3.00%

China Life Insurance

	Valuation at	
	December 31	
	2018	2017
Discount rates	1.13%	1.31%
Expected rates of salary increase	0.00%-1.41%	0.00%-1.79%

China Development Asset Management Corporation

	Valuation at	
	December 31	
	2018	2017
Discount rates	0.90%	0.95%
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 in 2017)

	December 31	
	2018	2017
Discount rate(s)		
0.25-0.50% increase	<u>\$ (132,837)</u>	<u>\$ (113,482)</u>
0.25-0.50% decrease	<u>\$ 156,211</u>	<u>\$ 137,209</u>
Expected rate(s) of salary increase		
0.25-1.00% increase	<u>\$ 172,731</u>	<u>\$ 133,712</u>
0.25-1.00% decrease	<u>\$ (147,174)</u>	<u>\$ (111,307)</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	
	2018	2017
The expected contributions to the plan for the next year	<u>\$ 159,564</u>	<u>\$ 68,852</u>
The average duration of the defined benefit obligation	6.66-18.93 years	3.94-19.88 years

35. OTHER FINANCIAL LIABILITIES

	<u>December 31</u>	
	2018	2017
Separate - account product liabilities	\$ 63,501,665	\$ 61,824,990
Principal received on structured notes	26,253,350	24,247,363
Customers' equity accounts - futures	21,398,531	22,679,896
Others	<u>385,853</u>	<u>374,126</u>
	<u>\$ 111,539,399</u>	<u>\$ 109,126,375</u>

36. EQUITY

a. Share capital

Common stock

	<u>December 31</u>	
	2018	2017
Numbers of shares authorized (in thousands)	<u>20,000,000</u>	<u>20,000,000</u>
Shares authorized	<u>\$ 200,000,000</u>	<u>\$ 200,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>14,963,356</u>	<u>14,976,820</u>
Shares issued	<u>\$ 149,633,560</u>	<u>\$ 149,768,196</u>

b. Capital surplus

	<u>December 31</u>	
	2018	2017
Arising from treasury stock transactions	\$ 1,449,472	\$ 985,211
Share-based payments awards	86,798	87,867
Difference between consideration and carrying amounts adjusted arising from changes in percentage of ownership in subsidiaries	80,994	80,994
Others	<u>13,728</u>	<u>19,647</u>
	<u>\$ 1,630,992</u>	<u>\$ 1,173,719</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 director revised the proposal of the remaining net income and unappropriated accumulated earnings can cover previous years' accumulated losses and related taxes, if any, are sequenced as follows legal reserve on the current year's net income, followed by a special reserve or reversal defined by laws and plus the earnings as dividends to shareholders. After the distribution of priority preferred share dividends in accordance with the regulations, the final remainder of 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.

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 22, 2018 and June 16, 2017, the board of the directors and shareholders' meeting approved the resolution on the appropriations from the earnings of 2017 and 2016, respectively, as follows:

	Earnings Appropriation		Dividends Per Share (NT\$)	
	2017	2016	2017	2016
Legal reserve	\$ 1,169,529	\$ 592,308		
Reversal of special reserve	(1,713,561)	(949,694)		
Cash dividends	8,974,377	7,487,871	\$ 0.6	\$ 0.5

The appropriation of earnings of 2018 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	
	2018	2017
Balance at January 1	\$ 81,544,066	\$ 3,608,921
Effect of retrospective application and retrospective restatement Attributable to non-controlling interests	1,743,732	-
Share of profit for the year	4,961,952	670,182
Exchange difference on translation of financial statements of foreign operations	13,473	(7,910)
Unrealized gains on available-for-sale financial assets	-	2,811,543
Actual losses arising from defined benefit plans	(11,162)	(17,555)
Losses on equity instrument measured at FVTOCI	(2,531,844)	-
Losses on debt instrument measured at FVTOCI	(10,386,628)	-
Reclassification of other comprehensive income by overlay approach	(9,297,604)	-
Payment of cash dividends by subsidiaries	(1,993,427)	(35,828)
Payment of cash dividend to non-controlling interest	219,503	-
Treasury stock acquired by subsidiaries	-	(3,413,272)
Effect of changes in consolidated entities	-	77,926,364
Others	<u>68,162</u>	<u>1,621</u>
Balance at December 31	<u>\$ 64,330,223</u>	<u>\$ 81,544,066</u>

37. INFORMATION OF SUBSIDIARIES WITH SIGNIFICANT NON-CONTROLLING INTERESTS

Subsidiaries	The Main Place of Business	Non-controlling Interests Held by the Proportion of Equity	
		December 31	
		2018	2017
China Life Insurance Company Limited	Taipei	65.04%	65.04%

**Net Income Attributed to
Non-controlling Interests
For the Year Ended December 31**

China Life Insurance Company Limited

\$ 4,864,607 \$ 623,968

**Non-controlling Interests
December 31**

China Life Insurance Company Limited

\$ 60,661,102 \$ 77,939,388

The following aggregated financial information was prepared based on the amount before the intercompany transaction sales, and it has reflected the impact of the purchase method when the company acquired China Life Insurance Company Limited.

China Life Insurance Company Limited

	December 31	
	2018	2017
Total assets	\$ 1,734,540,477	\$ 1,494,361,519
Total liabilities	<u>1,642,279,604</u>	<u>1,375,535,670</u>
Equity	<u>\$ 92,260,873</u>	<u>\$ 118,825,849</u>
Equity attributable to:		
Owners of parent	\$ 31,599,771	\$ 40,886,461
Non-controlling interest	<u>60,661,102</u>	<u>77,939,388</u>
	<u>\$ 92,260,873</u>	<u>\$ 118,825,849</u>
	For the Year Ended December 31	
	2018	2017
Revenue	<u>\$ 336,039,489</u>	<u>\$ 81,398,841</u>
Net profit for the year	\$ 7,479,224	\$ 959,337
Other comprehensive income	<u>(34,149,476)</u>	<u>4,308,549</u>
Total comprehensive income	<u>\$ (26,670,252)</u>	<u>\$ 5,267,886</u>
Net profit attributable to:		
Owners of parent	\$ 2,614,617	\$ 335,369
Non-controlling interest	<u>4,864,607</u>	<u>623,968</u>
	<u>\$ 7,479,224</u>	<u>\$ 959,337</u>
Comprehensive income attributable to:		
Owners of parent	\$ (9,323,493)	\$ 1,841,569
Non-controlling interest	<u>(17,346,759)</u>	<u>3,426,317</u>
	<u>\$ (26,670,252)</u>	<u>\$ 5,267,886</u>

	For the Year Ended December 31	
	2018	2017
Cash flows		
From operating activities	\$ 117,989,262	\$ 45,748,996
From investing activities	(116,730,330)	(21,171,611)
From financing activities	<u>(3,029,119)</u>	<u>20,140,228</u>
Net increase(decrease) in cash	<u>\$ (1,770,187)</u>	<u>\$ 44,717,613</u>
Dividend payment to non-controlling interests	<u>\$ 1,970,187</u>	<u>\$ -</u>

38. 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, 2018</u>				
Reclassification of the Corporation's stock held by subsidiaries and recognized as long-term investment	<u>519,062</u>	<u>-</u>	<u>75,531</u>	<u>443,531</u>
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>

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 were treated as treasury stock. The market prices of the shares were \$2,399,876 thousand and \$3,063,126 thousand on December 31, 2018 and 2017, respectively. KGI Securities entered into a trust contract with China Trust Commercial Bank (CTBC) in September 2018, and entrusted shares of Capital Securities Corporation to them. During the contract period, the trustee, CTBC, would deal with the shares in accordance with the contract. 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 20,646 thousand shares of Corporation's shares held. The effective date of the reduction was December 29, 2017. On March 26, 2018, the board of directors approved the cancelation of treasury stock through capital reduction, and obtained the approval of the FSC on May 16, 2018. The date of treasury stock retired was June 4, 2018. 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 \$1,911,243 thousand and \$1,995,793 thousand on December 31, 2018 and 2017, respectively.

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.

39. INTEREST PROFIT, NET

	For the Year Ended December 31	
	2018	2017
<u>Interest revenue</u>		
Securities	\$ 48,498,726	\$ 15,427,235
Discounts and loans	11,006,918	8,088,661
Margin loans and refinancing margin	1,903,225	1,920,396
Due from and call loans to banks	448,502	376,153
Others	<u>2,707,550</u>	<u>1,653,549</u>
	<u>64,564,921</u>	<u>27,465,994</u>
<u>Interest expenses</u>		
Deposits	4,389,190	2,812,184
Notes and bonds issued under repurchase agreements	1,773,728	1,169,779
Deposit from banks	447,386	269,703
Borrowing interest expense	427,123	362,575
Corporate bonds	416,878	338,727
Others	<u>528,288</u>	<u>442,614</u>
	<u>7,982,593</u>	<u>5,395,582</u>
Interest profit, net	<u>\$ 56,582,328</u>	<u>\$ 22,070,412</u>

40. SERVICE FEE AND COMMISSION, NET

	For the Year Ended December 31	
	2018	2017
<u>Service fee revenue and commission income</u>		
Brokerage	\$ 9,025,024	\$ 8,433,577
Commission income - insurance	986,543	1,120,452
Security lending	708,736	559,872
Trust	533,313	539,951
Others	<u>2,021,438</u>	<u>1,142,914</u>
	<u>13,275,054</u>	<u>11,796,766</u>
<u>Service fee expense and commission expense</u>		
Commission expense - insurance	11,680,517	2,753,999
Brokerage	1,290,490	1,198,565
Others	<u>1,679,544</u>	<u>1,068,340</u>
	<u>14,650,551</u>	<u>5,020,904</u>
Service fee and commission, net	<u>\$ (1,375,497)</u>	<u>\$ 6,775,862</u>

41. INSURANCE BUSINESS, NET

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Insurance business income</u>		
Premium income	\$ 282,450,044	\$ 63,087,658
Reinsurance premium expense	(1,230,840)	(381,640)
Changes in unearned premium reserve	<u>(433,453)</u>	<u>109,555</u>
Retained earned premium	280,785,751	62,815,573
Separate-account insurance products revenues	<u>3,939,371</u>	<u>3,919,018</u>
	<u>284,725,122</u>	<u>66,734,591</u>
<u>Insurance business expense</u>		
Insurance claim payments	(95,841,742)	(23,614,637)
Claims recovered from reinsures	<u>731,146</u>	<u>194,792</u>
Retained claim payments	(95,110,596)	(23,419,845)
Brokerage expense	(9,741)	(4,747)
Disbursements toward industry stability fund	(474,725)	(119,888)
Changes in foreign exchange valuation reserve	(465,568)	97,086
Separate-account insurance products expenses	<u>(3,939,371)</u>	<u>(3,919,018)</u>
	<u>(100,000,001)</u>	<u>(27,366,412)</u>
Insurance business, net	<u>\$ 184,725,121</u>	<u>\$ 39,368,179</u>

42. GAIN(LOSS) ON FINANCIAL ASSETS OR LIABILITIES MEASURED AT FVTPL

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Stocks	\$ 1,906,500	\$ 734,891
Derivatives	(29,059,013)	7,062,643
Bonds	3,458,909	(109,193)
Operating securities	(2,095,404)	3,589,174
Others	<u>(320,023)</u>	<u>(1,828,962)</u>
	<u>\$ (26,109,031)</u>	<u>\$ 9,448,553</u>

For the years ended December 31, 2018 and 2017, the Group's financial assets and liabilities at fair value through profit or loss included interest revenue of \$4,016,390 thousand and \$1,397,229 thousand, respectively, dividend income of \$7,443,928 thousand and \$736,236 thousand, respectively and interest expense of \$1,270,786 thousand and \$768,241 thousand, respectively.

43. REALIZED GAIN(LOSS) ON AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET

	For the Year Ended December 31, 2017
Gain on stock disposal	\$ 4,892,115
Dividend income	1,289,347
Gain on bond disposal	1,260,836
Others	<u>(28,918)</u>
	<u>\$ 7,413,380</u>

44. REALIZED GAIN (LOSS) ON FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	For the Year Ended December 31, 2018
Gain on bond disposal	\$ 1,940,431
Dividend income	<u>603,544</u>
	<u>\$ 2,543,975</u>

45. GAIN ON FINANCIAL ASSETS MEASURED AT COST, NET

	For the Year Ended December 31, 2017
Gain on security disposal	\$ 2,588,991
Dividend income	381,412
Distributions of fund capital gain	50,592
Others	<u>4,230</u>
	<u>\$ 3,025,225</u>

46. EMPLOYEE BENEFITS, DEPRECIATION AND AMORTIZATION EXPENSES

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Employee benefit expense		
Salaries and wages	\$ 12,727,048	\$ 11,683,204
Employee insurance	1,018,292	735,078
Pension	667,832	488,140
Others	<u>880,762</u>	<u>852,302</u>
	<u>\$ 15,293,934</u>	<u>\$ 13,758,724</u>
Depreciation and amortization expenses	<u>\$ 2,417,238</u>	<u>\$ 1,814,357</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 2018 and 2017 which have been approved in the shareholders' meetings on March 25, 2019 and March 26, 2018, respectively, were as follows. The employees' compensation bonus and remuneration of directors and supervisors for 2017 were reported on the shareholders meeting on June 22, 2018.

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Employees' compensation to employees	\$ 80,000	\$ 116,000
Remuneration of directors and supervisors	79,000	110,000

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, 2018 and 2017.

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. 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 (benefit) were as follows:

	For the Year Ended December 31	
	2018	2017
Current income tax		
Current year	\$ 1,082,289	\$ 1,173,526
Adjustments for prior years	<u>(357,936)</u>	<u>(147,351)</u>
	<u>724,353</u>	<u>1,026,175</u>
Deferred income tax		
Current period	600,680	1,128,156
Prior years	<u>(697,794)</u>	<u>-</u>
	<u>(97,114)</u>	<u>1,128,156</u>
	<u>\$ 627,239</u>	<u>\$ 2,154,331</u>

In February 2018, the Income Tax Act in the ROC was amended and, starting from 2018, the corporate income tax rate was 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%, while the applicable tax rate used by subsidiaries in China is 25%.

As the status of 2019 appropriation of earnings is uncertain, the potential income tax consequences of 5% of 2018 unappropriated earnings are not reliably determinable.

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

	For the Year Ended December 31	
	2018	2017
Income tax expenses at the statutory rate	\$ 3,565,810	\$ 3,162,089
Permanent differences	(3,497,627)	(2,511,704)
Unrecognized temporary differences	315,601	33,661
Loss carryforwards	606,451	1,221,185
Prior year's adjustments	(356,425)	(140,262)
Additional income tax under the Alternative Minimum Tax Act	558,374	385,643
Others	<u>(564,945)</u>	<u>3,719</u>
	<u>\$ 627,239</u>	<u>\$ 2,154,331</u>

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

	For the Year Ended December 31	
	2018	2017
Current income tax		
(Gain) loss on equity instruments at fair value through other comprehensive income	\$ 12,543	\$ -
Deferred income tax		
Adjustment in tax rate	409,086	-
(Gain) loss on equity instruments at fair value through other comprehensive income	(1,076,129)	-
Unrealized (gain) loss on available-for-sale financial assets	-	(208,848)
(Gain) loss on debt instruments at fair value through other comprehensive income	(3,661,565)	-
Actuarial gain (loss) on defined benefit plans	(42,149)	(18,770)
(Gain) loss on reclassification using the overlay approach	(1,457,479)	-
Deferred income tax related to tax losses and reversals	<u>(121,476)</u>	<u>-</u>
	<u>\$ (5,937,169)</u>	<u>\$ (227,618)</u>

d. Income tax expense (benefit) recognized in equity were as follows:

	For the Year Ended December 31	
	2018	2017
Current income tax (benefit)		
Income tax recognized in equity - dividend policy	\$ (1,135)	\$ -
Deferred income tax (benefit)		
Deferred income tax related to tax losses and reversals	<u>27,602</u>	<u>-</u>
	<u>\$ 26,467</u>	<u>\$ -</u>

e. Deferred tax assets and liabilities

	December 31	
	2018	2017
<u>Deferred tax assets</u>		
Loss carryforwards	\$ 5,219,346	\$ 2,539,109
Financial products valuation	3,763,949	-
Unrealized loss on foreign exchange	2,555,594	5,582,056
Allowance for bad debts	611,455	587,393
Others	<u>502,216</u>	<u>373,304</u>
	<u>\$ 12,652,560</u>	<u>\$ 9,081,862</u>

(Continued)

	December 31	
	2018	2017
<u>Deferred tax liabilities</u>		
Purchase policy value	\$ 2,553,504	\$ 2,631,116
Goodwill	1,069,814	909,342
Debt instruments measured at amortized cost	922,659	-
Investment property	902,231	870,197
Land value increment tax	768,784	763,324
Gain on financial asset at fair value through profit or loss	460,432	844,660
Unrealized gain on available-for-sale financial assets	-	1,047,151
Debt investment without active market	-	1,340,808
Held-to-maturity financial assets	-	635,894
Others	<u>597,851</u>	<u>348,962</u>
	<u>\$ 7,275,275</u>	<u>\$ 9,391,454</u>

(Concluded)

- f. Amount of unused loss carryforwards of unrecognized deferred income tax assets in the balance sheet

The information of the Corporation is as follows:

	December 31	
	2018	2017
Deductible amount of taxable income		
Expiry in 2019	\$ -	\$ 117,069
Expiry in 2021	<u>378,146</u>	<u>378,146</u>
	<u>\$ 378,145</u>	<u>\$ 495,215</u>

The information of CDIB Capital Group is as follows:

	December 31	
	2018	2017
Deductible amount of taxable income		
Expiry in 2021	<u>\$ 380,488</u>	<u>\$ 380,488</u>

The information of KGI Bank is as follows:

	December 31	
	2018	2017
Deductible amount of taxable income		
Expiry in 2017	\$ -	\$ 4,156,938
Expiry in 2018	12,613,743	9,738,114
Expiry in 2019	<u>6,160,060</u>	<u>3,910,829</u>
	<u>\$ 18,773,803</u>	<u>\$ 17,805,881</u>

g. Amount of unused loss carryforwards

As of December 31, 2018, the loss carryforwards related information of KGI Bank is as follows:

Amount of Unused Carryforwards	Final Carryforwards Year
\$ 12,613,743	2018
10,187,530	2019
2,624,589	2020
<u>1,240,412</u>	2021
 <u>\$ 26,666,274</u>	

h. Income tax assessments

The Corporation's income tax returns through 2014 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.

The income tax returns of CDIB Management Consulting Corporation and CDC Finance & Leasing Corp through 2016 had been examined by the tax authorities. Income tax returns of KGI Bank and formerly Wanyin Insurance Broker 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 2014 had been examined by the tax authorities. KGI Securities disagreed with the tax authorities' assessments of its tax returns from 2009 to 2014. As a result, KGI filed tax appeals.

The income tax returns of KGI Securities Investment Advisory Co., Ltd. for the year through 2017 had been examined by the tax authorities. Income tax returns of KGI Insurance Brokers Co., Ltd., KGI Information Technology Co., Ltd., GSFC, KGI Futures Co., Ltd., KGI Securities Investment Trust Co., Ltd., and KGI Venture Capital Co., Ltd. through 2016 had been examined by the tax authorities.

CDIB Capital Group's income tax returns through 2014 had been examined by the tax authorities.

Income tax returns of CDIB Capital Management Inc., through 2016 had been examined by the tax authorities. Income tax returns of CDIB Venture Capital Corp. through 2016 and as of 2013 had been examined by the tax authorities.

Income tax returns of China Development Asset Management Corp., CHG3, CHG4, Development Industrial Bank Asset Management Corp., through 2016 had been examined by the tax authorities.

Capital Life Insurance's income tax returns through 2016 had been examined by the tax authorities.

48. EARNINGS PER SHARE

	(New Taiwan Dollars)	
	<u>For the Year Ended December 31</u>	
	2018	2017
Basic EPS	<u>\$0.54</u>	<u>\$0.80</u>
Diluted EPS	<u>\$0.54</u>	<u>\$0.80</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>	
	2018	2017
Earnings used in the computation of EPS	<u>\$ 7,852,688</u>	<u>\$ 11,695,285</u>

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

	<u>For the Year Ended December 31</u>	
	2018	2017
Weighted average number of common shares outstanding in computation of basic EPS	14,480,026	14,583,551
Effect of dilutive potentially common shares:		
Restricted shares	2,468	5,424
Employee share options	<u>18,044</u>	<u>3,260</u>
Weighted average number of common shares outstanding in computation of diluted EPS	<u>14,500,538</u>	<u>14,592,235</u>

49. 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			
	2018		2017	
	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)	Number of Options (In Thousands)	Weighted- average Exercise Price (NT\$)
Balance at January 1	64,118	\$7.93	73,211	\$8.43
Options exercised	(7,182)	7.61	(1,077)	7.65
Options invalid	<u>(770)</u>	7.81	<u>(8,016)</u>	8.41
Balance at December 31	<u>56,166</u>	7.54	<u>64,118</u>	7.93
Options exercisable, end of period	<u>48,298</u>	7.55	<u>41,556</u>	7.92
Weighted-average remaining contractual life (years)	2.6		3.62	

The weighted-average share price at the date of exercise of share options from January 1 to December 31, 2018 and 2017 were \$10.73 and \$9.23, respectively.

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, 2018 and 2017 were \$6,009 thousand and \$5,645 thousand.

b. Issue restricted share plan

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, 2018 and 2017, the Corporation recognized \$6,983 thousand and \$23,435 thousand as compensation cost.

50. 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, 2018	\$ 291,210	-
December 31, 2017	67,571	-

For the years ended December 31, 2018 and 2017, the interest revenues from cash in bank were \$371 thousand and \$223 thousand, respectively.

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

	Amount	%
December 31, 2018	\$ 200,611	-
December 31, 2017	262,228	-

For the years ended December 31, 2018 and 2017, 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, 2018	\$ 6,032,510	2

- 4) Bank debentures (recognized as debt instruments measured at amortized cost)

	Amount	%
December 31, 2018	\$ 921,744	-

For the year ended December 31, 2018, the interest revenues from bank debentures was \$32,009 thousand.

- 5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2018</u>		
Other related parties	\$ 1,277,470	\$ 1,942,918
<u>For the year ended December 31, 2017</u>		
Other related parties	701,044	299,896

- 6) Purchase and sale of securities

	Sale of Securities
<u>For the year ended December 31, 2018</u>	
Other related parties	\$ 510,569

- 7) Revenue receivable (recognized as receivables, net)

	Amount	%
December 31, 2018	\$ 123,303	-
December 31, 2017	244,416	-

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

	Amount	%
December 31, 2018	\$ 15,935	-
December 31, 2017	23,919	-

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

	Amount	%
December 31, 2018	\$ 22,433	-
December 31, 2017	16,772	-

10) Receivables from securities sale (recognized as receivables, net)

	Amount	%
December 31, 2018	\$ 459,512	-

11) Other receivables (recognized as receivables, net)

	Amount	%
December 31, 2018	\$ 40,374	-
December 31, 2017	6,102	-

12) Discounts and loans, net

KGI Bank

	Amount	%	Interest Rate (%)
December 31, 2018	\$ 1,150,686	-	1.54-15.00
December 31, 2017	962,341	-	1.54-15.00

For the years ended December 31, 2018 and 2017, the interest revenues from discounts and loans were \$16,667 thousand and \$15,117 thousand, respectively.

For the Year Ended December 31, 2018

(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	40	\$ 34,371	\$ 21,486	\$ 21,486	\$ -	None	Yes
Residential mortgage loans	85	1,399,026	1,123,527	1,123,527	-	Real estate	Yes
Others	12	19,712	5,673	5,673	-	Real estate	Yes

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

China Life Insurance

	Amount	%
December 31, 2018	\$ 4,134	-
December 31, 2017	2,877	-

13) Call loans from banks (recognized as deposits from the Central Bank and financial institutions)

	December 31			
	2018		2017	
	Amount	%	Amount	%
Other related parties	\$ 908,555	4	\$ 4,096,960	14

For the years ended December 31, 2018 and 2017, the interest expenses from call loans from banks were \$41,016 thousand and \$22,345 thousand, respectively.

14) Notes and bonds issued under repurchase agreements

	Amount	%
December 31, 2017	\$ 61,219	-

15) Other payables (recognized as payables)

	Amount	%
December 31, 2018	\$ 21,006	-
December 31, 2017	69,938	-

16) Deposits and remittances

	Amount	%	Interest Rate (%)
December 31, 2018	\$ 1,117,220	-	0-5.58
December 31, 2017	1,278,464	-	0-5.58

For the years ended December 31, 2018 and 2017, the interest expenses from deposits and remittances were \$8,651 thousand and \$7,126 thousand, respectively.

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

	Amount	%
December 31, 2017	298,480	-

For the years ended December 31, 2018 and 2017, the interest expenses from short-term borrowings were \$8,621 thousand and \$5,159 thousand, respectively.

18) Customers' equity accounts - futures (recognized as other financial liabilities)

	Amount	%
December 31, 2018	\$ 8,723	-
December 31, 2017	42,647	-

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

	For the Year Ended December 31	
	Amount	%
2018	\$ 13,192	-
2017	19,710	-

20) Other revenue except for interest income

	Amount	%
2018	\$ 12,759	-
2017	12,180	1

21) Premium income (recognized as net income from insurance operations)

	For the Year Ended December 31	
	Amount	%
2018	\$ 270,764	-
2017	39,097	-

22) Consulting service revenue

	2018		2017	
	Amount	%	Amount	%
<u>2018</u>				
Other related parties	\$ 560,535	43	\$ 483,405	42

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

	Amount	%
2018	\$ 10,000	-
2017	40,000	1

24) Outstanding derivative financial instruments

KGI Bank

December 31, 2018

(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 07, 2047	\$ 12,320,368	\$ 642,233	Financial assets at FVTPL	\$ 150,929
					Financial liabilities at FVTPL	2,366

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 07, 2047	\$ 11,431,784	\$ (493,670)	Financial liabilities at FVTPL	\$ 493,670

China Life Insurance

December 31, 2018

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US\$ 299,000	Financial assets at FVTPL	\$ 14,352
		October 8, 2018 - February 14, 2019	US\$ 295,000	Financial liabilities at FVTPL	17,414

December 31, 2017

(In Thousands of New Taiwan Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Other related parties	Currency swap contracts	February 14, 2017 - September 25, 2018	US\$ 464,000	Financial assets at FVTPL	\$ 65,887

25) Issuance of letters of guarantee by related parties due to business needs

	For the Year Ended December 31	
	2018	2017
Others	\$ 540,000	\$ 860,000

26) Compensation of key management personnel

	For the Year Ended December 31	
	2018	2017
Salary and short-term benefits	\$ 435,620	\$ 341,631
Share-based payment	5,795	20,976
Post-employment benefits	2,920	2,527
	\$ 444,335	\$ 365,134

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

Related Party	Relationship with the KGI Bank and Subsidiaries
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp. Group	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 become the related party.

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Other related parties	\$ 200,611	3	\$ 262,228	2

- 2) Futures contract (recognized as cash and cash equivalents and Financial assets at FVTPL)

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 464,124	1	\$ 391,201	1

- 3) Bank debentures (recognized as debt instruments measured at amortized cost)

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 921,744	8

- 4) Receivables from securities sale (recognized as receivables, net)

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 157,021	1

5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2018</u>		
Subsidiary of the parent company	\$ 5,330,933	\$ 2,733,358
Other related parties	877,050	-
<u>For the year ended December 31, 2017</u>		
Subsidiary of the parent company	2,847,280	6,632,791

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Other related parties	\$ 908,555	4	\$ 4,096,960	14

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	\$ 530,563	100	\$ 412,845	100

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

8) Deposits and remittances

	Amount	%	Interest Rate (%)
<u>December 31, 2018</u>			
Parent company	\$ 5,019,205	1	0-0.73
Subsidiary of the parent company	18,239,625	4	0-1.03
<u>December 31, 2017</u>			
Parent company	974,422	-	0-0.57
Subsidiary of the parent company	12,720,348	3	0-1.03

9) Service fee revenue (recognized as service fee, net)

	For the Year Ended December 31, 2018	
	Amount	%
Subsidiary of the parent company	\$ 307,771	17

10) Outstanding derivative financial instruments

December 31, 2018

(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 07, 2047	\$ 12,320,368	\$ 642,233	Financial assets at FVTPL	\$ 150,929
					Financial liabilities at FVTPL	2,366
Subsidiaries of the parent company	Asset swap - interest rate swap contracts	January 18, 2017 - February 01, 2020	602,120	(13,226)	Financial assets at FVTPL	2,740
					Financial liabilities at FVTPL	7,058
	Asset swap - option	January 18, 2017 - December 31, 2019	602,120	52,985	Financial liabilities at FVTPL	14,231
	Interest rate swap contracts	November 04, 2016 - November 06, 2020	636,173	(101)	Financial assets at FVTPL	544
					Financial liabilities at FVTPL	4,544
Currency swap contracts	July 19, 2018 - February 27, 2019	15,520,165	36,905	Financial assets at FVTPL	49,613	
				Financial liabilities at FVTPL	12,709	

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 07, 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 01, 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 04, 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

KGI Securities and subsidiaries

Related Party	Relationship with the KGI Securities and Subsidiaries
China Development Financial Holding Corporation	Parent company
CDIB Capital Group and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp. Group	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 become a related party.

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 2,738,863	20	\$ 4,360,264	28

2) Available-for-sale financial assets - current

<u>December 31, 2017</u>	
Amount	%

Stock

Parent company	\$ 3,063,126	91
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3) Financial assets at fair value through profit and loss - current

<u>December 31, 2018</u>	
Amount	%

Open Ended Fund and Money Market Instruments

Other related parties	\$ 465,958	1
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4) Financial assets at fair value through other comprehensive income - current

<u>December 31, 2018</u>	
Amount	%

Stocks

Parent company	\$ 2,399,876	17
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5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>For the year ended December 31, 2018</u>		
Subsidiary of the parent company	\$ 5,278,020	\$ 15,860,435
Other related parties	400,420	1,942,918
<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

6) Purchase and sale of securities

	Purchase of Securities
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For the year ended December 31, 2017

Subsidiary of the parent company	\$ 112,345
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7) Guarantee deposits received in futures contracts

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 919,916	4	\$ 2,042,540	9

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

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 192,353	-

9) Restricted assets (recognized as other current assets)

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 1,202,572	3	\$ 1,036,153	2

10) Short-term borrowings

	December 31, 2017	
	Amount	%
Other related parties	\$ 298,480	1

11) Customers' equity accounts - futures

	December 31			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 394,377	2	\$ 362,052	2

12) Payables

	December 31, 2017	
	Amount	%
Subsidiary of the parent company	\$ 158,640	-

13) Current tax liabilities

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	\$ 740,985	81	\$ 340,456	46

14) Other operating revenue

**For the Year Ended
December 31, 2018**

Amount %

Subsidiary of the parent company \$ 337,512 39

15) Other operating expenses

**For the Year Ended
December 31, 2018**

Amount %

Subsidiary of the parent company \$ 126,520 3

16) Other income and loss

2018

Amount %

Parent company \$ 169,551 8

2017

Amount %

\$ 151,293 9

17) Outstanding derivative financial instruments

a) Asset swap IRS contracts value

December 31

2018

**Contract
Amount
(Principal)**

2017

**Contract
Amount
(Principal)**

Subsidiary of the parent company \$ 602,120 \$ 508,220

b) Asset swap option contracts - call

December 31

2018

**Contract
Amount
(Principal)**

2017

**Contract
Amount
(Principal)**

Subsidiary of the parent company \$ 602,120 \$ 508,220

c) Interest rate swap contracts

December 31

2018

**Contract
Amount
(Principal)**

2017

**Contract
Amount
(Principal)**

Subsidiary of the parent company \$ 636,173 \$ 955,136

18) Due to business needs, the related-parties issued a letter of guarantee

	For the Year Ended December 31	
	2018	2017
Other related parties	\$ 540,000	\$860,000

CDIB Capital Group and subsidiaries

Related Party	Relationship with CDIB Capital Group and Subsidiaries
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
China Development Asset Management Corp. Group	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			
	2018		2017	
	Amount	%	Amount	%
Subsidiary of the parent company	\$ 6,566,990	39	\$ 5,089,039	40

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

	Amount	%
December 31, 2018	\$ 150,215	65

3) Revenue receivable (recognized as other receivables)

	December 31, 2017	
	Amount	%
Other related parties	\$ 118,497	22

4) Sale of securities receivables (recognized as other receivables)

	December 31, 2018	
	Amount	%
Other related parties	\$ 459,512	41

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	\$ 317,267	98	\$ 339,279	98

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

6) Purchase and sale of securities

	Sale of Securities
2018	
Other related parties	\$ 510,569
<u>2017</u>	
Subsidiary of the parent company	112,345

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

	December 31			
	2018		2017	
	Amount	%	Amount	%
Parent company	\$ 523,096	96	\$ 323,549	97

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

8) Consulting service revenue

	2018		2017	
	Amount	%	Amount	%
	Other related parties	\$ 240,906	37	\$ 242,153

China Development Asset Management Corp. Group

Related Party	Relationship with the China Life Insurance
China Development Financial Holding Corporation	Parent company
KGI Securities and subsidiaries	Subsidiary of the parent company
KGI Bank and subsidiaries	Subsidiary of the parent company
CDIB Capital Group and subsidiaries	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.

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

	Amount	%
December 31, 2018	\$ 150,187	100

China Life Insurance

<u>Related Party</u>	<u>Relationship with the China Life Insurance</u>
China Development Financial Holding Corporation	Parent company (Note)
KGI Securities and subsidiaries	Subsidiary of the parent company (Note)
KGI Bank and subsidiaries	Subsidiary of the parent company (Note)
CDIB Capital Group	Subsidiary of the parent company (Note)
China Development Asset Management Corp. 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) Cash in banks (recognized as cash and cash equivalents)

	<u>December 31, 2018</u>	
	<u>Amount</u>	<u>%</u>
Subsidiary of the parent company	\$ 6,719,483	16
Other related parties	223,286	1

- 2) Financial assets at fair value through other comprehensive income

	<u>December 31, 2018</u>	
	<u>Amount</u>	<u>%</u>

Stocks

Parent company	\$ 5,467,191	2
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- 3) Available-for-sale financial assets

	<u>December 31, 2017</u>	
	<u>Amount</u>	<u>%</u>

Parent company	\$ 5,709,053	1
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- 4) Receivables from sale of securities (recognized as receivables)

	<u>December 31, 2017</u>	
	<u>Amount</u>	<u>%</u>

Subsidiary of the parent company	\$ 104,227	1
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5) Purchase and sale of bonds

	Purchase of Bonds	Sale of Bonds
<u>2018</u>		
Subsidiary of the parent company	\$ 10,529,442	\$ 2,544,662
<u>2017</u>		
Subsidiary of the parent company	3,960,593	-

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

	December 31, 2018	
	Amount	%
Other related parties	\$ 5,159,700	2

7) Service fee revenue

	2018	
	Amount	%
Subsidiary of the parent company	\$ 131,397	13

8) Dividend income (recognized as realized gain on financial assets measured at fair value through other comprehensive income)

	2018	
	Amount	%
Parent company	\$ 337,481	6

9) Commission fee

	2018	
	Amount	%
Subsidiary of the parent company	\$ 639,433	5

10) Outstanding derivative financial instrument

December 31, 2018

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	October 25, 2018 - February 27, 2019	US\$ 250,000	Financial assets at FVTPL	\$ 12,884
		July 05, 2018- February 15, 2019	US\$ 255,000	Financial liabilities at FVTPL	49,387
Other related parties	Currency swap contracts	November 16, 2018 - February 27, 2019	US\$ 299,000	Financial assets at FVTPL	14,352
		October 8, 2018 - February 14, 2018	US\$ 295,000	Financial liabilities at FVTPL	17,414

December 31, 2017

(In Thousands of United States Dollars/US Dollars)

Related Party	Contract Type	Contract Period	Contract Amount	Balance Sheet	
				Account	Balance
Subsidiaries of the parent company	Currency swap contracts	February 15, 2017 - September 21, 2018	US\$ 235,000	Financial assets at FVTPL	\$ 61,327
Other related parties	Currency swap contracts	February 14, 2017 - September 25, 2018	US\$ 464,000	Financial assets at FVTPL	65,887

51. 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	
	2018	2017
Financial assets at fair value through other comprehensive income - negotiable certificate of deposit	\$ 16,198,186	\$ -
Other assets - operating guarantee deposits	7,438,483	7,454,004
Property and equipment, net	4,792,233	4,827,689
Accounts receivable- Installment accounts receivables and lease receivables	2,380,148	2,541,307
Other assets - guarantee deposit paid	1,502,485	130,584
Other financial assets - pledged time deposits	1,248,210	1,029,134
Other assets - competitive bid transactions guarantee	369,445	299,258
Investment property, net	344,109	348,297
Financial assets at fair value through profit or loss - bonds	203,177	356,457
Financial assets at fair value through other comprehensive income - bonds	181,348	-
Checking accounts - restricted for agent's stock transfer purposes	51,074	52,128
Restricted assets - impound account	44,936	62,258
Due from the Central Bank and call loans to financial institutions	-	6,520,000
Available-for-sale financial assets - negotiable certificate of deposit	-	10,804,495
Available-for-sale financial assets - bonds and stocks	-	180,596

Note: 88,500 thousand of China Life Insurance shares held by KGI Securities on December 31, 2018 and 2017 have been pledged.

52. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED CONTRACTUAL COMMITMENTS

Commitments and contingencies of the Group, except for those disclosed in Notes 55 and 57 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\$381,410 thousand based on the exchange rate of December 31, 2018) was reclassified to “other financial liabilities”. The litigation had not yet been concluded as of December 31, 2018. 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.
- 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. The third party filed a new appeal and the Supreme Court ordered the high court to conduct a new trial on November 9, 2018. The high court is hearing this case on third trial as the consolidated financial statements were reported to the board of directors.
- f. In response to the rapid business development and IT demands for innovative products, KGI Bank plans to outsource part of its IT operations to, in order to enhance IT service levels, in line with 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. Throughout the validity period of the IT outsourcing contract, in addition to paying for extra services in accordance with professional rates. Starting from December 31, 2018, the Bank has to pay, annual service fees for the basic framework, support service, IT application service and integration and transformation of its server and so on, with the service fees totaling \$300,120 thousand for the remaining years. The plan have been modified and approved by the board of directors on August 21, 2018.
- 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, 2017 signed the first contract change protocol, modify the total amount of the contract is \$5,623,913 thousand. As of December 31, 2018, the actual total amount of construction expenditure (after deduction of 5% construction retainage) is \$1,378,319 thousand and unpaid amount is \$4,245,594 thousand.

53. BUSINESS COMBINATIONS

a. 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 influence of business combination on business performance

Since the acquisition date, net revenue and net loss from the acquire in 2017 were \$51,090,406 thousand and \$959,337 thousand respectively. Should the acquisition happened on the opening date of fiscal year, the proposed net revenue and net profit of the subsidiary for the year ended December 31, 2017 were \$193,769,305 thousand and \$16,586,212 thousand respectively. Should the acquisition completed on the opening date of fiscal year, the amounts could not reflect the actual revenue and operating performance of the Corporation and subsidiaries. Neither should it be utilized to forecast the operating performance in the future.

b. Traditional Insurance Policies of Allianz Taiwan Life Insurance

China Life Insurance acquired a part of the asset and liability business of the traditional insurance policies of Allianz Taiwan Life Insurance at a consideration price of NT\$1. The settlement date was May 18, 2018.

Assets acquired and liabilities assumed on the settlement date were as follows:

	Fair Value on Settlement Date
Financial assets (including cash and cash equivalents of \$49,856,478)	\$ 50,766,127
Financial liabilities	(2,569)
Insurance liabilities	(49,031,763)
Other liabilities	<u>(357)</u>
	<u>\$ 1,731,438</u>

The bargain purchase gain due to the partial acquisition of the traditional insurance business of Allianz Taiwan Life Insurance was \$1,731,438 thousand, which was generated by the acquisition consideration of \$1 minus the fair value of the net identifiable assets of \$1,731,438 thousand.

Had the acquisition happened on January 1, 2018, the pro forma net revenue and net income before tax of the subsidiary for the year ended December 31, 2018 would have been \$252,610,506 thousand and \$13,776,102 thousand, respectively.

54. INDIVIDUAL PROFITABILITY AND CONSOLIDATED PROFIT ABILITIES OF CDFH, KGI BANK, KGI SECURITIES AND CHINA LIFE INSURANCE

Consolidated Profitability

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.53	0.88
	After income tax	0.50	0.75
Return on net worth	Before income tax	5.61	6.98
	After income tax	5.35	5.94
Profit margin		5.08	14.48

Profitability of the Corporation

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	4.10	5.92
	After income tax	4.07	6.05
Return on net worth	Before income tax	4.73	6.87
	After income tax	4.74	7.06
Profit margin		88.97	94.31

Profitability of KGI Bank

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.46	0.87
	After income tax	0.34	0.55
Return on net worth	Before income tax	4.83	8.38
	After income tax	3.59	5.30
Profit margin		24.39	28.98

Profitability of KGI Securities

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	2.30	4.75
	After income tax	2.11	4.61
Return on net worth	Before income tax	6.94	14.05
	After income tax	6.38	13.64
Profit margin		38.85	55.64

Profitability of China Life Insurance

(%)

Items		December 31, 2018	December 31, 2017
Return on total assets	Before income tax	0.60	0.63
	After income tax	0.64	0.65
Return on net worth	Before income tax	11.02	9.91
	After income tax	11.67	10.30
Profit margin		3.01	3.56

55. FINANCIAL INSTRUMENTS

a. The definitions of each hierarchy are as follows:

- 1) Level 1 fair values are quoted prices in active markets for financial instruments.
- 2) Level 2 fair values refer to directly or indirectly observable inputs other than Level 1 quoted prices, such as the quoted prices of similar financial instruments in active markets; in less active markets, fair values are quoted prices of the same or similar financial instruments or financial instruments that can be generated by using pricing models that use inputs such as interest rates and volatility rates, which are derived from or can be corroborated with observable market data.
- 3) Level 3 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, 2018

	(In Thousands of New Taiwan Dollars)			
	Level 1	Level 2	Level 3	Total
<u>Nonderivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL				
Stock investments	\$ 111,514,368	\$ 81,132	\$ 6,857,996	\$ 118,453,496
Bond investments	41,989,438	61,457,028	191,943	103,638,409
Others	47,323,015	15,470,248	11,033,980	73,827,243
Financial assets designated as at FVTPL	6,169,907	42,512,632	574,064	49,256,603
Financial assets at FVTOCI				
Stock investments	17,462,411	12,316	11,111,094	28,585,821
Bond investments	235,021,765	173,029,763	-	408,051,528
Others	-	48,698,585	-	48,698,585
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	3,091,924	1,649,405	-	4,741,329
Financial liabilities designated as at FVTPL	-	29,046,779	-	29,046,779

(Continued)

	Level 1	Level 2	Level 3	Total
<u>Derivative financial instruments</u>				
Financial assets				
Financial assets at FVTPL				
Financial assets mandatorily classified as at FVTPL	\$ 927,604	\$ 28,660,132	\$ 167,547	\$ 29,755,283
Financial liabilities				
Financial liabilities at FVTPL				
Financial liabilities held for trading	746,457	49,325,395	771,524	50,843,376
Financial liabilities designated as at FVTPL	-	3,155,241	-	3,155,241
				(Concluded)

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	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
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				
Financial liabilities designated as at FVTPL	1,330,993	3,163,745	-	4,494,738
	-	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

2) Evaluation technology at fair value

For financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and financial assets at fair value through other comprehensive income, fair value is determined at quoted market prices. When market prices of the Group's various financial instruments are not readily available, fair values are estimated by using appropriate valuation models or other banks' transaction prices. The information the Group uses for fair value estimation is consistent with that generally used in the market; the basis of the theory are commonly recognized by the industry. The type of relevant methodology can roughly divided into analytical solution model (for example: Black-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 international credit assessment and model and international accounting standard 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) Transfers between the Levels 1 and 2

	For the Year Ended December 31, 2018		For the Year Ended December 31, 2017	
	Level 1 Converted Into Level 2	Level 2 Converted Into Level 1	Level 1 Converted Into Level 2	Level 2 Converted Into Level 1
Available-for-sale financial assets - bond investments	\$ -	\$ -	\$ 50,663	\$ 37,686,358
Financial assets at FVOCI - bond investments	8,193,853	10,483,913	-	-

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.

5) Reconciliation of Level 3 items of financial instruments

The movements of financial assets with Level 3 fair value were as follows:

For the Year Ended December 31, 2018

(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 3	Sale, Disposal or Settlement	Transfer from Level 3 (Note)	
Financial assets at FVTPL							
Financial assets mandatorily classified as at FVTPL	\$ 20,569,493	\$ 2,545,325	\$ 2,963,681	\$ -	\$ (7,417,920)	\$ (409,113)	\$ 18,251,466
Financial assets designated as at FVTPL	457,036	14,023	165,293	-	(62,288)	-	574,064
Financial assets at FVTOCI	16,855,341	(5,690,731)	68,400	-	(121,916)	-	11,111,094

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 3	Sale, Disposal or Settlement	Transfer from Level 3	
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

Note: For parts of stock investments, the Corporation's subsidiaries acquired their observable market material, causing the applicable level of stock investments transfer from Level 3.

The movements of financial liabilities with Level 3 fair value were as follows:

For the Year Ended December 31, 2018

(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 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	\$ 449,041	\$ (217,502)	\$ 1,142,185	\$ -	\$ (602,200)	\$ -	\$ 771,524

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 3	Sale, Disposal or Settlement	Transfer from Level 3	
Financial liabilities at FVTPL							
Financial liabilities held for trading	\$ 237,850	\$ 37,889	\$ 1,049,780	\$ -	\$ (876,478)	\$ -	\$ 449,041

The total gains or losses for the years ended December 31, 2018 and 2017 included gain of \$45,868 thousand and \$204,760 thousand relating to assets and liabilities measured at fair value on Level 3 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, 2018	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
<u>Nonderivative financial instruments</u>					
Financial assets at FVTOCI	\$ 381,396	Market approach, net asset method	P/B, P/E, Lack of liquidity discount and control discount	1.15-9.94, 11%-27.2%	Multiplier is proportional to fair value; fair value is inversely proportional to discount for lack of marketability and control.
<u>Derivative financial instruments</u>					
Financial assets at FVTPL	147,234	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.
Financial liabilities at FVTPL	146,087	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, 2017	Valuation Technique(s)	Significant Unobservable Inputs	Range	The Relationship Between Inputs and Fair Value
Repetitive basis to fair value measurement items					
Derivative financial instruments					
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.
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.

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, 2018

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial assets</u>				
Non-derivative financial assets				
Financial assets at FVTPL - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Financial assets at FVTPL - equity instruments	Market approach	Discount for lack of marketability	23%-26%	Assets at fair value is inversely proportional to discount for lack of marketability.
Financial assets at FVTOCI - equity instruments	Fair value from counter-party, recently strike price or measured by using asset-based approach.	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	24.93%-62.14%	According to condition of contract, fair value of asset may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

(Continued)

	Valuation Techniques	Significant Unobservable Inputs	Quantification Information	The Relationship Between Inputs and Fair Value
<u>Financial liabilities</u>				
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	2.18%-14.04%	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	21.32%-47.70%	According to condition of contract, fair value of liabilities may be higher or lower.
Credit derivatives instruments - CDS	ISDA Standard Upfront Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

(Concluded)

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	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured products - option	Martingale pricing technique	History volatility	13.42%-69.92%	According to condition of contract, fair value of assets may be higher or lower.
Equity derivatives - premium - equity option (call option)	Martingale pricing technique	History volatility	19.70%	According to condition of contract, fair value of assets may be higher or lower.
<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 Model	Recovery rate	0.4	According to ISDA Standard Upfront Model, recovery rate is set from the category of targets' debts.

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, 2018

	Sensitivity Analysis of Relationship Between Inputs and Fair Value			
	Inputs	Positive/ Negative Change	Recognized to Profit or Loss	
			Positive Impact	Negative Impact
<u>Financial assets</u>				
Non-derivative instruments				
Financial assets at FVTPL				
Equity instruments (counter-party/recent strike price/assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Equity instruments (market approach)	Reduction proportion	-1%/+1%	\$ 359	\$ 368
Financial assets at FVTOCI				
Equity instruments (assets approach)	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	Historical volatility	+25%/-25%	2,173	1,997
<u>Financial liabilities</u>				
Derivative instruments				
Structured notes - options	Historical volatility	-25%/+25%	-	-
Equity derivative instruments - premium - options (put options)	Historical volatility	-25%/+25%	(12)	(12)

December 31, 2017

	Sensitivity Analysis of Relationship Between Inputs and Fair Value			
	Inputs	Positive/ Negative Change	Recognized to Profit or Loss	
			Positive Impact	Negative Impact
<u>Financial assets</u>				
Non-derivative instruments				
Available-for-sale financial assets				
Equity instruments	Not applicable	Not applicable	Not applicable	Not applicable
Derivative instruments				
Structured notes - options	Historical volatility	+25%/-25%	\$ 1,217	\$ 1,135
Equity derivative instruments - premium - options (call options)	Historical volatility	+25%/-25%	4	4

(Continued)

**Sensitivity Analysis of Relationship
Between Inputs and Fair Value**

	Inputs	Positive/ Negative Change	Recognized to Profit or Loss	
			Positive Impact	Negative Impact
<u>Financial liabilities</u>				
Derivative instruments				
Structured notes - options	Historical volatility	-25%/+25%	\$ (210)	\$ (175)
Equity derivative instruments - premium - options (put options)	Historical volatility	-25%/+25%	971	1,103
				(Concluded)

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, 2018	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets					
Financial assets at FVTPL	\$ 15,365,511	Market approach	P/B P/S Lack of liquidity discount	0.66-2.06 0.31-9.44 23%-29%	When the higher income multiplier, the higher of fair value; when the higher lack of liquidity discount, the lower of fair value.
		Discounted cash-flow method	Lack of liquidity discount WACC Growth rate	23%-29% 10.33%-14.14% 3%-7%	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.
		Net asset adjustment method	Lack of liquidity discount Non-controlling interest discount	23%-29% 11%	When the higher lack of liquidity discount, the lower of fair value.
		Binomial tree model	Returns on stock value volatility	39.05%-39.2%	When the higher returns on stock value volatility, the higher of fair value.
		Recent strike price	-	-	-

	Fair Value at December 31, 2017	Valuation Techniques	Significant Unobservable Inputs	Range (Average Weighted)	The Relationship Between Inputs and Fair Value
Repetitive basic to fair value measurement items					
Non-derivative financial assets	\$ 971,150	Market approach	P/B	2.34	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.
Financial assets at FVTPL		Discounted cash-flow method	Lack of liquidity discount	26%	
	Lack of liquidity discount		26%		
	WACC	11.44%			
		Growth rate	3.0%		
Available-for-sale financial assets	435,236	Recent strike price	-	-	-
		Net asset method	-	-	-
		Discounted cash-flow method	Lack of liquidity discount	20%	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.
			WACC	12.1%-15.4%	
	Growth rate	2.5%-7.0%			
		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, 2018				
	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	Option	Volatility in stock price for the 90-day period	35.139%	The higher the volatility in stock price for the 90-day period, the higher the fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.
Financial assets at fair value through other comprehensive income	Market approach	Discount for liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.18%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

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	Option	Volatility in stock price for the 90-day period	26.727%	The higher the volatility in stock price for the 90-day period, the higher the fair value.
Available-for-sale	Market approach	Discount for lack of liquidity	10%-30%	The higher the discount for lack of liquidity, the lower the estimated fair value.
		Control premium	0%-10%	The higher the control premium, the higher the estimated fair value.
	Income approach	Cost of capital rate	6.51%	The higher the cost of capital rate, the lower the estimated fair value.
		Discount for liquidity	0%-10%	The higher the discount for lack of liquidity, the lower the estimated fair value.
	Net asset value approach	Liquidity and minority interests discount	0%-10%	The higher the discount for lack of liquidity and minority interests discount, the lower the estimated fair value.

7) Pricing process of Level 3 fair value

KGI Bank and subsidiaries

KGI Bank's risk management department is responsible for the pricing process of Level 3 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 those derivatives that their fair value are hard to reach or they are categorized as financial assets with no active market, reasonability of fair value of those financial assets are assessed by related 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.

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, debt instruments measured at amortized cost, financial assets measured at cost, part of 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 22.

Fair values of bonds payable with quoted prices in an active market are evaluated using the market price; bonds payable with no quoted prices in an active market are estimated by valuation methods or the opponent's price.

2) The fair value hierarchy of financial instruments were as follows:

December 31, 2018

(In Thousands of New Taiwan Dollars)

	Level I	Level 2	Level 3	Total
<u>Financial assets</u>				
Debt instruments measured at amortized cost	\$ 155,654,720	\$ 790,443,476	\$ -	\$ 946,098,196
Investments accounted for using the equity method	2,803,009	-	-	2,803,009
<u>Non-financial assets</u>				
Investment property, net	-	-	25,033,305	25,033,305
<u>Financial liabilities</u>				
Bank debentures payable	-	7,353,175	-	7,353,175

December 31, 2017

(In Thousands of New Taiwan Dollars)

	Level 1	Level 2	Level 3	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 instruments 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

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, 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 value of debt investments measured at amortized cost is estimated by referring to quote price from electronic bond trading system of Taipei Exchange and Bloomberg.
- g) 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.
- h) For fair value measurement of investment property, refer to Note 22.

56. 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, 2018, 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 33 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											Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	
2008	\$ 2,170,100	\$ 2,736,556	\$ 2,776,542	\$ 2,781,989	\$ 2,786,399	\$ 2,792,187	\$ 2,798,032	\$ 2,798,807	\$ 2,799,546	\$ 2,800,435	\$ 2,802,449	
2009	2,243,111	2,870,648	2,924,110	2,934,461	2,936,046	2,939,451	2,940,095	2,940,209	2,940,748	2,941,322		
2010	2,574,879	3,071,401	3,132,443	3,137,874	3,143,299	3,143,963	3,144,299	3,144,902	3,145,167			
2011	2,610,108	3,276,928	3,328,279	3,342,075	3,346,106	3,350,438	3,351,824	3,354,243				
2012	2,345,575	2,953,776	3,029,335	3,045,381	3,048,828	3,051,256	3,054,748					
2013	2,267,213	2,964,954	3,028,400	3,040,442	3,045,355	3,053,040						
2014	3,448,229	4,203,186	4,284,682	4,298,217	4,303,753							
2015	3,530,448	4,420,482	4,498,438	4,510,113								
2016	3,721,820	4,648,280	4,743,133									
2017	4,320,234	5,400,952										
2018	4,775,948											\$ 1,137,709

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims 426,129
Claim reserve for discount on no claim 122,904
Reserve for claims balance \$ 1,686,742

b) Retained business loss development trend

Accident Year	Development Year											Reserve for Claims
	1	2	3	4	5	6	7	8	9	10	11	
2008	\$ 2,128,556	\$ 2,682,784	\$ 2,721,905	\$ 2,719,002	\$ 2,723,312	\$ 2,728,970	\$ 2,734,682	\$ 2,735,440	\$ 2,736,162	\$ 2,737,031	\$ 2,739,000	
2009	2,204,858	2,820,114	2,862,350	2,868,022	2,869,572	2,872,900	2,873,529	2,873,640	2,874,167	2,874,728		
2010	2,535,358	3,010,157	3,068,543	3,066,830	3,072,133	3,072,782	3,073,109	3,073,699	3,073,958			
2011	2,561,841	3,214,455	3,260,383	3,266,408	3,270,348	3,274,581	3,275,936	3,278,301				
2012	2,304,504	2,897,464	2,967,538	2,976,431	2,979,800	2,982,173	2,985,586					
2013	2,227,515	2,908,429	2,966,622	2,971,604	2,976,405	2,983,916						
2014	3,387,852	4,123,055	4,197,276	4,200,902	4,206,313							
2015	3,468,881	4,336,525	4,407,051	4,408,435								
2016	3,657,093	4,560,257	4,647,033									
2017	4,244,930	5,298,470										
2018	4,692,869											\$ 1,130,013

Note: This table does not include long-term life insurance.

Add: Long-term insurance claims 406,621
Claim reserve for discount on no claim 122,904
Reserve for claims balance \$ 1,659,538

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, 2018 and 2017, the maturity analysis of liquidity risk for insurance contract liabilities are as follows:

	Within 1 Year	1 to 3 Years	3 to 5 Years	5 to 15 Years	Over 15 Years
<u>December 31, 2018</u>					
Insurance liabilities of investment contracts with discretionary participation features	\$ (33,630,030)	\$ 39,944,163	\$ 129,971,782	\$ 558,939,147	\$ 3,349,786,380
Reserve for insurance contracts with feature of financial instruments	-	-	-	-	-
<u>December 31, 2017</u>					
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 its 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.

57. FINANCIAL RISK MANAGEMENT

a. Risk management policies and framework

The Corporation

The Corporation has established its risk management policies, which combine business management and risk management to form a corporate culture and business strategies that place a fundamental importance on risk management. The results of quantified and qualified risk management measures serve as a reference for formulating business strategies. The board of directors has approved the documentation of both overall and specific risk management policies, including business, 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 a 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 directors supervise 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:

The 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, capital allocation, 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 sale of commodities, trusted investment and management of 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, legal 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.

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, 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 help the management 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 had decided regulations to manage to engage in hedging 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.

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) Definition and source of credit risk

Credit risk is the risk of financial loss to KGI Bank if a creditor or counterparty fails to meet its contractual obligations or has negative changes in its credit quality. Credit risk management covers all operating activities that involve credit risk, including loans, call loans to banks, banking book securities investment, financial derivatives, repurchase agreement transactions and other operating activities.

2) Credit risk management policy

KGI Bank has standard control procedures for credit risk identification, measurement, and generation of disclosures and reports to be used for a rational identification, measurement, disclosure, and effective control of credit risk. These procedures include applying standard screening criteria for target clients, credit investigations for credit approval or rejection, careful deliberation of applications for certain exceptions, credit review, management of non-performing loans and requests, and control over all related documents and information. KGI Bank also adjusts the credit risk structure accordingly so that credit portfolios are within KGI Bank's risk appetite. Further, KGI Bank assesses the changes in the economy to adjust risk structure and develops strategies in response to these changes to alleviate shareholders' value and ensure the risk is bearable.

Based on the risk management policies, the management process is carried out as follows:

a) Credit investigation

In screening target clients, KGI Bank asks for all the necessary documents from the clients in order to get an accurate understanding of their backgrounds accurately and control credit portfolios within the acceptable range.

b) Credit approval

Cases that have passed the credit investigation are reviewed by the credit authority of each level. The credit authorities approve credits in accordance with KGI Bank's credit limit structure and authorization policies. KGI Bank's credit approval structure and policies are based not only on the Banking Act and other government rules for credit extended to the same person or affiliated enterprises/groups, industry and country, but also on the professionalism of KGI Bank's credit authorities and the quality of asset control. The amounts of credit authorized are reviewed by the credit authorities occasionally.

c) Post-lending loan review

The corporate banking segment of KGI Bank tracks the borrowers' financial and business conditions, generates risk assessment reports on credit asset portfolios regularly, operates a risk warning system and adjusts business development strategies as needed to cope with economic conditions and changes in asset quality through the use of an account management scheme and a regular-reassessment system. For delinquent loans, KGI Bank uses the concentration management method, together with information systems and analysis models, to conduct regular loan reviews for the enhanced management of overdue loans and 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 risk management committee and board of directors.

3) Mitigation of risks or hedging of credit 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 mitigating KGI Bank's credit risk. 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 to credit risk

Without taking into account KGI Bank's irrevocable collateral or KGI Bank's other credit enhancements and maximum exposure of unused amount for unused revolving credit without credit card and cash card, the maximum exposure to credit risk from on-balance sheet financial assets was equal to their carrying values; the maximum exposure of credit risk from off-balance sheet financial instruments was as follows:

	December 31	
	2018	2017
Irrevocable loan commitments, guarantees and letters of credit	\$ 37,251,576	\$ 29,079,858

KGI Bank believes that stringent selection processes and conducting regular review afterwards are the reasons why they can continuously control and minimize the credit risk exposure from their off-balance sheet items.

KGI Bank and subsidiaries' book values of maximum exposure credit risk for major credit assets were as follows:

	Discounts And Loans						
	December 31, 2018						
	Stage 1			Stage 2		Stage 3	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment/ Adjustment	Total	December 31, 2017 Total
Short-term loans	\$ 59,431,415	\$ 1,121,576	\$ 614,463	\$ -	\$ 61,167,454	\$ 57,489,128	
Short-term secured loans	20,978,083	2,600	4,797	-	20,985,480	14,775,539	
Medium-term loans	135,657,957	192,409	361,245	-	136,211,611	118,372,311	
Medium-term secured loans	55,203,609	62,808	11,912	-	55,278,329	52,803,496	
Long-term loans	929,979	277,446	402,542	-	1,609,967	1,678,126	
Long-term secured loans	63,377,413	96,527	1,010,702	-	64,484,642	52,083,633	
Loans reclassified to nonperforming loans	-	-	420,512	-	420,512	455,444	
Export negotiations	56,079	-	-	-	56,079	17,155	
Total book values	335,634,535	1,753,366	2,826,173	-	340,214,074	297,674,832	
Impairment allowance	(1,415,427)	(102,703)	(495,451)	-	(2,013,581)	(3,924,531)	
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	\$ (2,320,761)	(2,320,761)	
Adjusting for discounts and loans premium	-	-	-	-	(128,300)	(93,311)	
	<u>\$ 334,219,108</u>	<u>\$ 1,650,663</u>	<u>\$ 2,330,722</u>	<u>\$ -</u>	<u>\$ (2,449,061)</u>	<u>\$ 335,751,432</u>	
						<u>\$ 293,656,990</u>	

	Receivables						
	December 31, 2018						
	Stage 1			Stage 2		Stage 3	
	12-month Expected Credit Losses	Lifetime Expected Credit Losses	Lifetime Expected Credit Losses	Purchased or Originated Credit-impaired Financial Asset	Recognition of Impairment/ Adjustment	Total	December 31, 2017 Total
Credit card business	\$ 2,449,428	\$ 196,501	\$ 91,043	\$ -	\$ 2,736,972	\$ 2,648,363	
Accounts receivable - forfeiting	8,122,872	-	-	-	8,122,872	4,400,120	
Accounts receivable factoring without recourse	8,180,068	280	160	-	8,180,508	8,498,884	
Acceptances	140,770	-	-	-	140,770	258,652	
Installment accounts and lease receivables	3,365,564	47,465	92,327	-	3,505,356	3,951,034	
Total book value	22,258,702	244,246	183,530	-	22,686,478	19,757,053	
Impairment allowance	(65,519)	(27,975)	(66,189)	-	(159,683)	(307,539)	
Impairment recognized in accordance with Regulation Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans	-	-	-	-	\$ (186,096)	\$ (186,096)	
	<u>\$ 22,193,183</u>	<u>\$ 216,271</u>	<u>\$ 117,341</u>	<u>\$ -</u>	<u>\$ (186,096)</u>	<u>\$ 22,340,699</u>	
						<u>\$ 19,449,514</u>	

Maximum exposure to credit risk of financial instruments not applicable to impairment is as follows:

	December 31, 2018
	Maximum Exposure to Credit Risk
Financial assets at FVTPL	
Debt instrument	\$ 35,640,472
Derivatives instruments	23,860,387

5) Collaterals and credit enhancement

KGI Bank and its subsidiaries' 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.

KGI Bank and its subsidiaries observe collateral's value of financial instrument closely, and consider recognizing impairment for financial assets with credit impairment. KGI Bank and its subsidiaries' financial assets with impairment, and collateral's values for mitigation of potential losses for the year ended December 31, 2018 were as follows:

	Total Book Value	Credit Impairment	Amount of Risk Exposure (Amortized Cost)	Collaterals Value
Impaired asset:				
Accounts receivable				
Credit card business	\$ 91,043	\$ 28,013	\$ 63,030	\$ -
Accounts receivable factoring	160	10	150	-
Installment accounts and lease receivables	92,327	38,166	54,161	96,449
Discounts and loans	<u>2,826,173</u>	<u>495,451</u>	<u>2,330,722</u>	<u>8,450,071</u>
Total amount of impaired asset	<u>\$ 3,009,703</u>	<u>\$ 561,640</u>	<u>\$ 2,448,063</u>	<u>\$ 8,546,520</u>

The amount the of KGI Bank and its subsidiaries' financial assets which has been written off and still has recourse activities of outstanding contract amount is \$581,078 thousand for the year ended December 31, 2018.

6) Concentrations of credit risk

Concentrations of credit risk arise when there is only one counterparty, or when there is a number of more than one counterparties or exposure but they have comparable economic characteristics, or when 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 from 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 credits, due from and call loans to banks, investments, receivables and derivatives. To manage credit risk concentration, KGI Bank maintains a diversified portfolio and monitors its exposure continually. KGI Bank's most significant concentrations of credit risk are summarized as follows:

a) By object

Object	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Public and private enterprise	\$ 223,928,501	65.82	\$ 197,705,315	66.42
Natural person	115,908,259	34.07	99,643,651	33.47
Non-profit organization	377,314	0.11	325,866	0.11
Total	\$ 340,214,074	100.00	\$ 297,674,832	100.00

b) By region

Region	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Domestic	\$ 249,109,901	73.22	\$ 225,941,825	75.90
Overseas	91,104,173	26.78	71,733,007	24.10
Total	\$ 340,214,074	100.00	\$ 297,674,832	100.00

c) By collateral

Collateral	December 31, 2018		December 31, 2017	
	Amount	%	Amount	%
Non-collateral	\$ 199,322,970	58.59	\$ 178,769,206	60.06
Collateral				
Financial collateral	7,522,386	2.21	6,857,650	2.30
Property	112,842,633	33.17	89,144,353	29.95
Guarantee	14,661,938	4.31	16,997,483	5.71
Other	5,864,147	1.72	5,906,140	1.98
Total	\$ 340,214,074	100.00	\$ 297,674,832	100.00

7) The analysis of financial assets credit quality and impairment of overdue credit-2017

Some financial assets held by KGI Bank and its subsidiaries such as cash and cash equivalents, due from the Central Bank and call loans to banks, securities purchased under resell agreement, parts of receivables, parts of other financial assets, guarantee deposits paid, deposits for business operations and clearing and settlement fund are regarded as having very low credit risk because of the counterparties' good credit ratings.

In addition to the above, the credit analysis of other financial assets was as follows:

a) Credit quality analysis of discounts, 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

Note: The total of discounts and loans is the original amount without the adjustments for premiums or discounts.

b) The credit analysis of discounts and loans and receivables of KGI Bank that were neither overdue nor impaired as shown by rating standards was as follows:

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, 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

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 CDs	30,834,526	-	-	30,834,526	-	-	30,834,526	-	30,834,526
Debt instruments 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.

8) Aging analysis of financial assets overdue but not yet impaired - 2017

Delays in processing borrowers' repayments and other administrative reasons could result in financial assets becoming overdue but not impaired. Based on KGI Bank's assessment of credits, financial assets overdue within 90 days are not considered impaired unless other evidence proves otherwise.

The aging analysis of KGI Bank's financial assets that are 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
- micro 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

9) Analysis of impairment for financial assets - 2017

KGI Bank and subsidiaries' analysis of impairment for discounts, loans and receivables and accumulated impairment were as follows:

Items		December 31, 2017	
		Discounts and Loans	Allowance for Bad Debts
With objective evidence of impairment	Assessment of individual impairment	\$ 184,525	\$ 42,374
	Assessment of collective impairment	750,991	443,884
Without objective evidence of impairment	Assessment of collective impairment	296,739,316	3,438,273
Total		297,674,832	3,924,531

Items		December 31, 2017	
		Receivables	Allowance for Bad Debts
With objective evidence of impairment	Assessment of individual impairment	\$ 1,707,936	\$ 1,173,526
	Assessment of collective impairment	83,504	51,553
Without objective evidence of impairment	Assessment of collective impairment	21,743,478	243,149
Total		23,534,918	1,468,228

10) Management of foreclosed collateral

Foreclosed collaterals are recorded at cost, using lower-at-cost or market approach as of the balance sheet date. If collaterals were 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.

Foreclosed collateral will be sold when it is actually available for sale. The foreclosed collateral is classified as other assets in balance sheet. The difference amount between the disposition price and the book value is recognized as other non-interest net income.

KGI Bank's foreclosed collaterals were mainly securities, land and buildings. As of December 31, 2018 and 2017, the carrying amounts of the collaterals were \$0 thousand. Foreclosed collaterals assumed are classified as other assets in the balance sheets. KGI Bank had gained on disposal of collaterals with amounts of \$0 thousand and \$128,237 thousand during 2018 and 2017, respectively.

11) Disclosures required in the Regulations Governing the Preparation of Financial Reports by Public Banks

a) KGI Bank's asset quality of nonperforming loan and overdue credits

Item		December 31, 2018					
		Nonperforming Loan (NPL) (Note 1)	Total Loans	NPL Ratio (Note 2)	Loan Loss Reserves (LLR)	Coverage Ratio (Note 3)	
Corporate loan	Secured	\$ 92,641	\$ 66,186,663	0.14%	\$ 868,216	937.18%	
	Unsecured	125,781	162,139,177	0.08%	1,837,173	1,460.61%	
Consumer loan	Mortgage (Note 4)	36,495	50,506,797	0.07%	762,653	2,089.76%	
	Cash card	134,830	13,837,469	0.97%	287,034	212.89%	
	Micro credit (Note 5)	158,752	23,343,848	0.68%	324,479	204.39%	
	Other (Note 6)	Secured	23,697	24,173,355	0.10%	253,059	1,067.88%
		Unsecured	1,438	26,765	5.37%	1,728	120.23%
Total		573,634	340,214,074	0.17%	4,334,342	755.59%	
		Overdue Receivable	Account Receivable	Delinquency Ratio	Allowance for Credit Losses	Coverage Ratio	
Credit card		\$ 17,283	\$ 2,736,972	0.63%	\$ 56,444	326.59%	
Account receivable - factored without recourse (Note 7)		36	8,180,508	0.00%	113,780	312,137.08%	

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%	

Note 1: Non-performing loans are reported in accordance with the "Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Non-performing/Non-accrual Loans" issued by Ministry of Finance. Overdue credit card receivables are regulated by Order No. 0944000378 announced by the FSC on July 6, 2005.

Note 2: NPL ratio = NPL/Total loans. For credit card business: Delinquency ratio = Overdue credit card receivables/Credit card receivables balance.

Note 3: Coverage ratio = LLR/NPL. Coverage ratio of credit receivables: Allowance for credit losses/Overdue credit card receivables.

Note 4: Household mortgage refers to financing obtained to buy, build, or fix houses owned by the borrower or the borrower’s spouse or children, with the house used as loan collateral.

Note 5: Micro credit is covered by a Banking Bureau pronouncement dated December 19, 2005 (Order No. 09440010950) and is excluded from credit card and cash card loans.

Note 6: “Others” under consumer loans refers to secured or unsecured loans other than mortgage loans, cash cards, micro credit, and it does not include credit cards.

Note 7: As required by the Banking Bureau in its letter dated July 19, 2005 (Order 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 - factoring without recourse.

b) Exemption of KGI Bank’s nonperforming loans and overdue receivables

Items	December 31, 2018		December 31, 2017	
	Discounts and Loans	Accounts Receivable	Discounts and Loans	Accounts Receivable
Amounts of executed contracts on negotiated debts not reported (Note 1)	\$ 11,518	\$ 88	\$ 12,862	\$ 137
Amounts of executed debt settlement program and rehabilitation program not reported (Note 2)	44,921	4,653	46,561	4,276
Total	\$ 56,439	\$ 4,741	\$ 59,423	\$ 4,413

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 (Order No. 09510001270).

Note 2: The disclosure of excluded NPLs and excluded overdue receivables resulting from consumer debt clearance is based on the Banking Bureau letters dated September 15, 2008 (Order No. 09700318940) and dated September 20, 2016 (Order No. 10500134790).

c) Concentration of KGI Bank's credit extensions

December 31, 2018

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	A Group - 012711 Computer manufacturing	\$ 7,924,071	13.57
2	B Group - 012331 Manufacture of cement	7,185,684	12.31
3	C Group - 012613 Packaging and testing of semi-conductors	4,933,506	8.45
4	D Group - 016811 Real estate activities for sale and rental	4,539,571	7.78
5	E Group - 015100 Civil aviation transportation	4,215,415	7.22
6	F Group - 016700 Real estate development activities	3,850,000	6.60
7	G Group - 012711 Computer manufacturing	3,378,104	5.79
8	H Group - 016811 Real estate activities for sale and rental	3,181,523	5.45
9	I Group - 012411 Iron and steel smelting	3,011,595	5.16
10	J Group - 016700 Real estate development activities	2,855,537	4.89

December 31, 2017

(In Thousands of New Taiwan Dollars, %)

Top 10 Ranking	Group (Industry Category)	Total Credit	Percentage of Net Worth
1	B Group - 011850 Manufacture of man-made fibers	\$ 5,899,179	9.64
2	G Group - 012711 Computer manufacturing	4,340,394	7.09
3	A Group - 012711 Computer manufacturing	4,199,518	6.86
4	K Group - 012641 Manufacture of liquid crystal panel and components	4,035,229	6.59
5	F Group - 016700 Real estate development activities	3,825,000	6.25
6	I Group - 012411 Smelting and refining of iron and steel	3,625,759	5.92
7	J Group - 016700 Real estate development activities	3,468,927	5.67
8	L Group - 012740 Manufacture of magnetic and optical media	3,200,000	5.23
9	M Group - 011512 Manufacture of paper	3,019,197	4.93
10	N Group - 014510 Wholesale on a fee or contract basis	2,984,800	4.88

12) Judgements of a significant increase in credit risk since initial recognition

Credit business

KGI Bank assesses changes in credit quality during the expected lifetime of various types of credit assets on each reporting date to determine if there has been a significant increase in credit risk since the initial recognition, primarily consideration of main indicators considered and supporting information (including prospective information) were as follows:

a) Quantitative index

When the contractual payments are overdue for more than 30 days, the credit risk of the credit assets are considered to be significantly increased since the initial recognition.

b) Qualitative index

- i. Changes in the current or predicted operating, financial, or economic conditions that are expected to cause a significant change in the ability of the borrower to perform its obligations.
- ii. Actual or expected significant changes in borrower's operating results.
- iii. The credit risk of other credit contracts of the same borrower has increased significantly.
- iv. Individual credit assets, if the client did not suffer from financial difficulties at the time of the agreement can be included after assessment.

For the various types of credit assets of KGI Bank which are not be regarded as low credit risk, its can be assumed that the credit risk of such assets has not increased significantly since the initial recognition.

13) Definition of default and impaired credit of financial assets

The definition of the financial assets in default of the KGI Bank is the same as that of the credit impaired assets. If one or more of the following conditions are met, KGI Bank determines that the credit asset is in default and credit impaired:

a) Quantitative index

- i. When the borrower's overdue payment of the contract is more than 90 days.
- ii. Changes in external rating of guarantor or issuer of the notes or bonds.

b) Qualitative index

If there is evidence that the borrower will be unable to settle the loan, or has significant financial difficulties, such as:

- i. Borrower has been bankrupt or may file a petition for bankruptcy or financial restructuring.
- ii. Borrower's loan contract has been reclassified to nonperforming loans or has been written off as bad debts by the KGI Bank
- iii. Due to financial or contractual reasons related to the financial difficulties of the borrower, the creditor of the borrower gives the borrower concessions that would not have been considered or agreed (agreements).

- iv. For cases involving the sale of non-performing loans and suits.
- v. Payment by the bank to fulfill off-balance sheet financial contracts (e.g., guarantee advances).

The aforementioned definition of default and credit impairment applied to the credit assets held by KGI Bank is consistent with the definition of credit assets used for internal credit risk management purposes, and the relevant impairment assessment model is used.

The credit asset will be restored to the state of compliance and is not considered a credit impaired credit asset in default if it no longer meets the definition of default and credit impairment.

A debt instrument investor may also be deemed to have a credit impairment on the financial asset if the rating of the bond guarantor or issuer's rating deteriorates significantly, for example, from an investment grade to a junk bond rating, or if one or more of the following conditions are met:

- i. The guarantor or issuer cannot repay the principal or interest on the maturity date of the bond.
- ii. Before the maturity of the note or bond, it can be objectively determined that the bond guarantor or issuer may not be able to repay the principal and interest of the bond on time.
- iii. Before the maturity of the note or bond, the bond guarantor or issuer is in bankruptcy or in reorganization or taken over due to financial difficulties.
- iv. Before the maturity of the note or bond, the bond guarantor or issuer closes down or is in the process of performing other financial restructuring.

14) Write-off policy

The KGI Bank shall write off bad debts for non-performing loans and overdue receivables that meet one of the following requirements:

- a) When reaching the criteria of write-off of the regulation.
- b) There is a need to expedite the reduction of non-performing loans or for certain businesses that needs to comply with the requirements of the governing authorities.
- c) Written off by the governing authorities or the financial inspection authorities.
- d) If it is difficult to dispose of the collateral or it may take a long time to recover the loan, the creditor's balance shall be written off within the period which is specified in a).
- e) Obtaining the documentary evidence or supporting documents with the assessments that it is not possible to recover the loan.

15) Amendment of contract cash flows of financial assets

KGI Bank may amend the contract cash flows of financial assets as a result of financial difficulties of borrowers, improvement of problematic debtors' recovery rate or maintenance customer relationships. The contract amendments to cash flows amendment include the extension of the contract period, interest payment time modification, contract interest modification, or exemption of part of the debts.

16) Measurement of expected credit losses

For the purpose of measuring expected credit losses, KGI Bank divides credit assets into the following groups; for corporate banking, they are grouped according to scale, while for consumer banking, they are grouped according to product characteristics

Business	Group	Definition
Corporate banking	Large enterprises + Stage 1	Credit risk has not increased significantly.
	Small and medium enterprises + Stage 1	
	Large enterprises + Stage 2	Credit risk has increased significantly.
	Small and medium enterprises + Stage 2	
	Large enterprises + Stage 3	Credit impaired.
	Small and medium enterprises + Stage 3	
Consumer banking	Product + Stage 1	Credit risk has not increased significantly.
	Product + Stage 2	Credit risk has increased significantly.
	Product + Stage 3	Credit impaired

KGI Bank measures the allowance loss for financial instruments that did not have a significant increase in credit risk since initial recognition based on the 12-month expected credit loss model 1. For financial instruments that had a significant increase in credit risk or are credit impaired since initial recognition, lifetime expected credit losses are applied.

To measure the expected credit losses, KGI Bank takes into account the borrower's probability of default ("PD") for the next 12 months and the period of existence, and include the loss given default ("LGD") and exposure at default ("EAD") and taking into account the impact of the time value of money when calculating the 12 month and lifetime expected credit losses.

Probability of default is the probability of default of a borrower (or counterparty) over a period of time; the loss given default refers to the probability of loss of the borrower or counterparty due to inability to recover the debt at the end of the reminder procedures. The probability of default and loss given default are used in the impairment assessment of KGI Bank's credit business are based on internal historical information (such as credit loss experience, etc.) of each group, adjusted based on the current observable data and forward-looking general economic information (such as GDP and employment rate, etc.) which are used to calculate the probability of default on expected losses.

The exposure at default mean that KGI Bank can claim compensation for the book value held by borrowers (or the counterparty) after borrowers have defaulted. KGI Bank has taken into account the amount of credits that have been used and the amounts that may be used in the future for the exposure at default amount. The amount of credits is used as an assessment of exposure at default of on balance sheet credits or part of credits that were already used; off-balance sheet or committed credits that are not yet used are based on the corresponding credit conversion factor (CCF) which considered the credits that are expected to be used within 12 months after the reporting date or expected lifetime, to calculate exposure at default of expected credit loss.

The initial adoption of IFRS 9 used to assess expected credit losses was in 2018. The estimation techniques or major assumptions used to assess the expected credit losses were all reasonably evaluated.

17) Considerations of forward-looking information

KGI Bank incorporates forward-looking information when measuring expected credit losses on loans and receivables. Based on the business characteristics, KGI Bank selected the overall indicators that are highly relevant to lending as an adjustment parameter for default probability of lending. Based on the type of business, KGI Bank used different overall indicator. The Corporate banking business takes the economic growth rate (GDP) as an adjustment parameter; the consumer banking business takes employment rate variation as adjustment parameter. KGI Bank will make reference to external information (predicted value of internationally renowned economic forecasting institutions) or group expert assessments to provide forecasting information on economic factors (basic economic conditions) quarterly; it contains the best estimate of the economic situation in the next five years, and for more than five years until the duration of the relevant financial instruments, it assumes a forecast that is equal to the fifth year.

The measurement of expected credit loss of the Bank's debt instruments is based an external credit migration matrix method to calculate the Probability of default (PD), which is incorporated in the information of forward-looking factors.

18) Changes of provisions for off-balance-sheet guarantees and commitments

The off-balance-sheet guarantees and commitments provisions for the year ended December 31, 2018 are adjusted as follows:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 161,030	\$ 633	\$ -	\$ 1,726	\$ -	\$ 163,389	\$ 27,441	\$ 190,830
Changes due to financial instruments that have been identified at the beginning of the year:								
To lifetime ECL	(34)	34	-	-	-	-	-	-
From conversion to credit-impaired financial assets	(9)	(12)	-	21	-	-	-	-
To 12-month ECL	544	(141)	-	(403)	-	-	-	-
Derecognizing financial assets during the current period	(92,303)	(3)	-	-	-	(92,306)	-	(92,306)
Purchased or originated new financial assets	93,819	321	-	-	-	94,140	-	94,140
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	34,999	34,999
Write-off	-	-	-	-	-	-	-	-
Recovery of written-off	-	-	-	-	-	-	-	-
Effect of exchange rate changes and others	(12,077)	64	-	326	-	(11,687)	-	(11,687)
Balance at December 31	\$ 150,970	\$ 896	\$ -	\$ 1,670	\$ -	\$ 153,536	\$ 62,440	\$ 215,976

KGI Bank and its subsidiaries had no significant increase in off-balance-sheet guarantees, and expected credit loss during the duration of the financing commitment unused amount for the year ended December 31, 2018. Net increase of \$27,028,541 thousand change in total book value resulted in abovementioned provisions increased by \$25,146 thousand in comparison to the prior period.

19) A loss allowance for financial assets measured at amortized cost

There was no significant increase in the credit risk of debt instruments measured at amortized cost of KGI Bank and subsidiaries; therefore, the 12-month expected credit losses were used to assess allowance for loss. The retroactive application of IFRS 9 on January 1, 2018 resulted in \$2,181 thousand of loss allowance. An increase in the investment position resulted in \$3,581 thousand of loss allowance on December 31, 2018.

20) Loss allowance for receivables

The reconciliation statement of loss allowance for receivables for the year ended December 31, 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 108,302	\$ 32,442	\$ -	\$ 1,232,581	\$ -	\$ 1,373,325	\$ 135,280	\$ 1,508,605
Changes due to financial instruments that have been identified at the beginning of the year:								
To lifetime ECL	(1,470)	3,480	7	(2,017)	-	-	-	-
From conversion to credit-impaired financial assets	(1,097)	(3,257)	-	4,354	-	-	-	-
To 12-month ECL	1,827	(144)	-	(1,683)	-	-	-	-
Derecognizing financial assets during the current period	(70,020)	(8,390)	-	(25,076)	-	(103,486)	-	(103,486)
Purchased or originated new financial assets	58,357	11,876	-	5,698	-	75,931	-	75,931
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	102,608	102,608
Write-off	-	(6,237)	-	(54,463)	-	(60,700)	-	(60,700)
Recovery of written-off	-	-	-	92,128	-	92,128	-	92,128
Effect of exchange rate changes and others	(26,159)	(1,312)	(2)	(68,367)	-	(95,840)	-	(95,840)
Balance at December 31	\$ 69,740	\$ 28,458	\$ 5	\$ 1,183,155	\$ -	\$ 1,281,358	\$ 237,888	\$ 1,519,246

Changes in total book values of receivables for the year ended December 31, 2018 of KGI Bank and subsidiaries:

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 21,697,882	\$ 251,185	\$ -	\$ 1,938,926	\$ -	\$ 23,887,993
Conversion from individual financial instruments to lifetime ECL	-	(18)	18	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	(2)	-	2	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Receivables based on collective assessment	(134,140)	56,284	-	77,856	-	-
Purchased or originated new receivables	14,723,867	44,146	-	35,620	-	14,803,633
Write-off	-	(6,237)	-	(75,492)	-	(81,729)
Derecognition	(9,484,059)	(94,266)	(1)	(78,006)	-	(9,656,332)
Others	380,760	(82)	-	(7,430)	-	373,248
Balance at December 31	\$ 27,184,310	\$ 251,010	\$ 17	\$ 1,891,476	\$ -	\$ 29,326,813

21) Loss allowance for discounts and loans

The reconciliation statement of allowance for bad debts of discounts and loans for the year ended December 31, 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Impairment in Accordance With IFRS 9	The Adjustments Under Regulations Governing the Procedures for Banking Institutions to Evaluate Assets and Deal with Nonperforming/ Nonaccrual Loans	Total
	12 Months ECL	Lifetime ECL		Lifetime ECL				
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets			
Balance at January 1	\$ 1,316,129	\$ 129,626	\$ -	\$ 530,904	\$ -	\$ 1,976,659	\$ 1,952,257	\$ 3,928,916
Changes due to financial instruments that have been identified at the beginning of the year:								
To lifetime ECL	(2,902)	(1,908)	12,440	(7,630)	-	-	-	-
From conversion to credit-impaired financial assets	(4,120)	(25,452)	-	29,572	-	-	-	-
To 12-month ECL	13,868	(2,306)	-	(11,562)	-	-	-	-
Derecognizing financial assets during the current period	(1,179,605)	(7,625)	(3,739)	(336,104)	-	(1,527,073)	-	(1,527,073)
Purchased or originated new financial assets	1,452,967	782	-	11,621	-	1,465,370	-	1,465,370
The adjustments under regulations governing the procedures for banking institutions to evaluate assets and deal with nonperforming/nonaccrual loans	-	-	-	-	-	-	368,504	368,504
Write-off	-	-	-	(442,684)	-	(442,684)	-	(442,684)
Recovery of written-off	-	-	-	725,908	-	725,908	-	725,908
Effect of exchange rate changes and others	(180,910)	2,501	(1,616)	(4,574)	-	(184,599)	-	(184,599)
Balance at December 31	\$ 1,415,427	\$ 95,618	\$ 7,085	\$ 495,451	\$ -	\$ 2,013,581	\$ 2,320,761	\$ 4,334,342

Changes in total book values of discounts and loans for the year ended December 31, 2018 of the KGI Bank and subsidiaries were as follows:

	Stage 1	Stage 2		Stage 3		Total
	12 Months ECL	Lifetime ECL		Lifetime ECL		
		Lifetime ECL (Collectively Assessed)	Lifetime E ECL (Individually Assessed)	Non-purchased or Originated Credit-impaired Financial Assets	Purchased or Originated Credit-impaired Financial Assets	
Balance at January 1	\$ 292,239,778	\$ 1,977,828	\$ -	\$ 3,457,226	\$ -	\$ 297,674,832
Conversion from individual financial instruments to lifetime ECL	-	(33,735)	33,735	-	-	-
Conversion from individual financial instruments to credit-impaired financial assets	-	(13,113)	-	13,113	-	-
Roll-out individual financial instruments from credit-impaired financial assets	-	-	-	-	-	-
Discounts and loans based on collective assessment	(578,304)	191,268	-	387,036	-	-
Purchased or originated new discounts and loans	565,156,755	38,185	-	419,378	-	565,614,318
Write-off	-	-	-	(442,684)	-	(442,684)
Derecognition	(517,905,049)	(265,401)	(9,917)	(797,154)	-	(518,977,521)
Others	(3,278,645)	(165,282)	(202)	(210,742)	-	(3,654,871)
Balance at December 31	\$ 335,634,535	\$ 1,729,750	\$ 23,616	\$ 2,826,173	\$ -	\$ 340,214,074

KGI Securities and subsidiaries

Credit risk analysis after January 1, 2018

1) Source of credit risk

The credit risks that KGI Securities and subsidiaries are exposed to during financial transactions include issuer's credit risk, and 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 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) Credit risk management

The investment, acquisition of fixed-income securities, other financial assets, and credit risk management of current counterparties are handled in accordance with KGI Securities and subsidiaries' internal control procedures and related regulations, and most of them have reached an external credit rating investment grade or above, so credit risk is very low.

3) Default and credit derogation definition of financial assets

- a) The definition of the credit assets default of the KGI Securities and subsidiaries are the same as that of the impaired credit assets. If there is evidence that the issuer or counterparty will be unable to pay, or has significant financial difficulties, such as:
 - i. The issuer or counterparty has been bankrupt or may file a petition for bankruptcy or financial restructuring.
 - ii. The contract of the other financial instrument of the issuer or counterparty has been breached.
 - iii. The active market for the financial asset disappeared due to the financial difficulties of the issuer or counterparty.
 - iv. Purchase or initiate financial assets at a substantial discount that reflects credit losses that have occurred.
- b) The aforementioned definition of default and credit impairment applies to the credit assets held by KGI Securities is consistent with the definition of credit assets used for internal credit risk management purposes, and is used in the relevant impairment assessment model.
- c) If a credit asset is assessed to no longer meets the definition of default and credit impairment, it should return to the state of compliance, and is no longer considered a credit asset for default and credit impairment.
- d) KGI securities and subsidiaries' financial assets are written-off if they are unable to reasonably expect that financial assets will be recovered (e.g., significant financial difficulties for the issuer or the debtor, or bankrupt).

4) Credit risk statement for financial assets

- a) Cash and cash equivalents, other financial assets

KGI Securities deposits in creditworthy financial institutions and deposits a certain amount of securities in a specific accounts of the financial institution (Custodian Bank) designated by the futures companies. KGI Securities regularly evaluates the financial, operating and credit risk status of financial institutions and futures companies. The credit risk is under KGI Securities' control.

- b) Financial assets measured at fair value through profit or loss - current

KGI Securities holds the unsecured corporate bonds, convertible (exchangeable) corporate bonds and part of the CB Asset Swap. 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. In most other holdings, KGI Securities conducts CB asset swap and issues credit linked note to transfer risk and lower the credit risk exposure of it. Therefore, the credit risk of the issuer has been effective control.

- c) Financial assets measured at fair value through other comprehensive income (excluding equity instrument investments)

KGI Securities holds mainly the medium and long-term bond investment position. KGI Securities pays attention to the credit rating of each investment and the financial status of the issuer (or guarantee institution) in order to minimize credit risk.

d) Bonds purchased under resell agreements

The counterparties with bonds purchased under resell agreements are mainly creditworthy financial institutions and companies. Because KGI Securities holds bonds purchased under resell agreements as collateral, it can effectively reduce underlying exposure the counterparty's credit risk.

e) Receivables

Receivables mainly include receivables on margin loans, trading securities receivable, accounts receivable - futures guarantee deposits, accounts receivable, etc. The main credit risk is receivable on margin loans and trading securities receivable of credit trading customers. KGI Securities and subsidiaries closely monitor market fluctuations and counterparties credit history, and enforce related control measures to minimize the credit risk.

f) Customers' margin accounts

The exclusive account for depositing customers' margin accounts is mainly opened in creditworthy banks, financial institutions and companies with investment grades, so there is no significant credit risk.

g) Stock borrowing collateral price and guarantee deposits - borrowed securities

When KGI Securities and subsidiaries borrow securities from outside, they must deposit the guaranty fund into the financial institution designated by the other parties. Because KGI Securities holds the foregoing borrowed securities, it can effectively reduce the risk of the counterparty's credit risk.

h) Held-to-maturity financial assets - noncurrent

Subsidiaries of KGI Securities held the principal of unsecured subordinated bonds and discounted value of coupon interests issued by Sunny Bank, Hwatai Bank and Panhsin Bank. Subsidiaries of KGI Securities Control the credit risk by evaluating the credit risk status of each financial institution.

i) Others noncurrent assets

Others noncurrent assets are mainly operating guarantee deposits, clearing and settlement funds and guarantee deposits-out. KGI Securities carefully evaluates the counterparty in accordance with the amount of deposit. The counterparties are a large number and the amount of each deposit is not high. The credit risk has been effectively dispersed, so the credit risk is very low.

5) Assessment of expected credit losses

a) Consideration of forward-looking information

KGI Securities and subsidiaries take forward-looking information into consideration when assessing whether there has been a significant increase in financial assets' credit risk after initial recognition and when measuring of expected credit losses.

Probability of default of debt instrument investment (except for at fair value through profit or loss) used by KGI Securities and subsidiaries is based on the probability of default contained forward-looking general economic information and regularly announced by international credit rating agencies.

Except for debt instrument investments, financial assets of KGI Securities and subsidiaries are analyzed using historical data to determine the economic factors that affect the expected credit losses of each asset portfolios, and supplemented by the best expectation announced by the government-affiliated institutions and academic research units. The best estimate of expected credit losses are reevaluate and revised on each financial reporting date.

b) Receivables and other financial assets

KGI Securities and domestic subsidiaries

KGI Securities and its domestic subsidiaries use simplified approach of IFRS 9 to measure the allowance losses by lifetime expected credit losses. The lifetime expected credit losses are based on historical records, current information, and forward-looking information calculated by a regression model. For the fact that KGI Securities and subsidiaries' historical records of credit losses indicate that there is no significant difference in the loss patterns of different customer groups, it is not measured in groups.

Overseas subsidiaries

The financial assets of overseas subsidiaries whose credit risk do not increase significantly after initial recognition are measured as 12-month expected credit losses. For financial assets whose credit risk has increased significantly after initial recognition, they are measured as lifetime expected credit losses. Customers' past default records, counterparty credit ratings, current information and relevant forward-looking information are take into consideration when assessing expected credit losses. For the fact that there is no significant difference in the loss patterns of different customer groups, it is not measured in groups.

c) Debt instrument investment (except at fair value through profit or loss)

The original purchase is based on the premise that the credit risk is low, it is assessed whether the credit risk is significantly increased after the initial recognition on each balance sheet date to determine the method of measuring the allowance loss and its loss rate.

In order to measure expected credit losses, KGI Securities and subsidiaries consider the probability of default (PD) of financial assets or the issuer or counterparty for the next 12 months, which collectively consider the loss given default (LGD), and is multiplied by exposure at default (EAD). KGI Securities and subsidiaries assess financial assets measured at amortized cost with exposure at default and consider the impact of time value of money to calculate the expected credit losses for 12 months and lifetime, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and loss given default is the rate of loss caused by default by the issuer or counterparty. The probability of default and loss given default used by KGI Securities and subsidiaries in related assessment of impairment are mainly relied on the probability of default and loss given default that are regularly announced by international credit rating agencies.

The aforementioned impairment assessment method and related indicators of debt instrument investment are described as follows:

Degree of Credit Risk	Indicators	Measurement of Expected Credit Loss
Low credit risk	Ratings above BBB-/ counterparty with good credit	12 months expected credit loss
Credit risk significantly increase	Ratings between BB+-C (Note)	Lifetime expected credit loss
Impaired/default	Ratings below D and impaired	Lifetime expected credit loss

Note: KGI Securities and subsidiaries consider information which indicates significant and evidential increase in credit risk (including forward-looking information) since the initial recognition. The main considerations including:

- i. External credit ratings, overdue status information, credit spreads, other market information related to borrowers, issuers or counterparties, and the same borrowers' credit risk of other financial instruments increases significantly.
- ii. Low credit risk: If it is determined that the credit risk of a financial instrument at the reporting date is low, it can be assumed that the credit risk of the financial instrument has not increased significantly since the date of initial recognition.

- 6) The estimation techniques or material assumptions used by KGI Securities and subsidiaries to assess expected credit losses did not change significantly for the year ended December 31, 2018.

Credit risk analysis before January 1, 2018

1) Source of credit risk

The credit risks that KGI Securities 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.

Internal Risk Rating of KGI Securities and Subsidiaries

Taiwan Rating

Low risk

Medium-low risk

Medium risk

High risk

twAAA - twAA

twAA- - twA

twA- - twBBB-

twBB+ - under twC

3) Quality and condition of past due 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 - futures	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%

Financial assets for KGI Securities and subsidiaries are divided into the following three categories based on their credit quality: Positions that are neither past due nor impaired, past due but unimpaired, and impaired.

a) Cash and cash equivalents

Cash and cash equivalents of KGI Securities mainly are the securities deposit for futures transactions which is stored in a specific account. KGI Securities related department will evaluate financial, operating and credit risk situations periodically and take it as reference to management of credit risks. However, assessment results show that just few credit rating of futures companies are middle risk degree. Because the percentage of middle risk rating is low, the credit risk is believed under KGI Securities' controllable range. Besides, subsidiaries routinely examine credit risk exposure of their securities sell with repurchase agreement, 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 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.

4) Disclosure of total book value and allowance loss for financial assets' expected credit loss

- a) Summary of KGI Securities and subsidiaries' total book value and allowance loss as of December 31, 2018 are listed as follows:

Financial assets at fair value through other comprehensive income

Total book value and allowance loss for financial assets at fair value through other comprehensive income were \$16,110,773 thousand and \$5,447 thousand, respectively.

Receivables and other financial assets

	Total Book Value	Less: Allowance Loss	Total
Cash and cash equivalents	\$ 13,849,068	\$ (532)	\$ 13,848,536
Bonds purchased under resell agreement	19,448,839	(17)	19,448,822
Receivables on margin loans	21,181,502	(1,871)	21,179,631
Trading securities receivables	8,031,155	(1,223)	8,029,932
Customer's margin accounts	21,810,523	(48)	21,810,475
Accounts receivable futures guarantee deposits	188,951	(176,333)	12,618
Accounts receivable	22,259,487	(1,113)	22,258,374
Other current assets	47,592,747	(12,958)	47,579,789
Financial assets measured at amortized cost - non-current	500,000	(3,293)	496,707
Other non-current assets	<u>5,069,492</u>	<u>(1,797,288)</u>	<u>3,272,204</u>
	<u>\$ 159,931,764</u>	<u>\$ (1,994,676)</u>	<u>\$ 157,937,088</u>

- b) Changes in allowance losses of KGI Securities and subsidiaries for the year ended December 31, 2018 are as follows:

- i. Financial assets at fair value through other comprehensive income

	12 Months Expected Credit Loss
January 1, 2018 (IAS 39)	\$ -
Adjustment to IFRS 9	<u>293</u>
January 1, 2018 (IFRS 9)	293
Increase	5,086
Change in exchange rate	<u>68</u>
December 31, 2018	<u>\$ 5,447</u>

ii. Receivables and other financial assets

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss (Collective)	Credit Impaired Financial Assets (Lifetime Expected Credit Loss)	Lifetime Expected Credit Loss (Simplify)	Total
January 1, 2018 (IAS 39)	\$ -	\$ -	\$ 1,842,138	\$ 806	\$ 1,842,944
Adjustment to IFRS 9	<u>13,036</u>	<u>2</u>	<u>13</u>	<u>3,003</u>	<u>16,054</u>
January 1, 2018 (IFRS 9)	13,036	2	1,842,151	3,809	1,858,998
Addition (reversal)	2,531	211	104,216	(229)	106,729
Derecognizing financial assets during the current period	-	-	(11,096)	-	(11,096)
Written-off	-	-	(1,929)	-	(1,929)
Change in exchange rate	<u>308</u>	<u>4</u>	<u>41,662</u>	<u>-</u>	<u>41,974</u>
December 31, 2018	<u>\$ 15,875</u>	<u>\$ 217</u>	<u>\$ 1,975,004</u>	<u>\$ 3,580</u>	<u>\$ 1,994,676</u>

iii. The aforementioned change in allowance loss does not result from a significant change in the total book value. In February 2018 the futures trader of the subsidiary company defaulted due to deficiency of futures guarantee deposits. KGI Securities subsidiaries recognized an impairment loss of \$89,771 thousand for the outstanding accounts receivable - futures guarantee deposits.

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 held by CDIB Capital Group and subsidiaries of the financial instruments is equal to the book value.

China Life Insurance

- Credit risk analysis

- 1) Credit risk refers to the counterparties fail to fulfill obligations, resulting in the risk of loss of value. Credit risks of China Life Insurance result from operating and financing activities, which mainly include lending, investing in financial instruments and receivables.

The departments of China Life Insurance follow credit risk policies, procedures and controls to manage credit risks. The credit risk assessment of all issuers or counterparties is based on comprehensive consideration of their financial status, credit ratings, historical transaction records, current economic environment, China Life Insurance's internal rating indicators, and etc. Also, China Life Insurance uses certain credit enhancement tools in due course to reduce the credit risk of a particular issuer or counterparty.

For investments of financial instruments, its original purchase is based on the premise that the credit risk is low, and on each balance sheet date, it is assessed whether the conditions of low credit risk are still met to determine the method of measuring the allowance. Also, China Life Insurance dispose those investments to reduce credit losses in appropriate time, such as there is a significant increase in credit risk. In addition, China Life Insurance has established credit VaR model 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.

Lending of China Life Insurance is determined by the factors that affect the risk based on the 5P principle which gives different weights according to the impact of the risk so as to calculate the credit score of each borrower. The credit score comprehensively measures the rationality of the purpose of the loan, the collateral area, value and number, the customer's credit report, historical interest payment record, financial status, debt repayment ability, and etc. According to the scores, the decision will be stratified in order to control the loan risk. Once a delay occurs, it is promptly collected in accordance with the procedures to avoid financial losses.

China Life Insurance assesses expected credit losses in accordance with IFRS 9, except for some of receivables which allowance are measured by lifetime expected credit losses. The original purchase of the rest, which do not belong to debt instruments measured at fair value through profit or loss, is based on the premise of low credit risk and uses credit risk as the basis of the differentiation group. On each balance sheet date, assessing whether the credit risk is significantly increased after the initial recognition to determine the method of measuring the allowance loss and its loss rate. The main considerations for determining whether the credit risk has increased significantly include objective evidence such as the external credit rating and its degree of change, overdue status, occurrence of major financial difficulties or liquidation and reorganization. Expected credit losses will be measured by the probability of default (PD) of the issuer or the counterparty over the next 12 months and the lifetime, multiplied by the loss given default (LGD) and the exposure at default (EAD), and is considered by the impact of the time value of money. The expected credit losses for 12 months and duration is calculated, respectively.

Probability of default is the probability that the issuer or the counterparty will default, and the loss given default is the rate of loss caused by default by the issuer or counterparty. China Life Insurance employs information on the default probability and default loss rate published by external credit rating agencies and adjusts it based on forward-looking general economic information.

China Life employs amortized cost of financial assets plus accrued interest and receivables as a measure of exposure at default, while loans are calculated as the sum of the principal balance of the debtor at the time of calculation, interest, and payable as a measure of exposure at default.

Some of the allowance losses of receivables are measured by its expected credit losses for its lifetime. The expected credit losses during the existence period is considered by the past default records and current information, and the expected credit loss rate is set based on the overdue days of receivables.

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, 2018

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

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. China Life Insurance's regional distribution of credit risk exposure for secured loans and overdue receivables (excluding policy loans and automatic premium loans) is as follows:

December 31, 2018

Location	Northern Areas: Taipei and Eastern Counties	Central Area: Taichung to Changhua and Nantou	Southern Area: Counties Below Tainan	Total
Secured loans	\$ 553,282	\$ 289,001	\$ 308,836	\$ 1,151,119
Overdue receivables	<u>-</u>	<u>2,032</u>	<u>450</u>	<u>2,482</u>
Total	<u>\$ 553,282</u>	<u>\$ 291,033</u>	<u>\$ 309,286</u>	<u>\$ 1,153,601</u>
Proportion	<u>47.96%</u>	<u>25.23%</u>	<u>26.81%</u>	<u>100.00%</u>

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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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

The following is the analysis of China Life Insurance's financial assets' credit quality and overdue losses in accordance with IAS 39.

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 and impaired according to credit quality, listed as follows:

December 31, 2018

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

December 31, 2017

Financial Assets	Normal Assets		Past Due But Not Impaired	Impaired	Total
	Investment Grade	Non-investment Grade			
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	Low risk	Potential Risk Account		Past Due But Not Impaired	Past Due and Impaired	Provision for Impairment	Total
	Normal Users	Worsening Solvency	Delayed Users				
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>

China Life Insurance's aging analysis for net amount of secured loans is as follows:

	<u>Neither Delayed Nor Impaired</u> Within 30 Days	<u>Delayed But Not Impaired</u> 31-90 Days	<u>Past Due or Impaired</u>		
			91-180 Days	Over 181 Days	Total
2017.12.31	\$ 1,624,021	\$ 7,161	\$ -	\$ -	\$ 1,631,182

4) Disclosure of total book value and allowance loss for financial assets' expected credit loss

China Life Insurance assesses its debt investments at fair value through other comprehensive income, debt investments measured at amortized cost and other receivables on December 31, 2018. The assessment indicates those investments belongs to lower credit risk which is the same as the initial assessment. Therefore, the 12-month expected credit loss (loss rate 0.00%-0.18%) is used to measure the amount of allowance loss.

The total book value of China Life Insurance debt investments measured at fair value through other comprehensive income and amortized cost and related other receivables on December 31, 2018 are as follows:

	Measured Fair Value Through Other Comprehensive Income	Measured at Amortized Cost	Other Receivables
Total book value on December 31, 2018 (Note)	<u>\$ 294,783,102</u>	<u>\$ 956,524,783</u>	<u>\$ 11,073,170</u>

Note: Including securities serving as collateral deposits.

Changes in allowance losses of financial asset at fair value through other comprehensive income, and debt investment measured at cost and other related receivables for the year ended December 31, 2018 are as follows:

	At Fair Value Through Other Comprehensive Income	At Amortized Cost	Other Receivables
January 1, 2018	\$ 18,150	\$ 69,784	\$ 757
Disposal	(3,857)	(2,333)	(68)
Addition	12,662	16,849	314
Change in model/risk factors	(198)	848	29
Change in exchange rate and others	<u>313</u>	<u>1,494</u>	<u>12</u>
December 31, 2018	<u>\$ 27,070</u>	<u>\$ 86,642</u>	<u>\$ 1,044</u>

For the year ended December 31, 2018, the increase in debt investments measured at amortized cost and at fair value through other comprehensive income correspond with the increase in the allowance loss measured on the basis of 12 months.

The total book value of China Life Insurance guarantee loan and related other receivables is listed as follows based on credit risk ratings:

Credit Risk Ratings	Measurement of Expected Credit Loss	Loans	Other Receivables
Low credit risk	12 months expected credit loss	\$ 1,150,280	\$ 1,146
Credit risk significantly increase	Lifetime expected credit loss	5,074	26
Impairment	Lifetime expected credit loss	<u>16,250</u>	<u>66</u>
Total book value		<u>\$ 1,171,604</u>	<u>\$ 1,238</u>

Changes in allowance losses for the year ended December 31, 2018 are as follows:

	12 Months Expected Credit Loss	Lifetime Expected Credit Loss - Collective	Lifetime Expected Credit Loss - Individual	Impairment Recognized In Accordance with IFRS 9	Impairment Recognized In Accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts By Insurance Enterprises	Total
January 1, 2018	\$ 1,012	\$ 16,815	\$ 351	\$ 18,178	\$ 23,772	\$ 41,950
Change due to financial assets recognized at the beginning of the year						
Change to duration expected credit loss	(2)	-	2	-	-	-
Change to 12 months expected credit loss	33	-	(33)	-	-	-
Disposal	(185)	-	(37)	(222)	-	(222)
Impairment recognized in accordance with Guidelines for Handling Assessment of Assets, Loans Overdue, Receivable on Demand and Bad Debts by Insurance Enterprises	-	-	-	-	(7,440)	(7,440)
Change in exchange rate and others	<u>(785)</u>	<u>(16,473)</u>	<u>973</u>	<u>(16,285)</u>	<u>-</u>	<u>(16,285)</u>
December 31, 2018	<u>\$ 73</u>	<u>\$ 342</u>	<u>\$ 1,256</u>	<u>\$ 1,671</u>	<u>\$ 16,332</u>	<u>\$ 18,003</u>

The allowance loss of China Life Insurance's accounts receivables arising from other transactions are measured by lifetime expected credit loss. Changes in allowance losses of receivables for the year ended December 31, 2018 are as follows:

	Receivables
January 1, 2018	\$ 724
Addition	7,191
Written-off due to uncollectable	<u>-</u>
December 31, 2018	<u>\$ 7,915</u>

c. Liquidity risk

KGI Bank and subsidiaries

1) The source and definition of liquidity risk

Liquidity risk of KGI Bank refers to the risks of bearing financial loss because of the inability to liquidate assets or obtain financing to provide funds to meet the financial obligation, such as early termination of deposits, deteriorating of the source and condition of financing from banks influenced by specific market, abnormal recover of funds due to default from borrowers, inability to liquidate financial instruments and early exertion of rights of rescission of interest sensitive product by the assured. The aforementioned situation may reduce cash source of loan, transactions and investment. In some extreme cases, the lack of liquidity may result in a decrease in the overall position of the balance sheet, sale of assets and failure to perform loan commitments.

2) Management policy of liquidity risk

KGI Bank's liquidity risk management gap limit management strategy, which is the cumulative inflows and outflows (net cumulative mismatch), the KGI Bank calculates the maximum cumulative cash outflow (MCO) to monitor the daily funding gap by each major currency. The KGI 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 KGI 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, financial assets at fair value through other comprehensive income, discounts and loans, and available-for-sale financial assets.

b) Non-derivative financial liabilities

The following tables show the cash outflows on the KGI 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, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 7,523,296	\$ 2,500	\$ -	\$ 166,850	\$ -	\$ 7,692,646
Notes and bonds issued under repurchase agreement	13,291,782	1,243,064	601,742	-	-	15,136,588
Deposits and remittances	39,640,290	68,725,042	59,815,135	86,327,484	24,215,819	278,723,770
Bank debentures payable	-	-	-	-	7,350,000	7,350,000
Other capital outflow on maturity	2,867,861	710,703	298,834	562,208	287,922	4,727,528
Total	\$ 63,323,229	\$ 70,681,309	\$ 60,715,711	\$ 87,056,542	\$ 31,853,741	\$ 313,630,532

(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 U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Deposits from the Central Bank and banks	\$ 235,000	\$ 146,000	\$ 20,000	\$ -	\$ -	\$ 401,000
Notes and bonds issued under repurchase agreement	239,203	511,658	331,969	-	-	1,082,830
Deposits and remittances	1,573,301	1,006,239	542,454	843,891	10,023	3,975,908
Bank debentures payable	-	-	-	-	945,133	945,133
Other capital outflow on maturity	30,683	19,947	8,128	1,620	159,044	219,422
Total	\$ 2,078,187	\$ 1,683,844	\$ 902,551	\$ 845,511	\$ 1,114,200	\$ 6,624,293

(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

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, 2018	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	\$ (233,453,223)	\$ (278,785,154)	\$ (170,854,332)	\$ (43,935,861)	\$ (7,938,490)	\$ (734,967,060)
Cash inflow	212,355,080	261,260,926	164,566,007	38,897,232	6,501,546	683,580,791
Interest rate derivatives instruments						
Cash outflow	(148,479)	(340,477)	(11,507)	(300,000)	(16,900,584)	(17,701,047)
Cash inflow	125,186	337,310	-	-	15,006	477,502
Cash outflow subtotal	(233,601,702)	(279,125,631)	(170,865,839)	(44,235,861)	(24,839,074)	(752,668,107)
Cash inflow subtotal	212,480,266	261,598,236	164,566,007	38,897,232	6,516,552	684,058,293
Net cash flow	\$ (21,121,436)	\$ (17,527,395)	\$ (6,299,832)	\$ (5,338,629)	\$ (18,322,522)	\$ (68,609,814)

(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 U.S. Dollars)

December 31, 2018	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	\$ (8,079,022)	\$ (9,161,839)	\$ (5,717,494)	\$ (1,603,252)	\$ (492,810)	\$ (25,054,417)
Cash inflow	8,838,537	9,949,100	5,887,192	1,598,368	540,811	26,814,008
Interest rate derivatives instruments						
Cash outflow	(89,987)	(133,284)	(85,583)	(6,773)	(68,545)	(384,172)
Cash inflow	59,794	125,658	74,119	2,843	128	262,542
Others						
Cash outflow	(365)	-	-	-	-	(365)
Cash inflow	725	-	-	-	-	725
Cash outflow subtotal	(8,169,374)	(9,295,123)	(5,803,077)	(1,610,025)	(561,355)	(25,438,954)
Cash inflow subtotal	8,899,056	10,074,758	5,961,311	1,601,211	540,939	27,077,275
Net cash flow	\$ 729,682	\$ 779,635	\$ 158,234	\$ (8,814)	\$ (20,416)	\$ 1,638,321

(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

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.

December 31, 2018	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	\$ 7,809,005	\$ 3,477,324	\$ 3,972,951	\$ 10,004,484	\$ 11,987,812	\$ 37,251,576

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	\$ 3,733,551	\$ 4,103,855	\$ 2,851,540	\$ 7,230,363	\$ 11,160,549	\$ 29,079,858

6) The maturity analysis of lease agreement

The lease contracts of KGI Bank are operating lease and financial lease. Operating lease commitment is the future minimum rental payment under irrevocable operating lease condition. Financial lease means net future lease payments under finance lease condition.

The maturity analysis of lease commitments were as follows:

December 31, 2018	Less Than 1 Year	1-5 Years	Over 5 Years	Total
Lease agreement				
Financial lease gross income (lessor)	\$ 1,727,233	\$ 1,976,230	\$ -	\$ 3,703,463
Financial lease present value income (lessor)	1,615,018	1,890,338	-	3,505,356
Operating lease payment (lessee)	322,537	325,106	85,297	732,940
Operating lease income (lessor)	22,177	76,527	10,185	108,889
Present value of financial lease payment (lessee)	-	3,716	-	3,716

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

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, 2018	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	\$ 149,159,389	\$ 245,722,737	\$ 299,698,283	\$ 202,917,488	\$ 75,145,312	\$ 149,115,349	\$ 1,121,758,558
Main capital outflow on maturity	103,871,470	206,384,796	376,122,829	261,937,068	189,060,528	198,159,116	1,335,535,807
Gap	45,287,919	39,337,941	(76,424,546)	(59,019,580)	(113,915,216)	(49,043,767)	(213,777,249)

(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)

b) Maturity analysis of KGI Bank's assets and liabilities in U.S. dollars

(In Thousands of U.S. Dollars)

December 31, 2018	0-30 Days	31-90 Days	91-180 Days	181 Days-1 Year	Over 1 Year	Total
Main capital inflow on maturity	\$ 9,842,316	\$ 10,983,935	\$ 6,369,860	\$ 1,944,560	\$ 3,788,668	\$ 32,929,339
Main capital outflow on maturity	10,441,717	11,367,360	7,095,302	3,027,754	2,636,078	34,568,211
Gap	(599,401)	(383,425)	(725,442)	(1,083,194)	1,152,590	(1,638,872)

(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)

KGI Securities and subsidiaries

1) Cash flow analysis

Statement of Cash Flow Analysis for Financial Assets

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash and cash equivalents	\$ 5,114,643	\$ 8,733,893	\$ -	\$ -	\$ -	\$ 13,848,536
Financial assets measured at FVTPL - current	45,048,279	1,944,214	9,160,574	387,366	69,401	56,609,834
Financial assets measured at FVTOCI - current	13,641,407	134,551	643,797	3,288,431	7,953,100	25,661,286
Securities purchased under resell agreement	-	19,494,037	-	-	-	19,494,037
Receivable	29,269,275	4,088,892	15,752,425	2,371,131	-	51,481,723
Customers' margin accounts	21,810,475	-	-	-	-	21,810,475
Stock borrowing collateral price and guarantee deposits - borrowed securities	2,925,678	2,093,783	6,916,890	-	-	11,936,351
Other financial assets - current	-	-	3,387,927	-	-	3,387,927
Current tax assets	-	-	48	2,255	569,624	571,927
Other current assets	45,521,742	986,209	1,071,838	-	-	47,579,789
Financial assets measured at FVTPL - noncurrent	-	-	-	549,334	2,233,090	2,782,424
Financial assets measured at FVTOCI - noncurrent	-	-	-	-	4,218,151	4,218,151
Financial assets at amortized cost - noncurrent	-	-	-	298,653	198,054	496,707
Investments accounted for using the equity method	-	-	-	-	11,170,844	11,170,844
Others noncurrent assets	70,000	-	100,000	259,621	2,814,781	3,244,402
Total	\$ 163,401,499	\$ 37,475,579	\$ 37,033,499	\$ 7,156,791	\$ 29,227,045	\$ 274,294,413
Percentage	59.57%	13.66%	13.50%	2.61%	10.66%	100.00%

Statement of Cash Flow Analysis for Financial Liabilities

(In Thousands of New Taiwan Dollars)

December 31, 2018	Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Short-term borrowings	\$ -	\$ 14,782,223	\$ -	\$ -	\$ -	\$ 14,782,223
Commercial papers payable, net	-	2,457,752	-	-	-	2,457,752
Financial liabilities measured at FVTPL - current	3,723,021	1,236,609	5,532,983	1,124,791	69,401	11,686,805
Bonds issued under repurchase agreements	-	65,299,256	-	-	-	65,299,256
Payables	60,856,910	1,603,369	5,143,243	96,648	-	67,700,170
Guarantee deposits - borrowed securities	-	5,908,005	11,910,455	-	-	17,818,460
Futures customers' equity	21,792,908	-	-	-	-	21,792,908
Collections/other payables/other current liabilities	424,784	1,101,415	2,601,633	30	-	4,127,862
Other financial liabilities - current	-	2,224,901	8,913	739	-	2,234,553
Current tax liabilities	-	-	175,426	-	738,425	913,851
Bonds payable	-	-	-	4,800,000	-	4,800,000
Provisions - noncurrent	-	-	-	21,840	205,228	227,068
Others noncurrent liabilities	-	-	-	694,628	67,593	762,221
Total	\$ 86,797,623	\$ 94,613,530	\$ 25,372,653	\$ 6,738,676	\$ 1,080,647	\$ 214,603,129
Percentage	40.45%	44.09%	11.82%	3.14%	0.50%	100.00%

Statement of Capital Liquidation Gap

(In Thousands of New Taiwan Dollars)

December 31, 2018	Collection and Payment Period					Total
	Spot	In 3 Months	3 Months-12 Months	Over 1 Year-5 Years	Over 5 Years	
Cash inflow	\$ 163,401,499	\$ 37,475,579	\$ 37,033,499	\$ 7,156,791	\$ 29,227,045	\$ 274,294,413
Cash outflow	86,797,623	94,613,530	25,372,653	6,738,676	1,080,647	214,603,129
Amount of cash flow gap	\$ 76,603,876	\$ (57,137,951)	\$ 11,660,846	\$ 418,115	\$ 28,146,398	\$ 59,691,284

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 guarantee deposits - borrowed securities	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
Collections/other payables/other current liabilities	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
Guarantee deposits - borrowed securities	-	4,781,100	7,648,001	-	-	12,429,101
Futures customers' equity	23,041,948	-	-	-	-	23,041,948
Collections/other payables/other current liabilities	831,705	1,182,278	2,656,192	298	-	4,670,473
Other financial liability - 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 and Payment 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

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, 2018 and 2017, show that the sums from deducting cash outflow from cash inflow are \$59,691,284 thousand and \$47,210,147 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 59.57% 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, 2018 and 2017, net cash inflow calculated from net spot financial assets are respectively \$76,603,876 thousand and \$75,769,563 thousand, which are sufficient to cover the net cash outflows of \$57,137,951 thousand and \$59,648,125 thousand from the 3 months and 1-5 years period, an indicator of sufficient fund liquidity.

2) Control mechanism of capital liquidity risk

The independent fund-dispatching department established by KGI Securities takes into consideration the needs of net cash flow and their timings from various departments and predicts future cash flows based on the requests submitted by departments with a need for funds. The department has also established a simulation analysis mechanism for capital flows after considering short-term capital dispatching in Taiwan as well as international or cross-market transactions in order to better predict futures needs of funds and set up contingency measures.

KGI Securities also offers suggestions over a secure amount of reserve fund and reports it to the RMC. The department reviews the standard amount of reserve capital and will take the following action if available capitals are below 120% of the safe reserve amount:

- a) Except all due payments and those whose use of capital cannot be restricted due to the nature of their business, all the requests for capitals from all business departments need to be approved by the fund-dispatching department in order to maintain a safe amount of reserve capital.
- b) Fund-dispatching department will propose contingency measures to the RMC, which includes disposal of low yield or unnecessary assets, expanding repurchase agreements with the Central Bank of Taiwan, financing from securities finance corporations or exploring other fund-raising methods that will increase available funds to KGI Securities.

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, 2018 and 2017, CDIB Capital Group and subsidiaries' other financial liabilities are \$381,410 thousand and \$370,737 thousand, respectively, and will be paid by financial assets and the rest of nonderivative financial liabilities are \$905,189 thousand and \$909,527 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, financial assets at fair value through other comprehensive income, financial assets at amortized cost, 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 liabilities

	December 31, 2018		
	In 1 Year	Over 1 Year	Total
Payables	\$ 10,698,549	\$ 28,537	\$ 10,727,086

	December 31, 2017		
	In 1 Year	Over 1 Year	Total
Payables	\$ 8,495,206	\$ 52,723	\$ 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 and cross currency 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.

China Life Insurance's maturity structure of derivative financial liabilities is as follows:

	December 31, 2018				
	In 90 Days	91-180 Days	181 Days - 1 Year	Over 1 Year	Total
Financial liabilities at fair value through profit or loss	<u>\$ 1,782,682</u>	<u>\$ -</u>	<u>\$ 686,445</u>	<u>\$ -</u>	<u>\$ 2,469,127</u>
	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 commitments

a) Operating lease commitments - 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, 2018 and 2017 are as follows:

	December 31	
	2018	2017
Less than one year	\$ 111,219	\$ 121,955
More than one year but less than five years	438,883	451,549
More than five years	<u>4,834,881</u>	<u>5,250,407</u>
	<u>\$ 5,384,983</u>	<u>\$ 5,823,911</u>

The minimum lease payments of operating lease for the three and years ended December 31, 2018 and 2017 amounted to \$63,301 thousand and \$68,207 thousand, respectively.

b) Operating lease commitments - 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, 2018 and 2017 are as follows:

	December 31	
	2018	2017
Less than one year	\$ 407,686	\$ 401,125
More than one year but less than five years	873,984	1,000,913
More than five years	<u>223,248</u>	<u>232,402</u>
	<u>\$ 1,504,918</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, 2018 and 2017 is as follows:

	December 31	
	2018	2017
Less than one year	\$ 30,066	\$ 35,325
More than one year but less than five years	<u>24,205</u>	<u>54,271</u>
	<u>\$ 54,271</u>	<u>\$ 89,596</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 quarterly 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, 2018			For the Year Ended December 31, 2017		
	Average	Highest	Lowest	Average	Highest	Lowest
Interest rate risk	\$ 172,030	\$ 263,393	\$ 72,541	\$ 98,810	\$ 187,181	\$ 29,201
Equity risk	13,929	27,333	3,477	8,254	13,354	4,918
Exchange rate risk	5,034	34,521	2,163	10,860	44,645	2,060

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 Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,504,546	30.73	\$ 199,904,197
EUR	553,336	35.22	19,488,500
HKD	3,190,724	3.92	12,520,400
CNY	1,282,347	4.48	5,739,271
GBP	35,024	38.89	1,362,084
AUD	43,641	21.68	946,141
JPY	2,497,538	0.28	695,315
SGD	20,472	22.49	460,408
ZAR	202,838	2.13	431,843
<u>Financial liabilities</u>			
Monetary items			
USD	8,133,541	30.73	249,968,104
CNY	3,795,557	4.48	16,987,396
EUR	391,754	35.22	13,797,578
ZAR	2,048,614	2.13	4,361,500
AUD	100,666	21.68	2,182,447
JPY	4,488,426	0.28	1,249,578
HKD	110,607	3.92	434,023
GBP	3,127	38.89	121,619
NZD	5,713	20.63	117,855

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 5,914,373	29.85	\$ 176,532,206
CNY	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
CNY	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

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, 2018

Item	1 to 90 Days	91 to 180 Days	181 Days to 1 Year	Over 1 Year	Total
Interest rate-sensitive assets	\$ 290,680,052	\$ 13,938,764	\$ 5,363,941	\$ 96,967,939	\$ 406,950,696
Interest rate-sensitive liabilities	124,914,663	119,990,034	51,240,364	9,068,808	305,213,869
Interest rate sensitivity gap	165,765,389	(106,051,270)	(45,876,423)	87,899,131	101,736,827
Net worth					57,581,935
Ratio of interest rate-sensitive assets to liabilities (%)					133.33
Ratio of interest rate-sensitive gap to net worth (%)					176.68

December 31, 2017

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

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 (interest rate-sensitive assets and interest rate-sensitive liabilities in New Taiwan dollars).

b) Analysis of KGI Bank's interest rate-sensitive assets and liabilities (U.S. dollars)

December 31, 2018

(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	\$ 2,871,990	\$ 149,671	\$ 42,301	\$ 1,547,530	\$ 4,611,492
Interest rate-sensitive liabilities	4,215,405	768,422	465,888	892,835	6,342,550
Interest rate sensitivity gap	(1,343,415)	(618,751)	(423,587)	654,695	(1,731,058)
Net worth					25,518
Ratio of interest rate-sensitive assets to liabilities (%)					72.71
Ratio of interest rate-sensitive gap to net worth (%)					(6,783.67)

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)

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 (Interest rate-sensitive assets and 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 estimated influence on the income of investment portfolio under potential extreme events or circumstances.

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, 2018	December 31, 2017
Interest rate risk	\$ 5,774	\$ 4,820
Equity securities risk	2,710,631	9,081,111
Exchange rate risk	957,905	199,480
Commodity risk	10,758	95,944

2) Value at risk

Value at risk ("VAR") is a statistical measurement used to measure the maximum potential loss of a portfolio in a certain future time horizon and confidence level. KGI Securities and subsidiaries uses parametric in estimating a value at risk at 99% of confidence interval at duration of 1 day. This means that among 100 trading days, 1 trading day might see the loss of the positions exceeding the value at risk estimated the day before. KGI Securities and subsidiaries continue to conduct back testing daily to ensure the effectiveness of the estimations made by the risk value model.

The comparison of risk value in the trading portfolio held by KGI Securities and subsidiaries were as follows:

	For the Year Ended December 31, 2018			December 31, 2018
	Average VAR	Minimum VAR	Maximum VAR	Ending VAR
Equity securities	\$ 146,388	\$ 65,496	\$ 332,135	\$ 159,003
Interest rate	118,562	61,188	249,690	126,778
Exchange rate	9,424	3,386	24,670	8,413
Commodity	5,501	146	17,873	3,037

	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

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, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,554,985	30.78	\$ 47,867,143
JPY	23,540,436	0.28	6,553,476
EUR	91,152	35.22	3,210,271
HKD	155,753	3.92	610,893
CNY	33,063	4.48	147,973
Nonmonetary items			
USD	1,315,358	30.73	40,424,903
CNY	301,685	4.48	1,350,220
AUD	13,460	21.68	291,811
EUR	4,156	35.22	146,367
Investments accounted for using the equity method			
USD	78,570	30.73	2,414,682

(Continued)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 4,150,323	30.73	\$ 127,546,314
JPY	23,390,109	0.28	6,511,626
EUR	92,580	35.22	3,260,553
HKD	99,051	3.92	388,442
AUD	8,640	21.68	187,315
Nonmonetary items			
USD	183,398	30.73	5,636,356
CNY	27,442	4.48	122,818
			(Concluded)

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 1,533,281	29.83	\$ 45,733,639
JPY	10,660,054	0.26	2,822,099
CNY	181,517	4.58	831,136
HKD	130,431	3.81	497,062
Nonmonetary items			
USD	948,179	29.85	28,301,257
CNY	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
<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
CNY	31,864	4.58	145,903

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. Market risk as explained 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, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 223,828	30.733	\$ 6,878,905
CNY	187,203	4.476	837,845
HKD	55,585	3.924	218,117
KRW	6,854,094	0.028	188,755
JPY	414,683	0.278	115,448
Nonmonetary items			
USD	380,420	30.733	11,691,440
HKD	852,357	3.924	3,344,647
THB	230,845	0.949	219,072
Investment accounted for using the equity method			
CNY	685,898	4.476	3,069,805
USD	89,104	30.733	2,738,434
<u>Financial liabilities</u>			
Monetary items			
USD	15,381	30.733	472,712

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
<u>Financial assets</u>			
Monetary items			
USD	\$ 277,735	29.848	\$ 8,289,840
HKD	125,165	3.819	478,007
CNY	70,069	4.579	320,838
KRW	6,938,074	0.028	194,162
JPY	429,684	0.265	113,823

(Continued)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollar
Nonmonetary items			
USD	\$ 336,183	29.848	\$ 10,034,400
HKD	902,835	3.819	3,447,925
CNY	81,452	4.579	372,960
THB	347,622	0.915	318,074
KRW	5,536,100	0.028	154,928
Investment accounted for using the equity method			
CNY	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 (Concluded)

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. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusts their translation at the end of the reporting period for a 1% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit associated with the New Taiwan dollar strengthening 1% against the relevant currency. For a 1% weakening of the New Taiwan dollar against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	Impact on Profit or Loss For the Year Ended December 31	
	2018	2017
Monetary items		
USD	\$ 180,976	\$ 70,956
JPY	68,789	1,138
HKD	34,905	4,025
CNY	8,171	2,989
KRW	2,604	1,839
THB	2,191	3

2) Interest rate risk

The primary financial assets of CDIB Capital Group and subsidiaries with exposure to interest rates as of December 31, 2018 and 2017 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 income for the year ended December 31, 2018 would increase/decrease by \$178,311 thousand as a result of the changes in fair value of financial assets at fair value through profit or loss.

If equity prices had been 1% higher/lower, the post-tax income for the year ended December 31, 2017 would increase/decrease by \$4,570 thousand as a result of the changes in fair value of financial assets held for trading. The post-tax other comprehensive income for the year ended December 31, 2017 would increase/decrease by \$107,667 thousand as a result of the changes in fair value of available-for-sale financial assets.

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 control mechanism to 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. 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.

**Summary of Factor Sensitivity Analysis
December 31, 2018**

Risk Factors	Changes (+/-)	Changes in Income	Changes in Equity
Equity risk (stock index)	+1%	\$ 1,594	\$ 1,249,417
Interest rate risk (yield curve)	+1BP	-	(431,567)
Exchange risk (foreign exchange rate)	+1% (NTD for each currency appreciates 1%)	(1,596,326)	(389,592)

**Summary of Factor Sensitivity Analysis
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% (NTD for each currency appreciates 1%)	(1,278,343)	(70,985)

- 7) China Life Insurance's foreign currency financial assets and liabilities with significant influence as of December 31, 2018 and 2017 are as follows:

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2018		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollars
<u>Financial assets</u>			
Monetary items			
USD	\$ 32,439,523	30.7330	\$ 996,964,533
Non-monetary items			
USD	442,376	30.7330	13,595,540
<u>Financial liabilities</u>			
Monetary items			
USD	15,470	30.7330	475,440

(In Thousands of Foreign Currencies/New Taiwan Dollars)

	December 31, 2017		
	Foreign Currency	Exchange Rate (Dollar)	New Taiwan Dollars
<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>			
Monetary items			
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 was listed below:

December 31, 2018					
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 amortized cost	\$ 307,330	\$ 291,964	\$ 307,330	\$ 291,964	\$ 15,366
Financial assets at FVTPL	8,359,623	7,844,863	8,359,623	7,844,863	514,760
Financial assets at FVTOCI	55,513,141	52,166,855	55,513,141	52,166,855	3,346,286

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

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 were listed below:

December 31, 2018					
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	\$ 52,973,046	\$ 51,217,733	\$ 52,973,046	\$ 51,217,733	\$ 1,755,313
Transaction - borrowed securities	826,971	1,157,759	826,971	1,157,759	(330,788)

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
Transaction - borrowed securities	153,986	215,580	153,986	215,580	(61,594)

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:

Period	Types of Continuing Involvement	Outflows of Repurchased Transferred (Derecognized) Financial Assets	Book Value of Continuing Involvement in the Balance Sheet	Fair Value of Continuing Involvement		Maximum of Loss Exposure
			Financial Assets at FVTPL	Assets	Liabilities	
December 31, 2018	Call option	\$ 11,074,500	\$ 654,271	\$ 654,271	\$ -	\$ 654,271
December 31, 2017	Call option	\$ 10,430,900	\$ 1,128,581	\$ 1,128,581	\$ -	\$ 1,128,581

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.

Period	Types of Continuing Involvement	Spot	3 Months	3-12 Months	1-5 Years	Over 5 Years	Total
December 31, 2018	Call option	\$ -	\$ 241,400	\$ 1,875,100	\$ 8,958,000	\$ -	\$ 11,074,500
December 31, 2017	Call option	\$ -	\$ 437,400	\$ 2,807,800	\$ 7,185,700	\$ -	\$ 10,430,900

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.

Period	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
December 31, 2018	Call option	\$ (12,172)	\$ (357,181)	\$ (369,353)
December 31, 2017	Call option	\$ (2,167)	\$ 210,551	\$ 208,384

f. Offsetting financial assets and financial liabilities

KGI Bank and subsidiaries

KGI Bank and subsidiaries have 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 were as follows:

December 31, 2018						
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	\$ 15,164,692	\$ -	\$ 15,164,692	\$ 15,164,692	\$ -	\$ -
Derivative financial instruments	23,860,387	-	23,860,387	7,962,286	2,407,631	13,490,470
Total	\$ 39,025,079	\$ -	\$ 39,025,079	\$ 23,126,978	\$ 2,407,631	\$ 13,490,470

December 31, 2018						
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	\$ 60,303,682	\$ -	\$ 60,303,682	\$ 59,626,359	\$ 677,323	\$ -
Derivative financial instruments	44,819,970	-	44,819,970	7,962,286	11,014,447	25,843,237
Total	\$ 105,123,652	\$ -	\$ 105,123,652	\$ 67,588,645	\$ 11,691,770	\$ 25,843,237

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

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 were as follows:

December 31, 2018						
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	\$ 2,164,742	\$ -	\$ 2,164,742	\$ -	\$ 435,743	\$ 1,728,999
Securities purchased under resell agreements	19,448,822	-	19,448,822	19,448,822	-	-
Total	\$ 21,613,564	\$ -	\$ 21,613,564	\$ 19,448,822	\$ 435,743	\$ 1,728,999

December 31, 2018						
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	\$ 2,899,593	\$ -	\$ 2,899,593	\$ -	\$ 676,921	\$ 2,222,672
Notes and bonds issued under repurchase agreements	65,175,218	-	65,175,218	65,175,218	-	-
Total	\$ 68,074,811	\$ -	\$ 68,074,811	\$ 65,175,218	\$ 676,921	\$ 2,222,672

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

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, 2018						
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	\$ 3,132,902	\$ -	\$ 3,132,902	\$ 1,543,353	\$ 83,901	\$ 1,505,648

December 31, 2018						
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	\$ 2,469,127	\$ -	\$ 2,469,127	\$ 1,543,353	\$ 503,714	\$ 422,060

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	\$ 2,275,612	\$ 1,517,875

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	\$ -	\$ 41,997

58. CAPITAL MANAGEMENT

a. Objective

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, 2018		
	% of Ownership	Group's Eligible Capital	Group's Legal Capital Demand
The Corporation		\$ 169,227,317	\$ 186,836,128
KGI Bank	100.00	63,912,516	47,125,976
KGI	100.00	19,780,482	9,081,894
CDIB Capital Group	100.00	47,686,090	24,636,062
China Development Asset Management Corp.	100.00	2,358,918	1,595,846
China Life Insurance	34.96	28,048,402	20,653,219
Deduct items		211,244,920	185,756,820
Subtotal		119,768,805(A)	104,172,305 (B)
Group's CAR (C)=(A)÷(B)			114.97 (C)

(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
KGI Bank	100.00	57,719,776	37,661,494
KGI	100.00	18,167,949	9,237,377
CDIB Capital Group	100.00	52,975,226	27,081,901
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)

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	
	2018	2017
Common stock	\$ 149,622,812	\$ 149,763,034
Capital instruments of comply with Tier 1 capital requirement	-	-
Other preferred stock and subordinated bonds	10,000,000	10,000,000
Reserve for raising capital	10,748	5,162
Capital surplus	1,630,992	1,173,719
Legal reserve	6,776,135	5,606,606
Special reserve	565,041	2,078,602
Retained earnings	14,754,530	13,184,948
Equity adjustment	(10,522,131)	73,567
Deduction: Capital items	<u>(3,610,810)</u>	<u>(4,209,823)</u>
	<u>\$ 169,227,317</u>	<u>\$ 177,675,815</u>

The Group's CARs were 114.97% and 118.21% as of December 31, 2018 and 2017, 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.

59. 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	2018	2017	Trust Liabilities	2018	2017
Bank deposits	\$ 585,926	\$ 371,243	Payables	\$ 151,212	\$ 152,685
Short-term investments	28,539,061	29,283,250	Payables on securities under custody	4,839,320	2,571,397
Financial assets at FVTPL	11,640	241,655	Other liabilities	57,865	5,730
Receivables	50,719	193	Donated assets received	1,811	1,811
Other financial assets	16,450	7,650	Trust capital	29,835,976	30,555,629
Real estate, net	534,259	534,259	Accumulated earnings	<u>675,725</u>	<u>707,034</u>
Intangible assets - surface right	984,534	984,534			
Securities under custody	4,839,320	2,571,397			
Other assets	<u>-</u>	<u>105</u>			
Total	<u>\$ 35,561,909</u>	<u>\$ 33,994,286</u>	Total	<u>\$ 35,561,909</u>	<u>\$ 33,994,286</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	2017
Trust income and gains		
Dividend income	\$ 9,976	\$ 96,752
Interest income	1,506,809	1,347,506
Rental income	28,367	29,583
Gain on financial assets at FVTPL, net	-	30,536
Other income	<u>8,800</u>	<u>9,653</u>
Total trust income and gains	<u>1,553,952</u>	<u>1,514,030</u>
Trust expenses		
Properties transaction losses	(1,171,300)	(717,270)
Administrative expenses	(32,716)	(40,561)
Loss on financial assets at FVTPL, net	(3,753)	-
Tax expenditure	(1,346)	(11,854)
Other expenses	<u>(10,185)</u>	<u>(79)</u>
Total trust expenses	<u>(1,219,300)</u>	<u>(769,764)</u>
Net income	<u>\$ 334,652</u>	<u>\$ 744,266</u>

The above income from trust operations were excluded from KGI Bank's income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	2017
Investment Portfolio		
Bank deposits	\$ 585,926	\$ 371,243
Short-term investments		
Funds	26,786,220	27,956,024
Bonds	1,410,880	1,013,666
Common shares	73,200	75,900
Structured notes	93,766	93,766
ETF	174,995	143,894
Financial assets at FVTPL	11,640	241,655
Other financial assets	16,450	7,650
Real estate, net	534,259	534,259
Intangible assets - surface right	984,534	984,534
Securities under custody	4,839,320	2,571,397
Other assets	<u>50,719</u>	<u>298</u>
Total	<u>\$ 35,561,909</u>	<u>\$ 33,994,286</u>

- b. The balance sheets and income statements of the trust accounts and trust property accounts of KGI Securities were as follows:

Balance Sheets of Trust Accounts
December 31, 2018 and 2017

(In Thousands of New Taiwan Dollars)

Trust Assets	2018	2017	Trust Liabilities	2018	2017
Bank deposits	\$ 1,043,226	\$ 1,136,142	Payables	\$ 11,274	\$ 59,962
Financial assets	21,051,505	26,411,297	Trust capital	21,967,226	25,510,294
Receivables	<u>33,903</u>	<u>127,032</u>	Reserves and retained earnings	<u>150,134</u>	<u>2,104,215</u>
Total	<u>\$ 22,128,634</u>	<u>\$ 27,674,471</u>	Total	<u>\$ 22,128,634</u>	<u>\$ 27,674,471</u>

Income Statements of Trust Accounts

(In Thousands of New Taiwan Dollars)

For the Year Ended December 31
2018 **2017**

Trust income	\$ 2,431,829	\$ 3,230,873
Trust expenses	<u>(3,579,009)</u>	<u>(2,184,859)</u>
Income before income tax	(1,147,180)	1,046,014
Income tax expenses	<u>-</u>	<u>-</u>
Income after income tax	<u>\$ (1,147,180)</u>	<u>\$ 1,046,014</u>

The above income from trust operations were excluded from KGI Securities' income.

Trust Property Accounts

(In Thousands of New Taiwan Dollars)

December 31

Investment Portfolio	2018	2017
Bank deposits	\$ 1,043,226	\$ 1,136,142
Stocks	10,733,485	14,493,874
Funds	9,350,380	11,532,078
Structured notes	957,456	385,345
Bonds	<u>10,184</u>	<u>-</u>
Total	<u>\$ 22,094,731</u>	<u>\$ 27,547,439</u>

60. DISCLOSURE REQUIRED UNDER ARTICLE 46 OF THE FINANCIAL HOLDING COMPANY ACT

For related information as of December 31, 2018, please refer to Table 9 (attached).

61. CONDENSED INDIVIDUAL BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME OF GROUP

Please refer to Table 10 (attached).

62. ALLOCATION OF REVENUE, COST AND EXPENSE RESULTING FROM COOPERATION AND RESOURCES SHARING IN THE GROUP

a. Business or trading behaviors

Please refer to Note 50 for related-party transactions.

b. Integrate business activities

The Corporation has become a full-functioning financial platform for its customers by improving the overall business performance of the company through integrating the insurance, investment, trust custody and channel of banking, securities and life insurance.

c. Cross utilization of information or locations and business utilities

In compliance with Article 43 of “Financial Holding Companies Act”, “Financial Holding Subsidiaries Cross-selling Activities Acts”, “Self-disciplinary Standards” and other related regulations from FSC, the Corporation has advocated cross-selling activities among China development Financial Holdings and its Subsidiaries. In addition, the Corporation and its subsidiaries which joined the cross selling business disclosure protection measures of customer information on official website (<http://www.cdibh.com/chhtml/content/1513>) to limit the use of the data, secure the customer information and related rights when handling cross-selling activities.

d. Allocation of revenues, costs, expenses, profits and losses

Revenue, costs, expenses, profits or losses arising from integrated business activities among subsidiaries are allocated to each subsidiary based on the related business features or other reasonable allocation methods.

63. CONTINGENCIES AND COMMITMENTS, DISASTER DAMAGES AND SUBSEQUENT EVENTS OF SUBSIDIARIES

Please refer to Note 52 to the consolidated financial statements. Information on disaster damages: None.

64. SUBSIDIARIES’ ASSET QUALITY, MANAGEMENT, PROFITABILITY, LIQUIDITY AND SENSITIVITY TO MARKET RISK

Please refer to Notes 54 and 57 to the consolidated financial statements.

65. 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.

66. FINANCIAL RATIOS OF FUTURES-DEALING SUBSIDIARIES

The following financial ratios of KGI Securities' futures department and KGI Futures Corp. are in compliance with the requirements of the Rules Governing Futures Commission Merchants.

a. KGI Securities' futures department

Rule No.	Formula	2018		2017		Standard	Meet Standard
		Formula	%	Formula	%		
17	$\frac{\text{Equities}}{\text{Total liabilities minus customers' equity accounts}}$	$\frac{\$1,791,507}{\$413,737}$	=4.33	$\frac{\$1,855,943}{\$633,222}$	=2.93	≥ 1	Yes
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$2,330,195}{\$412,737}$	=5.65	$\frac{\$2,443,795}{\$322,389}$	=7.58	≥ 1	Yes
22	$\frac{\text{Equities}}{\text{Capital stock}}$	$\frac{\$1,791,507}{\$400,000}$	=447.88%	$\frac{\$1,855,943}{\$400,000}$	=463.99%	$\geq 60\%$ $\geq 40\%$	Yes
22	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\frac{\$1,091,064}{\$244,118}$	=446.94%	$\frac{\$1,327,438}{\$340,935}$	=389.35%	$\geq 20\%$ $\geq 15\%$	Yes

b. KGI Futures Corp.

Rule No.	Formula	December 31				Standard	Meet Standard
		2018		2017			
		Formula	%	Formula	%		
17	$\frac{\text{Equities}}{\text{Total liabilities minus customers' equity accounts}}$	$\frac{\$3,416,097}{\$387,747}$	=8.81	$\frac{\$2,609,333}{\$315,529}$	=8.27	≥ 1	Yes
17	$\frac{\text{Current assets}}{\text{Current liabilities}}$	$\frac{\$24,284,147}{\$22,117,410}$	=1.10	$\frac{\$23,777,258}{\$21,872,001}$	=1.09	≥ 1	Yes
22	$\frac{\text{Equities}}{\text{Capital stock}}$	$\frac{\$3,416,097}{\$760,000}$	=449.49%	$\frac{\$2,609,333}{\$760,000}$	=343.33%	$\geq 60\%$ $\geq 40\%$	Yes
22	$\frac{\text{Adjusted net capital}}{\text{Client and proprietary account}}$	$\frac{\$3,005,408}{\$5,059,084}$	=59.41%	$\frac{\$2,387,050}{\$4,433,304}$	=53.84%	$\geq 20\%$ $\geq 15\%$	Yes

67. DISCLOSURES REQUIRED BY THE FINANCIAL SUPERVISORY COMMISSION

KGI's investments in foreign enterprises are registered in a country whose securities and futures market regulators are not members of the International Organization of Securities Commissions (IOSCO), and these companies have no Multilateral Memorandum of Understanding (MMOU) members or didn't get the securities or futures licenses signed by the IOSCO. Thus, KGI disclose their foreign investees' business conditions and information on related-party transactions as follows:

a. Securities held:

Richpoint Company Limited.

		(In U.S. Dollars)
	Number of Shares	Carrying Amount
Financial assets at FVTPL - non-current		
Dragon Investment Fund I Co.	4,375,142	\$ 198,444
He Ding Venture Capital Investment Corporation	347,500	72,456
Lien Ding Venture Capital Investment Corporation	336,000	<u>104,307</u>
		<u>\$ 375,207</u>

b. Derivative instruments and related capital resources:

KGI Asia (Holdings) Pte. Ltd.

			(In U.S. Dollars)
Type of derivative	Capital Resources	Nominal Amount	Carrying Value
Foreign exchange	Borrowing	\$ 19,438,058	\$ (87,242)

c. Asset management revenues, service and litigation matters: Note 52(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.

68. 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) Marketable securities were acquired and disposed of, at cost or price of at least NT\$300 million or 10% of the paid-in 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 and 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 50 and Table 5 (attached).
 - 9) Sale of 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, 55 and 57 to the consolidated financial statements.
- c. Investments in mainland China: Please refer to Table 11 (attached).
- d. Business relationships and significant transactions among the Group: Please refer to Table 12 (attached).

69. SEGMENT INFORMATION

The reportable segments of the Corporation are Commercial banking, Securities, Venture Capital 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 directly. 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 were analysis of the Group's operating revenue and results by reportable segments:

	Commercial Banking	Securities	Venture Capital	Insurance	Other	Total
For the year ended December 31, 2018						
Interest profit (loss), net	\$ 7,230,513	\$ 1,929,369	\$ 167,051	\$ 47,770,610	\$ (515,215)	\$ 56,582,328
Noninterest profit (loss), net	<u>1,553,670</u>	<u>12,643,152</u>	<u>3,617,913</u>	<u>180,116,376</u>	<u>(2,163,562)</u>	<u>195,767,549</u>
Net profit (loss)	8,784,183	14,572,521	3,784,964	227,886,986	(2,678,777)	252,349,877
Reversal of allowance (allowance) for bad debts and losses on guarantees, net	49,299	(111,815)	-	16,755	-	(45,761)
Net change in insurance liabilities	-	-	-	(213,695,965)	-	(213,695,965)
Operating expenses	<u>(5,901,328)</u>	<u>(11,477,179)</u>	<u>(1,357,325)</u>	<u>(4,330,807)</u>	<u>(2,099,633)</u>	<u>(25,166,272)</u>
Income (loss) before income tax	2,932,154	2,983,527	2,427,639	9,876,969	(4,778,410)	13,441,879
Income tax benefit (expense)	<u>(777,667)</u>	<u>(511,862)</u>	<u>(244,208)</u>	<u>574,748</u>	<u>331,750</u>	<u>(627,239)</u>
Net income (loss)	<u>\$ 2,154,487</u>	<u>\$ 2,471,665</u>	<u>\$ 2,183,431</u>	<u>\$ 10,451,717</u>	<u>\$ (4,446,660)</u>	<u>\$ 12,814,640</u>
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 (loss), 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 change 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>

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 2018	2017
Taiwan	\$ 245,895,973	\$ 80,882,778
Others	<u>6,453,904</u>	<u>4,530,873</u>
	<u>\$ 252,349,877</u>	<u>\$ 85,413,651</u>

c. Information about major customers

No single customer contributed 10% or more to the Group's revenue in 2018 and 2017.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCINGS PROVIDED
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

No.	Financier	Counter-party	Financial Statement Account	Related-party	Maximum Balance for the Year	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	\$ 3,687,960	\$ 3,687,960	\$ 614,660	Floating	Short-term financing	\$ -	Working capital	\$ -	-	\$ -	\$ 13,149,939 (Note 1)	\$ 13,149,939 (Note 1)
		KGI International Holdings Limited	Receivables, net	Yes	5,224,610	4,302,620	307,330	Floating	Short-term financing	-	Working capital	-	-	-	13,149,939	
2	KGI Investments Holdings Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	952,723	491,728	491,728	Floating	Short-term financing	-	Working capital	-	-	-	13,082,884 (Note 2)	13,082,884 (Note 2)
3	KGI International Holdings Limited	KGI Asia Limited	Receivables, net	Yes	1,536,650	1,536,650	-	Floating	Short-term financing	-	Working capital	-	-	-	16,784,889 (Note 3)	16,784,889 (Note 3)
		PT KGI Sekuritas Indonesia	Receivables, net	Yes	614,660	-	-	Floating	Short-term financing	-	Working capital	-	-	-	16,784,889	
4	KGI International Finance Limited	PT KGI Sekuritas Indonesia	Receivables, net	Yes	61,466	-	-	Floating	Short-term financing	-	Working capital	-	-	-	301,829 (Note 4)	301,829 (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: KGI 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, 2018
(In Thousands of New Taiwan Dollars)

No.	Collaterals/Guarantee Provider	Counter-party		Limits on Each Counter-party's Collateral/Guarantee Amounts	Maximum Balance for the Year	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	\$ 5,841,874	\$ 774,820	\$ 449,800	\$ 449,800	\$ -	0.77%	\$ 23,367,494 (Note 2)	No	No	No
2	KGI International Holdings Limited	KGI Asia Limited	Note 1	16,784,889	3,650,522	1,037,791	30,733	-	6.18%	16,784,889 (Note 3)	No	No	No
		KGI International Finance Limited	Note 1	16,784,889	4,118,222	4,118,222	1,199,440	-	24.54%		No	No	No
		KGI Futures (Hong Kong) Limited	Note 1	16,784,889	199,765	199,765	-	-	1.19%		No	No	No
		KGI Finance Limited	Note 1	16,784,889	132,152	132,152	-	-	0.79%		No	No	No
		KGI International (Hong Kong) Limited	Note 1	16,784,889	1,905,446	1,905,446	-	-	11.35%		No	No	No
		KGI Securities (Singapore) Pte. Ltd.	Note 1	16,784,889	614,660	614,660	-	-	3.66%		No	No	No
		KGI Asia (Holdings) Pte. Limited	Note 1	16,784,889	3,140,996	3,140,996	2,290,244	-	18.71%		No	No	No
3	CDIB Management Consulting Corporation	CDIB International Leasing Corp.	Note 1	4,485,240	1,690,315	1,690,315	430,262	-	188.43%	4,485,240 (Note 4)	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: 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 5: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars/Foreign Currencies)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Capital Group	<u>Stocks</u>							
	Taiwan Stock Exchange	-	Financial assets at fair value through profit or loss	18,449,638	\$ 1,386,121	2.66	\$ 1,386,121	
	Tong Hsing Electronic Industries, Ltd.	-	Financial assets at fair value through profit or loss	1,183,248	127,199	0.72	127,199	
	Logitech Inc.	-	Financial assets at fair value through profit or loss	2,965,248	42,016	10.69	42,016	
	Solar Fine Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	4,828,064	13,898	10.83	13,898	
	Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	4,225,979	68,165	6.04	68,165	
	National Glory Development Corp.	-	Financial assets at fair value through profit or loss	646,884	4,693	6.47	4,693	
	TopGreen Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	633,377	6,023	1.17	6,023	
	Hair O'right International Corp.	-	Financial assets at fair value through profit or loss	1,835,837	105,901	9.02	105,901	
	DaBomb Protein Corp.	-	Financial assets at fair value through profit or loss	3,284,568	75,052	11.26	75,052	
	Power Venture Co.	-	Financial assets at fair value through profit or loss	677,245	6,033	5.68	6,033	
	Ori Vita Bio Application Inc.	-	Financial assets at fair value through profit or loss	858,690	5,584	0.42	5,584	
	Echem Hightech Co., Ltd.	-	Financial assets at fair value through profit or loss	1,535,934	5,596	11.69	5,596	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,000,000	27,742	9.91	27,742	
	E-one Moli Energy Corp.	-	Financial assets at fair value through profit or loss	6,875,493	70,954	2.28	70,954	
	HealthStream Taiwan Inc.	-	Financial assets at fair value through profit or loss	4,774,523	34,886	13.96	34,886	
	Subtron Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	12,316,000	122,421	4.31	122,421	
	Orgchem Technologies, Inc.	-	Financial assets at fair value through profit or loss	1,067,220	13,448	1.92	13,448	
	General Life Biotechnology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,520,000	31,058	8.40	31,058	
	Mec Imex Inc.	-	Financial assets at fair value through profit or loss	4,802,000	40,456	10.52	40,456	
	Yieh United Steel Corp.	-	Financial assets at fair value through profit or loss	6,945,622	46,883	0.27	46,883	
	Hua-jie (Taiwan) Corp.	-	Financial assets at fair value through profit or loss	1,300,403	8,259	6.45	8,259	
	AMIA Co.	-	Financial assets at fair value through profit or loss	6,000,000	96,660	9.54	96,660	
	Up Scientech Materials Corp.	-	Financial assets at fair value through profit or loss	4,651,344	66,713	6.85	66,713	
	PlexBio Co., Ltd.	-	Financial assets at fair value through profit or loss	3,526,000	50,492	5.07	50,492	
	Riselink Restructuring Fund Corporation	-	Financial assets at fair value through profit or loss	3,289,681	33,829	12.50	33,829	
	Orient Pharma Co., Ltd.	-	Financial assets at fair value through profit or loss	2,857,800	44,810	1.83	44,810	
	Wai-Gin Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	1,170,000	1,559	3.44	1,559	
	ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	7,567,424	83,871	5.64	83,871	
	Eastern Electronic Co., Ltd.	-	Financial assets at fair value through profit or loss	4,348,680	25,523	6.47	25,523	
	Topview Optromics Corporation	-	Financial assets at fair value through profit or loss	687,000	15,835	2.99	15,835	
	Foresee Pharmaceuticals Co., Ltd.	-	Financial assets at fair value through profit or loss	3,224,867	183,495	3.66	183,495	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,746,720	67,308	5.98	67,308	
	Kaohsiung Rapid Transit Corporation	-	Financial assets at fair value through profit or loss	3,845,330	31,431	1.38	31,431	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	4,308,026	79,440	7.88	79,440	
	Nan Pao Resins Chemical Co., Ltd.	-	Financial assets at fair value through profit or loss	1,293,232	145,489	1.07	145,489	
	DragonJet Corporation	-	Financial assets at fair value through profit or loss	4,300,000	20,055	4.77	20,055	
	Vactronics Technologies Inc.	-	Financial assets at fair value through profit or loss	2,494,309	35,885	5.28	35,885	
	Terawins, Inc.	-	Financial assets at fair value through profit or loss	1,913,996	7,884	6.30	7,884	
	Feature Integration Technology Inc.	-	Financial assets at fair value through profit or loss	1,341,803	16,773	4.03	16,773	
	Mosart Semiconductor Corp.	-	Financial assets at fair value through profit or loss	2,731,098	20,365	10.57	20,365	
	EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	2,150,536	5,533	10.43	5,533	
	Overseas Investment & Development Corp.	-	Financial assets at fair value through profit or loss	2,600,000	13,321	2.89	13,321	
	Microprogram Co., Ltd.	-	Financial assets at fair value through profit or loss	2,550,000	34,692	7.95	34,692	
	Lefram Technology Corporation	-	Financial assets at fair value through profit or loss	7,484,454	49,772	17.48	49,772	
	TAK Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	2,467,706	920	4.14	920	
	Engineering & IP Advanced Technologies Ltd.	-	Financial assets at fair value through profit or loss	4,216	2	-	2	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	97,532	4.81	97,532	
	JHL Biotech, Inc.	-	Financial assets at fair value through profit or loss	8,382,844	528,119	3.98	528,119	
	Easten Power and Electric Company Limited	-	Financial assets at fair value through profit or loss	3,201,019	196,280	12.00	196,280	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note	
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value		
CDIB Capital Group	Beauty Essentials International Ltd.	-	Financial assets at fair value through profit or loss	86,503,067	\$ 219,285	8.02	\$ 219,285		
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	3,675,000	24,664	0.15	24,664		
	Entery Industrial Co., Ltd.	-	Financial assets at fair value through profit or loss	8,364,000	11,959	11.22	11,959		
	Engineering & IP Advanced Technologies Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	6,392,765	3,244	0.35	3,244		
	Lightel Technologies, Inc.	-	Financial assets at fair value through profit or loss	3,000,000	85,122	43.44	85,122		
	Apexigen, Inc.	-	Financial assets at fair value through profit or loss	4,970,588	61,394	9.59	61,394		
	CDIB Capital Innovation Accelerator Ltd.	Associate	Financial assets at fair value through profit or loss	15,000,000	144,217	35.71	144,217		
	CDIB Capital Management Corporation	Subsidiary	Investments accounted for using the equity method	33,093,889	644,755	100.00	644,755		
	CDIB & Partners Investment Holding Corporation	Associate	Investments accounted for using the equity method	313,200,000	4,575,742	28.71	4,575,742		
	CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	58,200,000	582,043	38.80	582,043		
	CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	58,250,000	582,069	33.29	582,069		
	CDIB Venture Capital Corporation	Subsidiary	Investments accounted for using the equity method	1,022,790,915	9,628,341	100.00	9,628,341		
	CDIB Bio Science Ventures I, Inc.	Associate	Investments accounted for using the equity method	4,431,405	33,814	20.00	33,814		
	CDIB Bioscience Venture Management (BVI), Inc.	Associate	Investments accounted for using the equity method	112,500	3,965	30.00	3,965		
	CDIB Capital Investment II Limited	Subsidiary	Investments accounted for using the equity method	45,000,000	1,509,971	100.00	1,509,971		
	CDIB Global Markets Limited	Subsidiary	Investments accounted for using the equity method	339,392	9,142,006	100.00	9,142,006		
	CDIB Capital Investment I Limited	Subsidiary	Investments accounted for using the equity method	132,800,000	7,875,667	100.00	7,875,667		
	CDIB Capital International Corporation	Subsidiary	Investments accounted for using the equity method	4,700,000	614,315	100.00	614,315		
	<u>Funds</u>								
	Commlaunch	-	Financial assets at fair value through profit or loss	-	42,436	-	42,436		
	ARCH Venture Fund V, L.P.	-	Financial assets at fair value through profit or loss	-	6,474	-	6,474		
	FORWARD VENTURES IV, L.P.	-	Financial assets at fair value through profit or loss	-	24,274	-	24,274		
	Forward Venture V	-	Financial assets at fair value through profit or loss	-	24,085	-	24,085		
	MPM BIOVENTURES III L.P.	-	Financial assets at fair value through profit or loss	-	6,859	-	6,859		
	Sanderling	-	Financial assets at fair value through profit or loss	-	16,256	-	16,256		
	SAMARA CAPITAL PARTNERS FUND I LIMITED	-	Financial assets at fair value through profit or loss	-	125,762	-	125,762		
	THL EQUITY FUND VI INVESTORS (CERIDIAN), L.P.	-	Financial assets at fair value through profit or loss	-	653,557	-	653,557		
	<u>Corporate bonds</u>								
	Belta (Cayman) Holding Limited	-	Financial assets at fair value through profit or loss	11,959,916	7,324	-	7,324		
	<u>Government bonds</u>								
	A00109	-	Financial assets at fair value through other comprehensive income	7,000,000	7,117	-	7,117		
	A01105	-	Financial assets at fair value through other comprehensive income	100,000,000	101,798	-	101,798		
	A03115	-	Financial assets at fair value through other comprehensive income	50,000,000	50,299	-	50,299		
	CDIB Capital Management Corporation	<u>Stocks</u>							
		ATEN International Co., Ltd.	-	Financial assets at fair value through profit or loss	65,660	5,712	0.05	5,712	
		MCM Stamping Co., Ltd.	-	Financial assets at fair value through profit or loss	70,000	294	0.22	294	
		ARCOA Communication Co., Ltd.	-	Financial assets at fair value through profit or loss	783,000	8,678	0.58	8,678	
		EVA Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	297,623	766	1.44	766	
		Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	101,240	3,988	0.13	3,988	
		CDIB Capital Innovation Advisors Corporation	Subsidiary	Investments accounted for using the equity method	1,200,000	15,828	60.00	15,828	
		CDIB Capital Creative Industries Limited	Associate	Investments accounted for using the equity method	1,500,000	15,001	1.00	15,001	
		CDIB Capital Healthcare Ventures Limited	Associate	Investments accounted for using the equity method	1,750,000	17,487	1.00	17,487	
		CDIB Private Equity (Hong Kong) Corporation Limited	Subsidiary	Investments accounted for using the equity method	51,900,000	298,893	100.00	298,893	
<u>Funds</u>									
CDIB Capital Growth Partners L.P.		Associate	Financial assets at fair value through profit or loss	-	16,804	-	16,804		
KGI Victory Money Market Securities Investment Trust Fund		Managed by KGI Securities Investment Trust Co., Ltd	Financial assets at fair value through profit or loss	-	80,139	-	80,139		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Private Equity (Hong Kong) Corporation Limited	<u>Stocks</u> CDIB Private Equity (China) Corporation	Subsidiary	Investments accounted for using the equity method	-	HKS 58,435	100.00	HKS 58,435	
	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HKS 7,942	56.00	HKS 7,942	
	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Subsidiary	Investments accounted for using the equity method	-	HKS 3,813	27.08	HKS 3,813	
CDIB Private Equity (China) Corporation	<u>Stocks</u> CDIB Private Equity (Fujian) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 15,377	70.00	CNY 15,377	
	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Subsidiary	Investments accounted for using the equity method	-	CNY 10,721	65.00	CNY 10,721	
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 2,487	20.00	CNY 2,487	
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 7,201	58.33	CNY 7,201	
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 10,575	-	CNY 10,575	
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 10,433	-	CNY 10,433	
CDIB Venture Capital Corporation	<u>Stocks</u> Dee Van Enterprise Co., Ltd.	-	Financial assets at fair value through profit or loss	1,388,659	22,399	1.98	22,399	
	Azotek Co., Ltd.	-	Financial assets at fair value through profit or loss	824,500	12,827	-	12,827	
	Yenyo Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	3,468	1.24	3,468	
	Pai Lung Machinery Mill Co., Ltd.	-	Financial assets at fair value through profit or loss	1,500,000	2,128	4.22	2,128	
	Fukuta Co., Ltd.	-	Financial assets at fair value through profit or loss	1,872,753	207,392	4.68	207,392	
	Handa Pharmaceuticals Inc.	-	Financial assets at fair value through profit or loss	2,809,000	88,905	2.69	88,905	
	Sustainable Development Co., Ltd.	-	Financial assets at fair value through profit or loss	500,000	45,000	1.62	45,000	
	Sum Max Tech. Limited	-	Financial assets at fair value through profit or loss	2,598,481	106,148	10.96	106,148	
	Regal Holding Co., Ltd.	-	Financial assets at fair value through profit or loss	1,101,000	57,803	2.86	57,803	
	Sino-American Silicon Products Inc.	-	Financial assets at fair value through profit or loss	5,708,562	349,364	0.97	349,364	
	Fusheng Precision Co., Ltd.	-	Financial assets at fair value through profit or loss	800,000	127,600	0.61	127,600	
	M2Communication, Inc.	-	Financial assets at fair value through profit or loss	6,477,527	11,592	14.81	11,592	
	GSD Technologies Co., Ltd.	-	Financial assets at fair value through profit or loss	5,741,702	352,541	16.89	352,541	
	Jochu Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	3,725,007	52,821	4.69	52,821	
	STL Technology Co., Ltd.	-	Financial assets at fair value through profit or loss	5,528,901	101,953	10.11	101,953	
	Greatland Electronics Taiwan Ltd.	-	Financial assets at fair value through profit or loss	1,920,000	13,114	5.50	13,114	
	Shengzhuang Holding Limited	-	Financial assets at fair value through profit or loss	610,590	5,813	6.11	5,813	
	Excelsior Medical Co., Ltd.	-	Financial assets at fair value through profit or loss	33,000	97,532	4.81	97,532	
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	514,821	2,198	-	2,198	
	CVie Therapeutics Company Limited	-	Financial assets at fair value through profit or loss	560,000	13,226	4.15	13,226	
	Shane Global Holding Inc.	-	Financial assets at fair value through profit or loss	1,715,700	208,458	1.54	208,458	
	Viscovery (Cayman) Holding Company Limited	-	Financial assets at fair value through profit or loss	195,317	6,003	1.85	6,003	
	Kkday.com International Company Limited.	-	Financial assets at fair value through profit or loss	3,000,000	24,458	1.03	24,458	
	i-Serve	-	Financial assets at fair value through profit or loss	2,232,219	154,575	4.17	154,575	
	Hartec Asia Pte. Ltd.	-	Financial assets at fair value through profit or loss	2,800,000	84,528	10.23	84,528	
	Windtree Therapeutic, Inc.	-	Financial assets at fair value through profit or loss	594,552	60,540	1.85	60,540	
	iCHEF Co., Ltd.	-	Financial assets at fair value through profit or loss	11,167,513	82,136	40.74	82,136	
4Gamers Entertainment Inc. - Preferred stock A	-	Financial assets at fair value through profit or loss	24,000	16,227	20.00	16,227		
Viscovery (Cayman) Holding Company Limited - Preferred stock A+	-	Financial assets at fair value through profit or loss	304,878	9,370	8.20	9,370		
Citiesocial Holding Cayman Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	479,635	15,367	18.18	15,367		
Umbo CV Inc.	-	Financial assets at fair value through profit or loss	1,394,145	21,513	10.29	21,513		
CCMODA Corp. - Preferred stock	-	Financial assets at fair value through profit or loss	666,666	15,366	20.00	15,366		
Asia Parents Holdings Limited	-	Financial assets at fair value through profit or loss	248,889	17,210	14.74	17,210		

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDIB Venture Capital Corporation	Kneron Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,546,391	\$ 135,965	10.00	\$ 135,965	
	Zentera Systems, Inc. - Preferred stock	-	Financial assets at fair value through profit or loss	1,324,503	77,612	39.35	77,612	
	FUNP Co., Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	400,000	44,256	20.00	44,256	
	Achieve Made International Limited - Preferred stock	-	Financial assets at fair value through profit or loss	168,138	12,293	6.67	12,293	
	Kwan's International Co., Ltd.	-	Financial assets at fair value through profit or loss	202,480	7,975	0.25	7,975	
	United Renewable Energy Co., Ltd.	-	Financial assets at fair value through profit or loss	5,105,377	32,547	0.20	32,547	
	CBA Sports International Ltd.- Preferred stock	-	Financial assets at fair value through profit or loss	2,402,500	10,257	13.73	10,257	
	Derbysoft Holdings Limited - Preferred stock A	-	Financial assets at fair value through profit or loss	28,000,000	96,783	45.78	96,783	
	Viscovery (Cayman) Holding Company Limited - Preferred stock A++	-	Financial assets at fair value through profit or loss	200,000	6,147	10.96	6,147	
	FunNow Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	185,184	30,733	20.00	30,733	
	Derbysoft Holdings Limited - Preferred stock B	-	Financial assets at fair value through profit or loss	4,643,469	16,050	9.26	16,050	
	4Gamers Entertainment Inc. - Preferred stock B	-	Financial assets at fair value through profit or loss	8,727	5,901	4.80	5,901	
	Kkday.com International Company Limited	-	Financial assets at fair value through profit or loss	5,654,616	46,100	8.66	46,100	
	Traveler Co., Ltd.	-	Financial assets at fair value through profit or loss	32,077	24,586	9.55	24,586	
	Regent Investment Holding Corp.	-	Investments accounted for using the equity method	500,000	4,954	50.00	4,954	
	CDIB Venture Capital (Hong Kong) Corporation Limited	Associate Subsidiary	Investments accounted for using the equity method	870,000,000	3,337,455	100.00	3,337,455	
	<u>Funds</u>							
	CDIB Capital Growth Partners L.P.	Associate	Financial assets at fair value through profit or loss	-	413,042	-	413,042	
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd	Financial assets at fair value through profit or loss	-	150,215	-	150,215	
	<u>Convertible (exchangeable) corporate bond</u>							
	Capital Excel Investment Limited	-	Financial assets at fair value through profit or loss	-	90,547	-	90,547	
	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\$ 408,159	-	HK\$ 408,159
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	Associate	Investments accounted for using the equity method	-	HK\$ 353,998	-	HK\$ 353,998		
CDIB Capital Investment I Limited	<u>Stocks</u>							
	Best Inc.	-	Financial assets at fair value through profit or loss	356,280	US\$ 1,464	0.09	US\$ 1,464	
	Casper Sleep, Inc.	-	Financial assets at fair value through profit or loss	266,690	US\$ 8,307	20.05	US\$ 8,307	
	CCAP Best Logistics Holdings Limited	-	Financial assets at fair value through profit or loss	1,000	US\$ 2,271	11.11	US\$ 2,271	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	13,722,047	US\$ 7,826	3.40	US\$ 7,826	
	Giddy Inc.	-	Financial assets at fair value through profit or loss	666,755	US\$ 7,287	6.26	US\$ 7,287	
	Simplify Compliance Holdings, LLC	-	Financial assets at fair value through profit or loss	2,833,333	US\$ 3,254	2.91	US\$ 3,254	
	Great Team Backend Foundry, Inc.	-	Financial assets at fair value through profit or loss	1,636,800	US\$ 717	1.81	US\$ 717	
	Rokid Corporation Ltd	-	Financial assets at fair value through profit or loss	615,642	US\$ 5,000	1.51	US\$ 5,000	
	<u>Funds</u>							
	Carlyle Asia Partners II, L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 128	-	US\$ 128	
	Ripley Cable Holdings I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 891	-	US\$ 891	
	MSD Sports Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 10,361	-	US\$ 10,361	
	BCP QualTek Investor Holdings, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,521	-	US\$ 5,521	
	CDIB Capital Asia Partners L.P.	Associate	Investments accounted for using the equity method	-	US\$ 88,975	-	US\$ 88,975	
	CDIB Capital Global Opportunities Fund L.P.	Other related parties	Financial assets at fair value through profit or loss	-	US\$ 1,511	-	US\$ 1,511	
	<u>Corporate bonds</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	41,875,000	US\$ 6,769	-	US\$ 6,769	
	<u>Convertible (exchangeable) corporate bond</u>							
	Garden Fresh (HK) Fruit & Vegetable Beverage Co., Ltd.	-	Financial assets at fair value through profit or loss	28,094,510	US\$ 9,291	-	US\$ 9,291	
	Mestay Cayman Islands Limited	-	Financial assets at fair value through profit or loss	7,013,490	US\$ 4,000	-	US\$ 4,000	

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note	
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value		
CDIB Capital Investment II Limited	<u>Stocks</u>								
	Great Rich Technologies Limited	-	Financial assets at fair value through profit or loss	1,660,000	US\$ 2,744	2.46	US\$ 2,744		
	CBA Sports International Ltd.	-	Financial assets at fair value through profit or loss	508,929	US\$ 71	0.89	US\$ 71		
	Indostar Capital	-	Financial assets at fair value through profit or loss	631,701	US\$ 9,908	2.88	US\$ 9,908		
	Indostar Everstone	-	Financial assets at fair value through profit or loss	860,332	US\$ 13,431	8.12	US\$ 13,431		
CBA Sports International Ltd. - Preferred stock	-	Financial assets at fair value through profit or loss	2,375,000	US\$ 330	13.57	US\$ 330			
CDIB Global Markets Limited	<u>Stocks</u>								
	Facebook Inc.	-	Financial assets at fair value through profit or loss	575	US\$ 75	-	US\$ 75		
	GoPro, Inc.	-	Financial assets at fair value through profit or loss	51,878	US\$ 220	0.04	US\$ 220		
	Fleming International (BVI) Ltd.	-	Financial assets at fair value through profit or loss	1,048	US\$ 47,240	50.19	US\$ 47,240		
	<u>Funds</u>								
	Huaxing Capital Partners II LP	-	Financial assets at fair value through profit or loss	-	US\$ 10,714	-	US\$ 10,714		
	GS TDN Investors Offshore, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 525	-	US\$ 525		
	CX Partners Fund Alpha Limited	-	Financial assets at fair value through profit or loss	-	US\$ 6,554	-	US\$ 6,554		
	Carlyle Asia Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 2,120	-	US\$ 2,120		
	Riverwood Capital Partners L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 4,673	-	US\$ 4,673		
	ECP II (Cayman) Ltd. A	-	Financial assets at fair value through profit or loss	-	US\$ 7,418	-	US\$ 7,418		
	Sino-Century China Private Equity II L. P.	-	Financial assets at fair value through profit or loss	-	US\$ 384	-	US\$ 384		
	KKR Asian Fund II L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 7,909	-	US\$ 7,909		
	Carlyle Asia Partners IV, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 19,739	-	US\$ 19,739		
	Carlyle Giovanna Partners, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 11,592	-	US\$ 11,592		
	Tenaya Capital V, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,272	-	US\$ 5,272		
	THL Equity Fund Vi Investors (Ceridian), L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 10,633	-	US\$ 10,633		
	Platinum Equity Capital Partners II, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 1,094	-	US\$ 1,094		
	Industry Ventures Fund VI, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 3,465	-	US\$ 3,465		
	Platinum Equity Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 5,430	-	US\$ 5,430		
	Tenaya Capital VI, LP	-	Financial assets at fair value through profit or loss	-	US\$ 7,899	-	US\$ 7,899		
	Formation8 Partners Fund I, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 7,772	-	US\$ 7,772		
	Blue Point Capital Partners III, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 7,518	-	US\$ 7,518		
	Riverwood Capital Partners II L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 13,858	-	US\$ 13,858		
	THL Equity Fund VI Investors (Ceridian) VI, L.P.	-	Financial assets at fair value through profit or loss	-	US\$ 15,700	-	US\$ 15,700		
	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\$ 7,614	100.00	US\$ 7,614	
CDIB Capital International (Korea) Corporation		Subsidiary	Investments accounted for using the equity method	1,848,000	US\$ 5,911	100.00	US\$ 5,911		
CDIB Capital International (USA) Corporation		Subsidiary	Investments accounted for using the equity method	8,000,000	US\$ 1,925	100.00	US\$ 1,925		
CDIB Capital Asia Partners Limited		Subsidiary	Investments accounted for using the equity method	-	US\$ (74)	100.00	US\$ (74)		
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	81,098	100.00	81,098		
	Chung Hwa Growth 3 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	226,000,000	2,498,721	100.00	2,498,721		
	Chung Hwa Growth 4 Asset Management Corp.	Subsidiary	Investments accounted for using the equity method	19,000,000	197,305	100.00	197,305		
	Pine Street Asset Management Corp.	-	Financial assets at fair value through other comprehensive income	3,886,190	27,429	12.25	27,429		
	Waterland Securities Co., Ltd.	-	Financial assets at fair value through profit or loss	8,034,740	44,865	1.07	44,865		
	Victor Taichung Machinery Works Co., Ltd.	-	Financial assets at fair value through profit or loss	94,266	106	0.06	106		
Chung Hwa Growth 3 Asset Management Corp.	<u>Funds</u>								
	KGI Victory Money Market Securities Investment Trust Fund	Managed by KGI Securities Investment Trust Co., Ltd	Financial assets at fair value through profit or loss	-	150,187	-	150,187		
CDIB Management Consulting Corp.	<u>Stocks</u>								
	CDC Finance & Leasing Corp.	Subsidiary	Investments accounted for using the equity method	58,328,460	653,433	76.04	653,433		
CDIB International Leasing Corp.	Subsidiary	Investments accounted for using the equity method	-	170,190	100.00	170,190			

(Continued)

Holding Company	Marketable Securities Type and Issuer	Relationship with the Holding Company	Financial Statement Account	December 31, 2018				Note
				Shares/Face Value/Units	Carrying Value	Percentage of Ownership (Note 2)	Fair Value	
CDC Finance & Leasing Corp.	<u>Stocks</u> Hwahong Corporation Pacific Electric Wire and Cable Co., Ltd.	Associate -	Investments accounted for using the equity method	23,750	\$ 208	19.00	\$ 208	
			Financial assets at fair value through other comprehensive income	496,574	-	0.07	-	
Global Securities Finance Corporation	<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 Taiwan Business Bank's 2nd Subordinated Financial Debentures Issue in 2018 E.SUN Bank 1st Subordinate Financial Debentures-A issue in 2014	- - - - - -	Financial assets measured at amortized cost	200,000,000	199,288	-	199,993	
			Financial assets measured at amortized cost	100,000,000	99,365	-	100,000	
			Financial assets measured at amortized cost	200,000,000	198,054	-	199,993	
			Other assets	150,000,000	149,834	-	149,997	
			Other assets	50,000,000	49,946	-	50,100	
			Other assets	100,000,000	99,663	-	100,069	
			Other assets	100,000,000	99,782	-	100,197	
	<u>Government bonds</u> A05113 A06102	- -	Other assets Other assets					

Note 1: The Group recognized the related income or loss of investees as required by regulations.

Note 2: The preferred shares held divided by the number of preferred shares outstanding is the percentage of ownership.

Note 3: No securities were treated as collaterals or warrants.

Note 4: 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 OR 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, 2018
(In Thousands of New Taiwan Dollars/Foreign Currencies)**

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 (Note 1)	Gain (Loss) on Disposal	Shares/Face Value/Units	Amount
The Corporation	<u>Stocks</u> The Capital Securities Corporation	Financial assets at fair value through profit or loss	-	-	115,940,510	\$ 1,656,293	4,765,705 (Note 2)	\$ -	67,995,000	\$ 737,375	\$ 953,259	\$ (215,884)	52,711,215	\$ 703,034
CDIB Capital Group	<u>Stocks</u> China Metal Products Co., Ltd.	Financial assets at fair value through profit or loss	-	-	12,381,003	284,118	-	-	12,381,003	369,071	284,118	84,953	-	-
	Qisda Corporation	Financial assets at fair value through profit or loss	-	-	148,867,816	2,974,383	-	-	148,867,816	3,404,898	2,974,383	430,515	-	-
	Chipbond Technology Corporation	Financial assets at fair value through profit or loss	-	-	7,971,229	356,735	-	-	7,971,229	502,519	356,735	145,784	-	-
	Globalwafers. Co., Ltd.	Financial assets at fair value through profit or loss	-	-	1,758,072	123,960	-	-	1,758,072	865,619	123,960	741,659	-	-
	Sino-American Silicon Products Inc.	Financial assets at fair value through profit or loss	-	-	3,423,956	173,252	-	-	3,423,956	429,316	173,252	256,064	-	-
	Leyou, Inc.	Financial assets at fair value through profit or loss	-	-	663,958,732	450,150	-	-	663,958,732	803,040	450,150	352,890	-	-
	Taiwan Stock Exchange	Financial assets at fair value through profit or loss	-	-	48,604,914	8,400	-	-	30,155,276	2,258,769	5,211	2,253,558	18,449,638	3,189
CDIB Global Markets Limited	<u>Funds</u> Carlyle Giovanna Partners, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ 12,858	-	-	-	US\$ 47,438	US\$ 12,271	US\$ 35,167	-	US\$ 587
CDIB Capital Investment I Limited	<u>Funds</u> Ripley Cable Holdings I, L.P.	Financial assets at fair value through profit or loss	-	-	-	US\$ -	-	-	-	US\$ 12,077	-	US\$ 12,077	-	-
	Brightstar Capital Partners QualTek, L.P.	Financial assets at fair value through profit or loss	GOF 2 QT Holdings LLC	Other related parties	-	-	-	US\$ 9,700	-	US\$ 10,105	US\$ 9,700	US\$ 405	-	-

Note 1: Initial acquisition cost.

Note 2: Stock dividend.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$300 MILLION OR 10% OF THE PAID-IN CAPITAL

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Relationship	Ending Balance (Note 1)	Turnover Rate	Overdue		Amounts Received in Subsequent Year	Allowance for Bad Debts
					Amount	Action Taken		
CDIB Capital Group	The Corporation	Parent company	\$ 317,267	-	\$ -	-	\$ -	\$ -
The Corporation	CDIB Capital Group	Subsidiary	523,096	-	-	-	-	-
	KGI Bank	Subsidiary	530,563	-	-	-	-	-
	KGI Securities	Subsidiary	740,985	-	-	-	-	-

Note 1: The above companies which are the subsidiaries of the Corporation were eliminated from the consolidated financial statements.

Note 2: Tax receivable result from linked-tax system.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTEE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company (Note 1)	Location	Main Business	Percentage of Ownership, End of Year	Carrying Value, End of Year (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	Taipei City, Taiwan	Venture capital	100.00	\$ 47,686,090	\$ 2,311,400	2,041,115,913	-	2,041,115,913	100.00	
	KG1 Securities	Taipei City, Taiwan	Financial service	100.00	52,266,100	3,126,073	3,241,843,251	-	3,241,843,251	100.00	
	KG1 Bank	Taipei City, Taiwan	Commercial bank	100.00	60,074,282	1,932,730	4,606,162,291	-	4,606,162,291	100.00	
	China Development Asset Management Corp.	Taipei City, Taiwan	Trading and management of nonperforming loans of financial institution	100.00	2,358,918	35,202	200,000,000	-	200,000,000	100.00	
	China Life Insurance	Taipei City, Taiwan	Financial insurance	25.33	23,371,430	1,894,697	1,410,093,962	-	1,410,093,962	35.13	

Note 1: All present shares and virtual shares of investee company held by the Company, directors, supervisors, the Corporation's managers and affiliates should be included.

- Note 2:
- The virtual shares are those shares obtained through a transfer, on the assumption of share transfer, from equity securities purchased or derivative instrument contracts signed and linked to investee company's equity based on agreed transaction terms and undertaking intention, and for the purpose of investing in company under the provisions of Article 36, Item 2 and Article 37 of the Company Act.
 - The equity securities mentioned above are specified as those securities under the provision of Article 11, Item 1 of the bylaws to the ROC Securities and Exchange Act, for example, convertible bond and warrant.
 - The derivative instrument contracts mentioned above are specified as those derivative instruments defined by the IFRS 9, 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, 2018
 (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
2018.01.26	A	Unsecured loans	\$ 69	\$ 800	\$ 698	-	-
2018.07.27	B	Unsecured loans	37	900	834	-	-
2018.10.15	C	Unsecured loans	-	250	238	-	-
2018.10.29	D	Unsecured loans	27	2,500	2,363	-	-

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, 2018 AND 2017

Consolidated entities

Investor Company	Subsidiary	Main Business and Products	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
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	100.00	
	China Life Insurance Co., Ltd.	Financial insurance	25.33	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	
	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	(Note 2)
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	(Note 2)
	CDIB Capital Innovation 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	(Note 2)
	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	
CDIB Private Equity (China) Corporation	CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting	65.00	65.00	(Note 2)
	CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting	70.00	70.00	

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
CDIB Yida Private Equity (Kunshan) Co., Ltd.	CDIB Yida Private Equity Management (Kunshan) Enterprise (Limited Partnership)	Management and consulting	58.34	58.34	
KGI Securities	Richpoint Company Limited	Investment holdings	100.00	100.00	
	KGI Securities Investment Advisory Co., Ltd.	Security investment consulting	100.00	100.00	
	KGI Insurance Brokers Co., Ltd.	Life/property insurance brokers	100.00	100.00	
	KGI Venture Capital Co., Ltd.	Venture capital	100.00	100.00	
	KGI Securities Investment Trust Co., Ltd.	Nominee services, discretionary investment services	100.00	99.99	(Note 3)
	KGI Futures Co., Ltd.	Futures investment services	99.61	99.61	
	Global Securities Finance Corporation	Stock loans and financing purchase of securities	21.99	21.99	(Note 4)
KGI Futures Co., Ltd.	KGI Information Technology Co., Ltd.	Management and consulting software services, data processing digital information supply services	100.00	100.00	
KGI Information Technology Co., Ltd.	KGI Information Technology (Shanghai) Co., Ltd.	Information service	-	100.00	(Note 5)
Richpoint Company Limited	KG Investments Holdings Limited	Investment holdings	100.00	100.00	
	KGI Investment Advisory (Shanghai) Co., Ltd.	Investment and consulting service	100.00	100.00	
KG Investments Holdings Limited	KGI International Holdings Limited	Investment holdings	100.00	100.00	
KGI International Holdings Limited	KGI Limited	Investment holdings	100.00	100.00	
	Supersonic Services Inc.	Investment holdings	100.00	100.00	
	KGI International Limited	Investment holdings	100.00	100.00	
	Bauhimia 88 Ltd.	Investment holdings	100.00	100.00	
KGI Limited	KGI Futures (Hong Kong) Limited	Futures and options investment and settlement services	100.00	100.00	
	Global Treasure Investments Limited	Investment services	100.00	100.00	
	KGI Investments Management Limited	Insurance brokerage	100.00	100.00	
	KGI International Finance Limited	Investment and financing services	100.00	100.00	
	KGI Hong Kong Limited	Management and consulting	100.00	100.00	
	KGI Asia Limited	Securities investment	100.00	100.00	(Note 6)
	KGI Capital Asia Limited	Securities investment	100.00	100.00	
	KGI Asset Management Limited	Asset management	100.00	100.00	
	TG Holborn (HK) Limited	Insurance brokerage	100.00	100.00	
	KGI Nominees (Hong Kong) Limited	Trust agent	100.00	100.00	
	Supersonic Services Inc.	KGI Korea Limited	Investment holdings	100.00	100.00
KGI International Limited	KGI Asia (Holdings) Pte. Ltd.	Investment holdings	100.00	100.00	
	KGI Capital (Singapore) Pte. Ltd.	Futures investment services	100.00	100.00	(Note 7)
KGI Capital Asia Limited	KGI Alliance Corporation	Investment services	100.00	100.00	
	KGI International (Hong Kong) Limited	Derivative product services	100.00	100.00	
	KGI Finance Limited	Investment and financing services	100.00	100.00	
	PT KGI Sekuritas Indonesia	Securities investment	99.00	99.00	
KGI Asia Limited	Grand Cathay Capital (Hong Kong) Limited	Investment services	-	100.00	(Note 8)

(Continued)

Investor Company	Subsidiaries	Main Business and Products	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
KGI Asia (Holdings) Pte. Ltd.	KGI Securities (Singapore) Pte. Ltd. (formerly KGI Fraser Securities Pte. Ltd.)	Securities investment	100.00	100.00	(Note 9)
KGI Bank	CDIB Management Consulting Corporation	Management and consulting	100.00	100.00	
CDIB Management Consulting Corporation	CDC Finance & Leasing Corp.	Leasing	76.04	76.04	
	CDIB International Leasing Corp.	Leasing	100.00	100.00	
China Development Asset Management Corp.	Development Industrial Bank Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 3 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	
	Chung Hwa Growth 4 Asset Management Corp.	Trading and management of nonperforming loans of financial institutions	100.00	100.00	

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, 2018.

Note 3: In order to integrate KGI Securities Investment Trust Co., Ltd. into a wholly-owned subsidiaries of KGI Securities to meet future business development needs, on January 26, 2018, KGI Securities's board of directors resolved to buy back the remaining 1,833 shares of KGI Securities with a total purchase price of \$19 thousand. The delivery date was February 22, 2018.

Note 4: 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 5: KGI Information Technology (Shanghai) Co., Ltd. conducted registration of establishment on May 30, 2016. However, KGI Information Technology Co., Ltd. has no capital invested until the close of December 28, 2018.

Note 6: 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 7: KGI Capital (Singapore) Pte. Ltd. has discontinued.

Note 8: Grand Cathay Capital (Hong Kong) Limited was closed in October 23, 2018.

Note 9: To integrate internal resources, strengthen capital and enhance refinancing ability, the overseas investee enterprises of KGI Asia (Holdings) Pte. 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, 2018	December 31, 2017	
CDIB Capital Group	CDIB Biotech USA Investment Co., Ltd.	Venture fund	-	50.00	As of September 30, 2018, 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 approved to liquidate by the Board of Director on April 20, 2008, therefore, CDIB Biotech USA Investment Co., Ltd. was not included in the consolidated financial statement. The liquidation was settled on October 2018.
CDIB Capital Investment I Limited	Subicvest Inc.	Leasing	-	100.00	As of September 30, 2018, 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 approved to liquidate by the Board of Director on May 24, 2016, therefore, Subicvest was not included in the consolidated financial statement. The liquidation was settled on October 2018.
KGI Securities	Grand Cathay Holding Limited	Investment holdings	-	-	Grand Cathay Holding Limited was approved to liquidate by the board of directors on December 27, 2013, therefore, Grand Cathy Holding Limited was not included in the consolidated financial statement. The liquidation was settled on May 1, 2018.

(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, 2018****(In Millions of New Taiwan Dollars; %)**

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.	\$ 147,149	92.41
Taipower Corporation	15,776	9.91
KG Investment Holdings Ltd	13,545	8.51
AT&T Inc.	11,119	6.98
VERIZON COMMUNICATIONS	10,651	6.69
GOLDMAN SACHS GROUP INC.	10,349	6.50
FANNIE MAE	10,305	6.47
JPMORGAN CHASE & CO.	10,011	6.29
SOCIETE GENERALE	9,141	5.74
COMCAST CORP.	8,708	5.47
CITIGROUP INC.	8,676	5.45
BARCLAYS BANK PLC	8,552	5.37
BANK OF AMERICA CORP.	8,369	5.26
DEUTSCHE BANK AG	8,329	5.23
Hon Hai Precision Industry Co., Ltd.	8,103	5.09
CREDIT SUISSE	7,825	4.91
Natixis S.A.	7,607	4.78
WELLS FARGO & COMPANY	7,530	4.73
WESTPAC BANKING CORP.	7,012	4.40
HSBC	6,995	4.39
NATIONAL BANK OF CANADA	6,963	4.37
MORGAN STANLEY	6,743	4.23
Nomura Holdings	6,620	4.16
BNP-PARIBAS SA	6,495	4.08
FREDDIE MAC	6,458	4.06
MEXICO	6,159	3.87
ANHEUSER-BUSCH INBEV	5,956	3.74
SAUDI INTERNATIONAL BOND	5,922	3.72
LLOYDS BANK PLC	5,841	3.67
EDF	5,701	3.58
ADCB FINANCE CAYMAN LTD.	5,699	3.58

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Alibaba Group	\$ 5,562	3.49
China Development Bank	5,390	3.38
CDIB & Partners Investment Holding Corporation	5,323	3.34
ROYAL BANK OF CANADA	5,190	3.26
RABOBANK NEDERLAND	5,081	3.19
STANDARD CHARTERED PLC	4,781	3.00
MALAYAN BANKING BHD	4,756	2.99
RUSSIAN FEDERATION	4,657	2.92
TSMC	4,636	2.91
Cathay Financial Holdings Co., Ltd.	4,485	2.82
GOVERNMENT NATL MORTGAGE ASSOCIATION	4,333	2.72
KOMMUNALBANKEN AS	4,298	2.70
QNB FINANCE LTD.	4,242	2.66
Comision Federal de Electricidad	4,183	2.63
Nan Ya Plastics Corporation	4,111	2.58
NATIONAL BK OF ABU DHABI	4,083	2.56
CTBC Financial Holding Co., Ltd.	3,995	2.51
COMMONWEALTH BANK	3,976	2.50
DBS BANK LTD.	3,975	2.50
CVS Health Corp	3,803	2.39
Far Eastern New Century Corporation	3,777	2.37
The Export-Import Bank of the Republic of China	3,690	2.32
E.SUN Commercial Bank, Ltd.	3,434	2.16
KGI Futures Co., Ltd.	3,416	2.15
APPLE INC.	3,413	2.14
China Petroleum Corporation, Taiwan	3,349	2.10
Cathay United Commercial Bank	3,330	2.09
Intel Corp.	3,269	2.05
SINOPEC	3,204	2.01
Jin Hua Integrated Circuit (Fujian) Co., Ltd.	3,073	1.93
United States of America	3,064	1.92
NATIONAL AUSTRALIA BANK	3,056	1.92
CDIB Capital Asia Partners	3,054	1.92
Total	\$ 528,298	331.78
2. The same group		
Foxconn Technology Group	\$ 15,228	9.56
Lin Yuan Group	12,534	7.87
Far Eastern Group	11,847	7.44
JPMORGAN CHASE GROUP	11,302	7.10
Goldman Sachs Group	10,349	6.50
HSBC Group	9,333	5.86
Societe Generale Group	9,141	5.74
Deutsche Bank Group	9,039	5.68
CITI Group	8,875	5.57
Barclays Bank Group	8,552	5.37
CTBC Group	8,410	5.28

(Continued)

Counter-party	Total Amounts of Credits, Endorsements and Other Transactions	Ratio to Net Asset Value of the Corporation (%)
Bank of America Group	\$ 8,369	5.26
Credit Suisse Group	7,825	4.91
Natixis S.A. Group	7,607	4.78
Wells Fargo Bank Group	7,556	4.75
Fubon Group	7,483	4.70
Westpac Banking Group	7,012	4.40
Morgan Stanle Group	6,743	4.23
NOMURA Group	6,656	4.18
BNP Paribas Group	6,555	4.12
LLOYDSBK Group	5,976	3.75
Royal Bank of Canada Group	5,962	3.74
Ruentex Group	5,707	3.58
ASE Group	5,704	3.58
Formosa Plastic Group	5,651	3.55
China Development Bank Group	5,390	3.38
RABO Bank Group	5,081	3.19
TSMC Group	4,812	3.02
Standard Chartered Group	4,784	3.00
FAB Group	4,620	2.90
Evergreen Group	4,570	2.87
Yulon Group	4,475	2.81
Tencent Group	4,455	2.80
YFY Group	4,267	2.68
National Australia Bank Group	4,255	2.67
Nanya Plastics Group	4,136	2.60
Gateway Real Estate Fund Group	4,109	2.58
First Financial Holding Group	4,028	2.53
The Common Wealth Bank of Australia Group	3,976	2.50
DBS Group	3,971	2.49
China Construction Bank Group	3,963	2.49
E.SUN Financial Holding Group	3,945	2.48
CTCI Group	3,941	2.47
Taishin Group	3,933	2.47
Chailease Group	3,728	2.34
Hungtai Group	3,525	2.21
Yageo Group	3,501	2.20
Qsan Technology Group	3,392	2.13
China Steel Group	3,314	2.08
Mega Financial Holding Group	3,260	2.05
Taiwan Cement Group	3,166	1.99
Bank of China Group	3,161	1.99
Formosa Chemicals and Fiber Group	3,087	1.94
Fujian Electronics & Information Group	3,073	1.93
Walsin Group	3,054	1.92
Total	\$ 328,388	206.23

(Concluded)

TABLE 10

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES
CONDENSED BALANCE SHEETS AND STATEMENTS OF COMPREHENSIVE INCOME

The Corporation

1. Balance sheets

(In Thousands of New Taiwan Dollars)

Assets	December 31	
	2018	2017
Cash and cash equivalents	\$ 4,570,426	\$ 1,014,547
Financial assets at fair value through profit or loss	471,765	-
Available-for-sale financial assets	-	1,344,910
Receivables, net	50,567	4,689
Current tax assets	1,881,337	1,234,121
Investments accounted for using the equity method, net	185,756,820	200,445,118
Other financial assets	500,300	300
Property and equipment, net	28,054	21,488
Other assets, net	<u>33,988</u>	<u>29,946</u>
Total	<u>\$ 193,293,257</u>	<u>\$ 204,095,119</u>
Liabilities and Equity		
Commercial paper payable	\$ 9,898,975	\$ 9,899,365
Payables	722,528	699,065
Current tax liabilities	1,129,319	472,630
Bonds payable	19,000,000	22,000,000
Other borrowings	3,299,951	3,299,950
Provisions	6,946	41,362
Other liabilities	<u>2,855</u>	<u>2,675</u>
Total liabilities	<u>34,060,574</u>	<u>36,415,047</u>
Equity		
Capital		
Common stock	149,622,812	149,763,034
Advance receipts for capital stock	10,748	5,162
Capital surplus	1,630,992	1,173,719
Retained earnings		
Legal reserve	6,776,135	5,606,606
Special reserve	565,041	2,078,602
Unappropriated earnings	14,754,530	13,184,948
Other		
Exchange differences on translation of financial statements of foreign operations	(930,286)	(2,031,949)
Unrealized gain (loss) on available-for-sale financial assets	-	2,113,838
Unrealized gain (loss) on equity instruments at fair value through other comprehensive income	(66,615)	-
Unrealized gain (loss) on debt instruments at fair value through other comprehensive income	(5,071,947)	-
Other comprehensive income (loss) reclassified using the overlay approach	(4,451,944)	-
Others	(1,339)	(8,322)
Treasury shares	<u>(3,605,444)</u>	<u>(4,205,566)</u>
Total equity	<u>159,232,683</u>	<u>167,680,072</u>
Total	<u>\$ 193,293,257</u>	<u>\$ 204,095,119</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>	
	<u>2018</u>	<u>2017</u>
REVENUES		
Share of profit of subsidiaries, associates and joint ventures	\$ 9,353,789	\$ 12,687,096
Others	<u>19,686</u>	<u>51,725</u>
Total revenues	<u>9,373,475</u>	<u>12,738,821</u>
EXPENSES AND LOSSES		
Operating expenses	(993,269)	(1,026,932)
Others	<u>(547,105)</u>	<u>(338,275)</u>
Total expenses and losses	<u>(1,540,374)</u>	<u>(1,365,207)</u>
NET PROFIT BEFORE INCOME TAX	7,833,101	11,373,614
INCOME TAX BENEFIT	<u>19,587</u>	<u>321,671</u>
NET PROFIT FOR THE YEAR	<u>7,852,688</u>	<u>11,695,285</u>
OTHER COMPREHENSIVE INCOME (LOSS)		
Items that will not be reclassified subsequently to profit or loss, net of income tax		
Remeasurement of defined benefit plans	11,442	(1,063)
Share of the other comprehensive income (loss) of subsidiaries, associates and joint ventures	(2,229,298)	(143,832)
Income tax relating to the items that will not be reclassified subsequently to profit or loss	385,487	15,253
Items that will be reclassified subsequently to profit or loss, net of income tax		
Unrealized gain on available-for-sale financial assets	-	257,619
Share of other comprehensive income (loss) of subsidiaries, associates and joint ventures	(12,722,740)	1,511,643
Income tax relating to the items that may be reclassified subsequently to profit or loss	<u>1,706,604</u>	<u>74,068</u>
Other comprehensive income (loss) for the year, net of income tax	<u>(12,848,505)</u>	<u>1,713,688</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>\$ (4,995,817)</u>	<u>\$ 13,408,973</u>
BASIC EARNINGS PER SHARE	<u>\$0.54</u>	<u>\$0.80</u>
DILUTED EARNINGS PER SHARE	<u>\$0.54</u>	<u>\$0.80</u>

(Continued)

3. Statements of changes in equity

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Capital						Other Equity							Total Equity
	Advance Receipts		Capital Surplus	Retained Earnings			Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Financial Assets at Fair Value through Other Comprehensive Income	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Other Comprehensive Income Reclassified Using the Overlay Approach	Others	Treasury Shares		
	Common Stock	for Capital Stock		Legal Reserve	Special Reserve	Unappropriated Earnings								
BALANCE AT JANUARY 1, 2017	\$ 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	-	-	-	592,308	-	(592,308)	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(7,487,871)	-	-	-	-	-	-	(7,487,871)	
Cash dividends - NTS0.5 per share	-	-	-	-	(949,694)	949,694	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	592,308	(949,694)	(7,130,485)	-	-	-	-	-	-	(7,487,871)	
Other change in other 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 (loss) for the year ended December 31, 2017	-	-	-	-	-	11,565,643	(2,526,326)	-	4,369,656	-	-	-	13,408,973	
Reorganization	-	-	(93)	-	-	-	-	-	-	-	-	-	(93)	
Purchase of the Corporation 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	
Effect of retrospective application and retrospective restatement	-	-	-	-	-	2,179,121	-	3,949,970	(2,113,838)	545,309	-	-	4,560,562	
BALANCE AT JANUARY 1, 2018 AS RESTATED	149,763,034	5,162	1,173,719	5,606,606	2,078,602	15,364,069	(2,031,949)	3,949,970	-	545,309	(8,322)	(4,205,566)	172,240,634	
Appropriation of the 2017 earnings	-	-	-	1,169,529	-	(1,169,529)	-	-	-	-	-	-	-	
Legal reserve	-	-	-	-	-	(8,974,377)	-	-	-	-	-	-	(8,974,377)	
Cash dividends - NTS0.6 per share	-	-	-	-	(1,513,561)	1,513,561	-	-	-	-	-	-	-	
Reversal of special reserve	-	-	-	1,169,529	(1,513,561)	(8,630,345)	-	-	-	-	-	-	(8,974,377)	
Net profit for the year ended December 31, 2018	-	-	-	-	-	7,852,688	-	-	-	-	-	-	7,852,688	
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(80,056)	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(12,848,505)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	7,772,632	1,101,663	(8,872,859)	-	(4,997,253)	-	-	(4,995,817)	
Cancellation of treasury shares	(206,461)	-	-	-	-	-	-	-	-	-	-	206,461	-	
Disposal of the Corporation shares, as treasury shares	-	-	176,732	-	-	-	-	-	-	-	-	393,661	570,393	
Parent's appropriation of cash dividend to subsidiaries	-	-	287,529	-	-	-	-	-	-	-	-	-	287,529	
Share-based payments	66,239	5,586	(6,988)	-	-	(4,159)	-	-	-	-	6,983	-	67,661	
Disposal of equity instruments at fair value through other comprehensive income	-	-	-	-	-	215,673	-	(215,673)	-	-	-	-	-	
Net change in special reserve of subsidiaries	-	-	-	-	-	36,660	-	-	-	-	-	-	36,660	
BALANCE AT DECEMBER 31, 2018	\$ 149,622,812	\$ 10,748	\$ 1,630,992	\$ 6,776,135	\$ 565,041	\$ 14,754,530	\$ (930,286)	\$ (5,138,562)	\$ -	\$ (4,451,944)	\$ (1,339)	\$ (3,605,444)	\$ 159,232,683	

(Continued)

4. Statements of cash flows

(In Thousands of New Taiwan Dollars)

	For the Year Ended December 31	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before income tax	\$ 7,833,101	\$ 11,373,614
Adjustments for:		
Depreciation and amortization expenses	4,986	4,854
Loss on financial assets at fair value through profit or loss, net	135,770	-
Interest expenses	409,873	310,432
Interest income	(14,130)	(26,577)
Dividend income	(13,616)	(45,810)
Share-based payment compensation cost	9,286	23,237
Share of profit of subsidiaries, associates and joint ventures	(9,300,102)	(12,685,573)
Others	-	23,159
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	737,375	-
Receivables	(70,049)	138,951
Other financial assets	(500,000)	-
Other assets	(3,753)	509,822
Payables	48,573	156,399
Other	(22,794)	5,274
Interest paid	(437,378)	(322,073)
Interest received	11,678	26,577
Dividend received	11,600,918	6,496,394
Income tax refund (paid)	<u>55,684</u>	<u>(4,490)</u>
Net cash generated from operating activities	<u>10,485,422</u>	<u>5,984,190</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
Acquisition of property and equipment	(9,446)	(14,462)
Disposal of available-for-sale financial assets	-	89,246
Capital reserve be distributable as dividend shares by cash on investments accounted for using the equity method	<u>5,000,000</u>	<u>20,000,000</u>
Net cash generated from (used in) investing activities	<u>4,990,554</u>	<u>(8,047,103)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in commercial paper payable	(390)	5,899,591
Proceeds from corporate bonds	-	10,000,000
Repayments of corporate bonds	(3,000,000)	(6,000,000)
Increase (decrease) in other borrowings	1	(699,942)
Cash dividends paid	(8,974,377)	(7,487,871)
Exercise of employee share options	<u>54,669</u>	<u>8,241</u>
Net cash generated from (used in) financing activities	<u>(11,920,097)</u>	<u>1,720,019</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,555,879	(342,894)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>1,014,547</u>	<u>1,357,441</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,570,426</u>	<u>\$ 1,014,547</u>

(Continued)

KGI Bank

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	2017
Cash and cash equivalents, due from the Central Bank and call loans to banks	\$ 33,083,932	\$ 47,564,313
Financial assets at fair value through profit or loss	81,922,752	54,441,219
Financial assets at fair value through other comprehensive income	151,669,704	-
Debt instruments measured at amortized cost	11,965,807	-
Securities purchased under resell agreements	15,164,692	18,829,142
Receivables, net	24,305,714	18,552,904
Assets held for sale, net	29,649	-
Discount and loans, net	335,751,432	293,656,990
Available-for-sale financial assets, net	-	127,662,495
Investments accounted for using the equity method, net	1,654,220	1,738,613
Other financial assets, net	1,476,948	7,862,447
Property and equipment, net	5,374,246	5,518,787
Investment property, net	1,108,910	932,134
Deferred tax assets	2,176,684	2,855,924
Other assets, net	<u>13,491,511</u>	<u>5,884,365</u>
Total assets	<u>\$ 679,176,201</u>	<u>\$ 585,499,333</u>
Deposits from the Central Bank and banks	\$ 21,359,259	\$ 28,330,692
Financial liabilities at fair value through profit or loss	73,866,749	43,284,681
Notes and bonds issued under repurchase agreements	60,303,682	45,444,814
Payables	6,940,026	6,787,707
Current tax liabilities	530,563	412,845
Deposits and remittances	421,726,228	376,649,751
Bank debentures payable	7,350,000	1,000,000
Principal received on structured notes	24,020,358	20,147,989
Other financial liabilities	3,716	3,162
Provisions	331,602	213,712
Deferred tax liabilities	24,413	243,838
Other liabilities	<u>4,345,130</u>	<u>1,758,392</u>
Total liabilities	<u>620,801,726</u>	<u>524,277,583</u>
Common stock	46,061,623	46,061,623
Capital surplus	7,251,173	7,250,553
Retained earnings	6,567,132	8,166,473
Others	<u>(1,505,453)</u>	<u>(256,899)</u>
Total equity	<u>58,374,475</u>	<u>61,221,750</u>
Total liabilities and equity	<u>\$ 679,176,201</u>	<u>\$ 585,499,333</u>

(Continued)

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2018	2017
Interest revenue	\$ 13,051,990	\$ 10,273,997
Interest expense	<u>(6,006,754)</u>	<u>(4,029,867)</u>
Interest profit, net	7,045,236	6,244,130
Noninterest profits and gains, net	<u>1,749,965</u>	<u>4,729,434</u>
Total net revenues	8,795,201	10,973,564
Reversal of allowance (allowance) for bad debts and losses on commitment and guarantees, net	(15,111)	(288,239)
Operating expenses	<u>(5,891,545)</u>	<u>(5,661,258)</u>
Net profit before income tax	2,888,545	5,024,067
Income tax expense	<u>(743,091)</u>	<u>(1,844,062)</u>
Net profit for the year	2,145,454	3,180,005
Other comprehensive income (loss) for the year net of income tax	<u>(1,788,002)</u>	<u>1,016,351</u>
Total comprehensive income for the year	<u>\$ 357,452</u>	<u>\$ 4,196,356</u>
Basic earnings per share	<u>\$0.47</u>	<u>\$0.69</u>

(Continued)

KGI Securities

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	2017
Current assets	\$ 136,199,128	\$ 132,216,805
Noncurrent assets	<u>43,193,399</u>	<u>43,216,936</u>
Total assets	<u>\$ 179,392,527</u>	<u>\$ 175,433,741</u>
Current liabilities	\$ 114,059,600	\$ 110,425,142
Noncurrent liabilities	<u>6,914,191</u>	<u>6,847,824</u>
Total liabilities	<u>120,973,791</u>	<u>117,272,966</u>
Common stock	32,418,432	29,988,123
Capital surplus	8,648,158	8,646,690
Retained earnings	21,243,911	20,657,851
Others	<u>(3,891,765)</u>	<u>(1,131,889)</u>
Total equity	<u>58,418,736</u>	<u>58,160,775</u>
Total liabilities and equity	<u>\$ 179,392,527</u>	<u>\$ 175,433,741</u>

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2018	2017
Operating revenues	\$ 9,690,226	\$ 14,519,046
Operating expenses	<u>(8,717,146)</u>	<u>(8,507,084)</u>
Profit from operations	<u>973,080</u>	<u>6,011,962</u>
Share of profit (loss) of subsidiaries, associates and joint ventures	2,269,197	1,575,345
Other income and loss	<u>856,844</u>	<u>733,497</u>
Total non-operating income or loss	<u>3,126,041</u>	<u>2,308,842</u>
Net profit before income tax	4,099,121	8,320,804
Income tax expense	<u>(334,296)</u>	<u>(243,119)</u>
Net profit for the year	3,764,825	8,077,685
Other comprehensive income (loss)	<u>(2,981,994)</u>	<u>(3,461,346)</u>
Total comprehensive income (loss) for the year	<u>\$ 782,831</u>	<u>\$ 4,616,339</u>
Basic earnings per share	<u>\$1.16</u>	<u>\$2.28</u>

(Continued)

CDIB Capital Group

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	2017
Current assets	\$ 6,813,888	\$ 5,089,560
Noncurrent assets	<u>42,775,502</u>	<u>49,413,520</u>
Total assets	<u>\$ 49,589,390</u>	<u>\$ 54,503,080</u>
Current liabilities	\$ 941,433	\$ 723,199
Noncurrent liabilities	<u>961,867</u>	<u>804,655</u>
Total liabilities	<u>1,903,300</u>	<u>1,527,854</u>
Common stock	20,411,159	20,411,159
Capital surplus	589,866	4,688,261
Retained earnings	26,234,466	28,585,639
Others	<u>450,599</u>	<u>(709,833)</u>
Total equity	<u>47,686,090</u>	<u>52,975,226</u>
Total liabilities and equity	<u>\$ 49,589,390</u>	<u>\$ 54,503,080</u>

2. Condensed statements of comprehensive income

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

	For the Year Ended December 31	
	2018	2017
Operating revenues	\$ 2,637,060	\$ 4,896,413
Operating costs	<u>-</u>	<u>(871,724)</u>
Gross profit	2,637,060	4,024,689
Operating expenses	<u>(408,289)</u>	<u>(528,601)</u>
Profit from operations	2,228,771	3,496,088
Non-operating income and expenses	<u>248,282</u>	<u>(43,636)</u>
Net profit before income tax	2,477,053	3,452,452
Income tax expense	<u>(165,652)</u>	<u>(99,917)</u>
Net profit for the year	2,311,401	3,352,535
Other comprehensive income (loss) for the year, net of income tax	<u>441,682</u>	<u>2,140,361</u>
Total comprehensive income (loss) for the year	<u>\$ 2,753,083</u>	<u>\$ 5,492,896</u>
Basic earnings per share	<u>\$1.13</u>	<u>\$1.63</u>

(Continued)

China Development Asset Management Corp.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	2017
Current assets	\$ 71,658	\$ 44,161
Noncurrent assets	<u>3,120,035</u>	<u>3,211,800</u>
Total assets	<u>\$ 3,191,693</u>	<u>\$ 3,255,961</u>
Current liabilities	\$ 831,179	\$ 832,695
Noncurrent liabilities	<u>1,596</u>	<u>1,712</u>
Total liabilities	<u>832,775</u>	<u>834,407</u>
Common Stock	2,000,000	2,000,000
Capital surplus	8,747	8,735
Retained earnings	370,120	412,819
Others	<u>(19,949)</u>	<u>-</u>
Total equity	<u>2,358,918</u>	<u>2,421,554</u>
Total liabilities and equity	<u>\$ 3,191,693</u>	<u>\$ 3,255,961</u>

2. Condensed statements of comprehensive income

(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	For the Year Ended December 31	
	2018	2017
Revenues and gains	\$ 118,415	\$ 183,792
Expenses and losses	<u>(80,582)</u>	<u>(82,668)</u>
Net profit before income tax	37,833	101,124
Income tax expense	<u>(2,631)</u>	<u>-</u>
Net profit for the year	35,202	101,124
Other comprehensive income (loss) for the year, net of income tax	<u>(98)</u>	<u>(60)</u>
Total comprehensive income (loss) for the year	<u>\$ 35,104</u>	<u>\$ 101,064</u>
Basic earnings per share	<u>\$0.18</u>	<u>\$0.51</u>

(Continued)

China Life Insurance Co., Ltd.

1. Condensed balance sheets

(In Thousands of New Taiwan Dollars)

	December 31	
	2018	2017
Cash and cash equivalents	\$ 42,947,426	\$ 44,717,613
Receivables	17,549,054	12,998,829
Current tax assets	499,407	-
Financial assets at fair value through profit or loss	215,549,254	4,531,910
Financial assets at fair value through other comprehensive income	323,006,735	-
Available-for-sale financial assets	-	424,694,976
Financial assets measured at amortized cost	950,482,240	-
Debt instruments with no active market	-	632,451,850
Held-to-maturity financial assets	-	194,762,878
Investment property	23,143,854	23,149,852
Loans	33,379,965	31,490,373
Reinsurance assets	534,353	302,104
Property and equipment	10,722,338	9,387,145
Intangible assets	230,128	186,275
Deferred tax assets	9,949,639	5,689,044
Other assets	19,859,278	19,546,345
Separate account product assets	<u>63,501,665</u>	<u>61,824,990</u>
Total assets	<u>\$ 1,711,355,336</u>	<u>\$ 1,465,734,184</u>
Payables	\$ 10,727,086	\$ 8,547,929
Current tax liabilities	-	4,934,199
Financial liabilities at fair value through profit or loss	2,469,127	535,854
Insurance liabilities	1,552,528,196	1,284,198,018
Foreign exchange valuation reserve	3,169,331	2,703,763
Provisions	134,940	120,084
Deferred tax liabilities	1,342,297	2,553,444
Other liabilities	4,388,310	4,978,156
Separate account product liabilities	<u>63,501,665</u>	<u>61,824,990</u>
Total liabilities	<u>1,638,260,952</u>	<u>1,370,396,437</u>
Common stock	40,135,823	37,863,984
Capital surplus	2,289,273	2,289,273
Retained earnings	48,243,509	44,077,239
Others	<u>(17,574,221)</u>	<u>11,107,251</u>
Total equity	<u>73,094,384</u>	<u>95,337,747</u>
Total liabilities and equity	<u>\$ 1,711,355,336</u>	<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	
	2018	2017
Operating revenues	\$ 338,495,113	\$ 255,328,334
Operating costs	(325,583,910)	(242,182,893)
Operating expenses	<u>(4,954,851)</u>	<u>(4,405,260)</u>
Profit from operations	7,956,352	8,740,181
Non-operating income and expenses	<u>1,646,887</u>	<u>(897)</u>
Income from continuing operations before income tax	9,603,239	8,739,284
Income tax benefit	<u>574,748</u>	<u>344,688</u>
Net income	10,177,987	9,083,972
Other comprehensive income (loss) for the year net of income tax	<u>(35,428,214)</u>	<u>7,960,686</u>
 Total comprehensive income (loss) for the year	 <u>\$ (25,250,227)</u>	 <u>\$ 17,044,658</u>
 Basic earnings per share	 <u>\$2.54</u>	 <u>\$2.26</u> (Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
DECEMBER 31, 2018
(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, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Beauty Essential International (Shanghai) Ltd.	Sale and R&D of the cosmetics.	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),21)	US\$ 228 thousand	-	-	US\$ 228 thousand	(Note 3)	1.79	-	7,007	-
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),22)	US\$ 182 thousand	-	-	US\$ 182 thousand	(Note 3)	5.00	-	6,413	-
Chengdu Le Me Shi Jia Trading Co., Ltd.	Furniture wholesale, metal building materials wholesale and transport service.	US\$ 28,000 thousand	Note 1,b,5),20)	US\$ 941 thousand	US\$ 7 thousand	-	US\$ 948 thousand	(Note 3)	2.36	-	7,195	-
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),20)	US\$ 33 thousand	-	-	US\$ 33 thousand	(Note 3)	2.36	-	253	-
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 171,574 thousand	Note 1,b,5),20)	CNY 273 thousand	CNY 24 thousand	-	CNY 297 thousand	(Note 3)	2.36	-	2,253	-
Tianjin Mu Yuan Household Trading Co., Ltd.	Household items; furniture, building materials, daily commodities, hardware wholesale.	US\$ 500 thousand	Note 1,b,5),20)	US\$ 42 thousand	-	-	US\$ 42 thousand	(Note 3)	2.36	-	316	-
Jiangyin Suda Huicheng Composite Material Co., Ltd.	Lithium battery with extruded composite film	CNY 19,812 thousand	Note 1,b,20)	US\$ 4,938 thousand	-	-	US\$ 4,938 thousand	(Note 3)	3.89	-	37,471	-
CDIB Private Equity (China) Corporation	Management and consulting.	US\$ 7,000 thousand	Note 1,b,8)	US\$ 7,000 thousand	-	-	US\$ 7,000 thousand	28,399	100.00	28,399	229,300	-
CDIB Private Equity (Fujian) Co., Ltd.	Management and consulting.	CNY 10,000 thousand	Note 10	-	-	-	-	22,877	70.00	16,014	68,820	-
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	(87)	70.00	(61)	38,958	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 350,000 thousand	\$ -	\$ -	CNY 350,000 thousand	\$ 32,764	35.00	\$ 11,467	\$ 1,648,309	\$ -
CDIB Yida Private Equity (Kunshan) Co., Ltd.	Management and consulting.	CNY 7,000 thousand	Note 11	-	-	-	-	15,053	65.00	9,784	47,982	-
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	2,505	65.00	1,628	35,912	-
CDIB Yida Private Equity (Kushan) Enterprise (Limited Partnership)	Equity investment.	CNY 1,000,000 thousand	Note 1,b,7),8)	CNY 300,000 thousand	-	-	CNY 300,000 thousand	278,246	30.00	83,474	1,421,496	-
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),23)	US\$ 16,612 thousand	-	US\$ 16,612 thousand	-	(Note 3)	-	-	-	-
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),23)	US\$ 4,371 thousand	-	US\$ 4,371 thousand	-	(Note 3)	-	-	-	-
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),23)	US\$ 875 thousand	-	US\$ 875 thousand	-	(Note 3)	-	-	-	-
Shanghai OOH Advertising Co., Ltd.	Domestic and foreign advertisement design, production, releases and agent.	US\$ 400 thousand	Note 1,b,9),23)	US\$ 174 thousand	-	US\$ 174 thousand	-	(Note 3)	-	-	-	-
GSD Industrial (China) 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	-
Beijing 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 (Shenzhen) 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	-
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)	7.7	-	71,027	-
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)	7.7	-	51,580	-

(Continued)

Investee Company Name	Main Businesses and Products	Total Paid-in Capital	Investment Type	Accumulated Outflow of Investment from Taiwan as of January 1, 2018	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2018 (Note 4)	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain	Carrying Value as of December 31, 2018	Accumulated Inward Remittance of Earnings as of December 31, 2018
					Outflow	Inflow						
Jiangsu 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\$ 761,576 thousand	Note 1,b, 6),24)	US\$ 9,248 thousand	\$ -	\$ -	US\$ 9,248 thousand	(Note 3)	5.46	\$ -	\$ 70,183	\$ -
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, 14)	US\$ 7,417 thousand	-	-	US\$ 7,417 thousand	(Note 3)	2.67	-	56,285	-
Best Logistics Technology (China) 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\$ 183,000 thousand	Note 1,b, 15)	US\$ 211 thousand	-	-	US\$ 211 thousand	(Note 3)	-	-	2,619	-
Loyou, Inc.	Children's products.	US\$ 62,150 thousand	Note 1,b, 16)	US\$ 963 thousand	-	US\$ 963 thousand	-	(Note 3)	-	-	-	-
Viscovery	Business in software development	US\$ 3,500 thousand	Note 1,b, 17)	US\$ 36 thousand	-	-	US\$ 36 thousand	(Note 3)	1.80	-	1,106	-
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	(2,260)	100.00	(2,260)	170,190	-
KGI Investment advisory (Shanghai) Co., Ltd.	Investment consultancy.	US\$ 4,000 thousand	Note 1,b,18)	US\$ 4,000 thousand	-	-	US\$ 4,000 thousand	(10,451)	100.00	(10,451)	37,389	-
CCB Life Insurance Company Limited	Life insurance.	CNY 4,495,789 thousand	Note 1,a	7,401,464	-	-	7,401,464	2,630,121	19.90	71,756	8,193,589	71,756
Changzhou Cheng Xing Environmental Protection Technology Co., Ltd.	Business in packaging technology development, and related transfer services consulting.	US\$ 13,380 thousand	Note 1,b,19)	US\$ 360 thousand	US\$ 21 thousand	-	US\$ 381 thousand	(Note 3)	0.88	-	3,401	-
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,19)	US\$ 107 thousand	-	-	US\$ 107 thousand	(Note 3)	0.88	-	852	-
Taro Technology (Hangzhou) Co., Ltd	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US\$ 30,000 thousand	Note 1,b,25)	-	US\$ 2,000 thousand	-	US\$ 2,000 thousand	(Note 3)	1.01	-	61,466	-
Rokid Business (Hangzhou) Co., Ltd	Business in software; network engineering; intelligent robot; development of hi-tech product; technical services; transfer of technological achievements	US\$ 15,000 thousand	Note 1,b,25)	-	US\$ 3,000 thousand	-	US\$ 3,000 thousand	(Note 3)	1.01	-	92,199	-

Accumulated Investment in Mainland China as of December 31, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Limit on Investment
\$13,987,176	US\$806,220 thousand	\$125,839,745

Note 1: The investment types are as follows:

- a. Direct investments.
- b. Reinvested through a third area 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) CCAP Tutwo Holdings (Hong Kong) Limited.
 - 15) Best Logistics.
 - 16) Leyou, Inc.
 - 17) Viscovery (Cayman) Holding Company Limited.
 - 18) Richpoint Company Limited.
 - 19) Deluxe Technology Group Co., Ltd.
 - 20) CDIB Capital Asia Partners L.P.
 - 21) Great Team Backend Foundry, Inc.
 - 22) Sungjoo Design Tech & Distribution Inc.
 - 23) Carlyle Giovanna Partners, L.P.
 - 24) Great Rich Technologies Limited.
 - 25) Rokid Corporation Limited.
- c. Other.

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 to be authorized by the Investment Commission, MOEA.

Note 5: Subsidiary of the Corporation formerly indirectly invested in Focal Tech (Shenzhen) System Co., Ltd. through its subsidiary's investment in Focal Tech (Shenzhen) 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 Enteres Automotive Air-Conditioning Industrial Co., Ltd. and Yangzhou Enteres 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 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 9: Subsidiary of the Corporation formerly indirectly invested in Power Logic Tech (DongGuan) Inc., Dongguan TaiYi Electronics Co., Ltd., Dongguan Yi Quan Electronics Co., Ltd. through Sun Max Tech Limited, has been listed on the Taipei Exchange on December 28, 2017, refer to its financial report for the information.

Note 10: In 2017, CDIB Private Equity (Fujian) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 11: In 2017, CDIB Yida Private Equity (Kunshan) Co., Ltd. was transferred and invested by CDIB Private Equity (China) Corporation.

Note 12: Subsidiary of the Corporation formerly indirectly invested in Gio Van Gogh (International) Jewelry Limited through its subsidiary's investment in Regal Holding Co., Ltd. has been listed on the Taiwan Stock Exchange on June 26, 2017, refer to its financial report for the information.

Note 13: Subsidiary of the Corporation formerly indirectly invested in San Neng Bakeware (Wuxi) Co., Ltd. through its subsidiary's investment in San Neng Group Holdings Co., Ltd. has been listed on the Taiwan Stock Exchange on June 25, 2018, refer to its financial report for the information.

Note 14: Subsidiary of the Corporation formerly indirectly invested in Hangzhou Huatong Industries Inc. and Hangzhou Rilong Leather Co., Ltd. through its subsidiary's investment in Shane Global Holding Inc. has been listed on the Taiwan Stock Exchange on August 15, 2018, refer to its financial report for the information.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

BUSINESS RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars)

No. (Note 1)	Transacting 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	\$ 523,096	Note 4	0.02%
1	CDIB Capital Group	The Corporation	2	Current tax liabilities	523,096	Note 4	0.02%
0	The Corporation	CDIB Capital Group	1	Current tax liabilities	317,267	Note 4	0.01%
1	CDIB Capital Group	The Corporation	2	Current tax assets	317,267	Note 4	0.01%
0	The Corporation	KGI Bank	1	Current tax assets	530,563	Note 4	0.02%
2	KGI Bank	The Corporation	2	Current tax liabilities	530,563	Note 4	0.02%
0	The Corporation	KGI Securities	1	Current tax assets	740,985	Note 4	0.03%
3	KGI Securities	The Corporation	2	Current tax liabilities	740,985	Note 4	0.03%
0	The Corporation	KGI Bank	1	Cash and cash equivalents	4,519,205	Note 4	0.17%
0	The Corporation	KGI Bank	1	Other financial assets	500,000	Note 4	0.01%
2	KGI Bank	The Corporation	2	Deposits and remittances	5,019,205	Note 4	0.18%
2	KGI Bank	CDIB Capital Group	3	Deposits and remittances	6,157,065	Note 4	0.23%
1	CDIB Capital Group	KGI Bank	3	Cash and cash equivalents	6,157,065	Note 4	0.23%
2	KGI Bank	KGI Securities and its subsidiaries	3	Deposits and remittances	2,830,664	Note 4	0.10%
3	KGI Securities and its subsidiaries	KGI Bank	3	Cash and cash equivalents	2,738,863	Note 4	0.10%
3	KGI Securities and its subsidiaries	KGI Bank	3	Other assets	91,801	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)
2	KGI Bank	KGI Securities	3	Financial assets at fair value through profit or loss	\$ 394,377	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Customers' equity accounts - futures	394,377	Note 4	0.01%
3	KGI Securities	KGI Bank	3	Other financial assets	919,916	Note 4	0.03%
2	KGI Bank	KGI Securities	3	Deposits and remittances	919,916	Note 4	0.03%
3	KGI Securities	KGI Bank	3	Restricted assets	1,202,572	Note 4	0.04%
2	KGI Bank	KGI Securities	3	Deposits and remittances	1,202,572	Note 4	0.04%
2	KGI Bank	China Life Insurance	3	Deposits and remittances	6,719,483	Note 4	0.25%
4	China Life Insurance	KGI Bank	3	Cash and cash equivalents	6,719,483	Note 4	0.25%
2	KGI Bank	China Life Insurance	3	Service fee revenue and commission income	299,977	Note 4	0.12%
4	China Life Insurance	KGI Bank	3	Service fee expense and commission expense	299,977	Note 4	0.12%
2	KGI Bank	CDIB Capital Management Corporation	3	Deposits and remittances	226,552	Note 4	0.01%
5	CDIB Capital Management Corporation	KGI Bank	3	Other financial assets	200,000	Note 4	0.01%
5	CDIB Capital Management Corporation	KGI Bank	3	Cash and cash equivalents	26,552	Note 4	0.00%
3	KGI Securities	China Life Insurance	3	Service fee revenue and commission income	337,512	Note 4	0.13%
4	China Life Insurance	KGI Securities	3	Service fee expense and commission expense	337,512	Note 4	0.13%
3	KGI Securities	KGI Futures Co., Ltd.	3	Service fee revenue and commission income	257,095	Note 4	0.10%
6	KGI Futures Co., Ltd.	KGI Securities	3	Service fee expense and commission expense	257,095	Note 4	0.10%
3	KGI Securities	KGI Futures Co., Ltd.	3	Financial assets at fair value through profit or loss	653,825	Note 4	0.02%
6	KGI Futures Co., Ltd.	KGI Securities	3	Other financial liabilities	653,825	Note 4	0.02%
3	KGI Securities	KGI Insurance Brokers Co., Ltd.	3	Net other noninterest profit and gain	141,271	Note 4	0.06%
7	KGI Insurance Brokers Co., Ltd.	KGI Securities	3	Net other noninterest profit and gain	141,271	Note 4	0.06%
3	KGI Securities	KGI Securities Investment Advisory Co., Ltd.	3	Operating expenses	154,743	Note 4	0.06%

(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)
8	KGI Securities Investment Advisory Co., Ltd.	KGI Securities	3	Consulting service revenues	\$ 154,743	Note 4	0.06%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Financial assets at fair value through profit or loss	254,897	Note 4	0.01%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	254,897	Note 4	0.01%
6	KGI Futures Co., Ltd.	KGI Securities (Singapore) Pte. Ltd.	3	Other financial assets	3,014,733	Note 4	0.11%
9	KGI Securities (Singapore) Pte. Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	3,014,733	Note 4	0.11%
6	KGI Futures Co., Ltd.	KGI Futures (Hong Kong) Ltd.	3	Other financial assets	115,911	Note 4	0.00%
10	KGI Futures (Hong Kong) Ltd.	KGI Futures Co., Ltd.	3	Other financial liabilities	115,911	Note 4	0.00%
11	Richpoint Company Limited	KG Investments Holdings Limited	3	Receivables, net	616,147	Note 4	0.02%
12	KG Investments Holdings Limited	Richpoint Company Limited	3	Other borrowings	616,147	Note 4	0.02%
11	Richpoint Company Limited	KGI International Holdings Limited	3	Receivables, net	308,074	Note 4	0.01%
13	KGI International Holdings Limited	Richpoint Company Limited	3	Other borrowings	308,074	Note 4	0.01%
14	CDIB Capital International Corporation	CDIB Capital International (Hong Kong) Corporation Limited	3	Operating expenses	270,116	Note 4	0.11%
15	CDIB Capital International (Hong Kong) Corporation Limited	CDIB Capital International Corporation	3	Consulting service revenues	270,116	Note 4	0.11%
16	CDIB Venture Capital Corporation	KGI Bank	3	Cash and cash equivalents	183,373	Note 4	0.01%
2	KGI Bank	CDIB Venture Capital Corporation	3	Deposits and remittances	183,373	Note 4	0.01%
14	CDIB Capital International Corporation	CDIB Global Markets Limited	3	Consulting service revenues	131,750	Note 4	0.05%
17	CDIB Global Markets Limited	CDIB Capital International Corporation	3	Operating expenses	131,750	Note 4	0.05%
4	China Life Insurance	KGI Securities	3	Service fee revenue and commission income	126,520	Note 4	0.05%
3	KGI Securities	China Life Insurance	3	Operating expenses	126,520	Note 4	0.05%

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 NTS100 million.

TABLE 13-1**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS
DECEMBER 31, 2018**

ASSETS	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
CURRENT ASSETS				
Cash and cash equivalents	\$ 83,354	\$ 3,404	\$ 16,937	\$ 8,370,624
Other receivables - related parties	30,000,000	16,000,000	-	-
Other current assets	<u>73,245</u>	<u>-</u>	<u>-</u>	<u>53,647</u>
Total current assets	<u>30,156,599</u>	<u>16,003,404</u>	<u>16,937</u>	<u>8,424,271</u>
NONCURRENT ASSETS				
Financial assets fair value through profit or loss - noncurrent	375,207	-	-	-
Investments accounted for using the equity method	441,995,291	547,115,609	566,065,303	-
Property and equipment	-	-	-	6,010
Other noncurrent assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>75,640</u>
Total noncurrent assets	<u>442,370,498</u>	<u>547,115,609</u>	<u>566,065,303</u>	<u>81,650</u>
TOTAL	<u>\$ 472,527,097</u>	<u>\$ 563,119,013</u>	<u>\$ 566,082,240</u>	<u>\$ 8,505,921</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ 44,600,000	\$ -	\$ -	\$ -
Commercial paper payable	-	-	3,879,790	-
Other payables	50,245	48,396	204,730	18,429
Other payables - related parties	<u>-</u>	<u>137,375,697</u>	<u>15,845,695</u>	<u>-</u>
Total current liabilities	<u>44,650,245</u>	<u>137,424,093</u>	<u>19,930,215</u>	<u>18,429</u>
NONCURRENT LIABILITIES				
Other noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>152,000</u>
Total liabilities	<u>44,650,245</u>	<u>137,424,093</u>	<u>19,930,215</u>	<u>170,429</u>
EQUITY				
Common stock	147,043,557	156,864,163	209,248,261	25,278,600
Capital reserve	872,149	77,461	54,662,168	10,818
Special reserve	-	9,759,135	387,913	-
Retained earnings (accumulated deficit)	275,334,389	254,217,969	277,077,491	(16,953,926)
Other equity	<u>4,626,757</u>	<u>4,776,192</u>	<u>4,776,192</u>	<u>-</u>
Total equity	<u>427,876,852</u>	<u>425,694,920</u>	<u>546,152,025</u>	<u>8,335,492</u>
TOTAL	<u>\$ 472,527,097</u>	<u>\$ 563,119,013</u>	<u>\$ 566,082,240</u>	<u>\$ 8,505,921</u>

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS
DECEMBER 31, 2018
(Expressed in U.S. Dollars)

ASSETS	KGI Limited	Supersonic Service Inc.	KGI International Limited
CURRENT ASSETS			
Cash and cash equivalents	\$ -	\$ -	\$ 432
Total current assets	<u>-</u>	<u>-</u>	<u>432</u>
NONCURRENT ASSETS			
Investments accounted for using the equity method	<u>360,863,261</u>	<u>-</u>	<u>72,743,596</u>
Total noncurrent assets	<u>360,863,261</u>	<u>-</u>	<u>72,743,596</u>
TOTAL	<u>\$ 360,863,261</u>	<u>\$ -</u>	<u>\$ 72,744,028</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Other payables - related parties	<u>\$ 81,311,730</u>	<u>\$ -</u>	<u>\$ 2,755,403</u>
Total Current liabilities	<u>81,311,730</u>	<u>-</u>	<u>2,755,403</u>
Total liabilities	<u>81,311,730</u>	<u>-</u>	<u>2,755,403</u>
EQUITY			
Common stock	308,341,129	100	81,511,717
Accumulated deficit	<u>(28,789,598)</u>	<u>(100)</u>	<u>(11,523,092)</u>
Total equity	<u>279,551,531</u>	<u>-</u>	<u>69,988,625</u>
TOTAL	<u>\$ 360,863,261</u>	<u>\$ -</u>	<u>\$ 72,744,028</u>

KGI SECURITIES AND ITS SUBSIDIARIES

BALANCE SHEETS

DECEMBER 31, 2018

(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	\$ -	\$ -	\$ 391,465	\$ -
Prepayments	-	-	1,465,182	-
Other receivables	-	-	74,206	-
Other receivables - related parties	-	-	-	1
Other current assets	-	1	1,797,925	-
Total current assets	-	1	3,728,778	1
NONCURRENT ASSETS				
Property and equipment	-	-	3,669,210	-
Total noncurrent assets	-	-	3,669,210	-
TOTAL	\$ -	\$ 1	\$ 7,397,988	\$ 1
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Other payable	\$ -	\$ -	\$ 13,758,818	\$ -
Other payable - related parties	-	-	7,726,904	-
Total current liabilities	-	-	21,485,722	-
NONCURRENT LIABILITIES				
Other noncurrent liabilities	-	-	1,766,767	-
Total noncurrent liabilities	-	-	1,766,767	-
Total liabilities	-	-	23,252,489	-
EQUITY				
Common stock	2	1	15,000	1
Special reserve	-	-	58,265	-
Accumulated deficit	(2)	-	(15,927,766)	-
Total equity	-	1	(15,854,501)	1
TOTAL	\$ -	\$ 1	\$ 7,397,988	\$ 1

TABLE 13-4**KGI SECURITIES AND ITS SUBSIDIARIES****BALANCE SHEETS****DECEMBER 31, 2018****(Expressed in U.S. Dollars)**

ASSETS	KGI Korea Limited	TG Holborn (HK) Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
CURRENT ASSETS				
Cash and cash equivalents	\$ -	\$ -	\$ 114,010	\$ 4,937
Other receivable - related parties	<u>72,750</u>	<u>418,999</u>	<u>-</u>	<u>3,654,977</u>
Total current assets	<u>72,750</u>	<u>418,999</u>	<u>114,010</u>	<u>3,659,914</u>
NONCURRENT ASSETS				
Investments accounted for using the equity method	<u>-</u>	<u>-</u>	<u>171,216,387</u>	<u>-</u>
Total noncurrent assets	<u>-</u>	<u>-</u>	<u>171,216,387</u>	<u>-</u>
TOTAL	<u>\$ 72,750</u>	<u>\$ 418,999</u>	<u>\$ 171,330,397</u>	<u>\$ 3,659,914</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Short-term borrowings	\$ -	\$ -	\$ 74,714,537	\$ -
Financial liabilities at fair value through profit or loss - current	-	-	87,242	-
Other payable	-	-	53,848	5,671
Other payable - related parties	<u>-</u>	<u>-</u>	<u>36,711,188</u>	<u>-</u>
Total current liabilities	<u>-</u>	<u>-</u>	<u>111,566,815</u>	<u>5,671</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>111,566,815</u>	<u>5,671</u>
EQUITY				
Common stock	10,000	22,003	75,749,306	5,738,175
Retained earnings (accumulated deficit)	62,750	396,996	(15,559,047)	(1,792,774)
Other equity	<u>-</u>	<u>-</u>	<u>(426,677)</u>	<u>(291,158)</u>
Total equity	<u>72,750</u>	<u>418,999</u>	<u>59,763,582</u>	<u>3,654,243</u>
TOTAL	<u>\$ 72,750</u>	<u>\$ 418,999</u>	<u>\$ 171,330,397</u>	<u>\$ 3,659,914</u>

TABLE 14-1**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018**

	Richpoint Company Limited (In U.S. Dollars)	KG Investments Holdings Limited (In U.S. Dollars)	KGI International Holdings Limited (In U.S. Dollars)	KGI Investment Advisory (Shanghai) Co., Ltd. (In CNY)
REVENUES				
Other operating income	\$ (2)	\$ (251)	\$ (104,381)	\$ 996,824
Total revenues	<u>(2)</u>	<u>(251)</u>	<u>(104,381)</u>	<u>996,824</u>
COSTS AND EXPENSES				
Financial costs	2,467,359	1,476,706	912,485	-
Employee benefit expenses	-	-	-	1,855,465
Depreciation and amortization expenses	-	-	-	5,480
Other operating expenses	<u>25,867</u>	<u>72,868</u>	<u>59,638</u>	<u>1,432,168</u>
Total costs and expenses	<u>2,493,226</u>	<u>1,549,574</u>	<u>972,123</u>	<u>3,293,113</u>
LOSS FROM OPERATIONS	<u>(2,493,228)</u>	<u>(1,549,825)</u>	<u>(1,076,504)</u>	<u>(2,296,289)</u>
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES	27,769,546	29,332,991	30,502,394	-
OTHER PROFITS (LOSSES)	<u>2,341,607</u>	<u>332,859</u>	<u>(92,899)</u>	<u>5,481</u>
NON-OPERATING REVENUE AND EXPENSE	<u>30,111,153</u>	<u>29,665,850</u>	<u>30,409,495</u>	<u>5,481</u>
NET PROFIT (LOSS) FOR THE YEAR	<u>27,617,925</u>	<u>28,116,025</u>	<u>29,332,991</u>	<u>(2,290,808)</u>
OTHER COMPREHENSIVE INCOME (LOSSES)	<u>(1,440,753)</u>	<u>(1,371,975)</u>	<u>(1,371,975)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ 26,177,172</u>	<u>\$ 26,744,050</u>	<u>\$ 27,961,016</u>	<u>\$ (2,290,808)</u>

TABLE 14-2**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)**

	KGI Limited	Supersonic Services Inc.	KGI International Limited
REVENUES			
Other operating income	\$ 13,754	\$ -	\$ 581,608
Total revenues	<u>13,754</u>	<u>-</u>	<u>581,608</u>
COSTS AND EXPENSES			
Other operating expenses	<u>262</u>	<u>-</u>	<u>68</u>
Total costs and expenses	<u>262</u>	<u>-</u>	<u>68</u>
PROFIT FROM OPERATIONS	<u>13,492</u>	<u>-</u>	<u>581,540</u>
OTHER PROFIT (LOSSES)	<u>-</u>	<u>-</u>	<u>-</u>
NON-OPERATING REVENUE AND EXPENSE	<u>-</u>	<u>-</u>	<u>-</u>
NET PROFIT FOR THE YEAR	<u>13,492</u>	<u>-</u>	<u>581,540</u>
OTHER COMPREHENSIVE INCOME (LOSSES)	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	<u>\$ 13,492</u>	<u>\$ -</u>	<u>\$ 581,540</u>

TABLE 14-3**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)**

	Bauhinia 88 Ltd.	Global Treasure Investments Limited	KGI Hong Kong Limited	KGI Nominees (Hong Kong) Limited
REVENUES				
Other operating income	\$ -	\$ -	\$ (428,263)	\$ -
Total revenues	-	-	(428,263)	-
COSTS AND EXPENSES				
Employee benefits	-	-	66,127,746	-
Depreciation and amortization	-	-	1,604,217	-
Other operating expenses	-	-	18,056,909	-
Total costs and expenses	-	-	85,788,872	-
LOSS FROM OPERATIONS	-	-	(86,217,135)	-
OTHER REVENUE AND EXPENSE	-	-	87,758,816	-
NON-OPERATING REVENUE AND EXPENSE	-	-	87,758,816	-
NET PROFIT FOR THE YEAR	-	-	1,541,681	-
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	-	-
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	\$ -	\$ -	\$ 1,541,681	\$ -

TABLE 14-4**KGI SECURITIES AND ITS SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2018
(In U.S. Dollars)**

	KGI Korea Limited	TG Holborn (HK) Limited	KGI Asia (Holdings) Pte. Ltd.	KGI Capital (Singapore) Pte. Ltd.
REVENUES				
Derivative assets - counter	\$ -	\$ -	\$ 408,468	\$ -
Other operating income	-	317	(868,837)	1
Total revenues	-	317	(460,369)	1
COSTS AND EXPENSES				
Financial costs	-	-	999,328	-
Other operating expenses	-	1,276	718,848	5,227
Total costs and expenses	-	1,276	1,718,176	5,227
LOSS FROM OPERATIONS	-	(959)	(2,178,545)	(5,226)
SHARE OF PROFIT OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES				
	-	-	6,893,316	-
OTHER REVENUE AND EXPENSE	-	-	885	-
NON-OPERATING REVENUE AND EXPENSE	-	-	6,894,201	-
NET PROFIT (LOSS) FOR THE YEAR	-	(959)	4,715,656	(5,226)
OTHER COMPREHENSIVE INCOME (LOSSES)	-	-	17,014,018	(72,765)
TOTAL COMPREHENSIVE INCOME (LOSSES) FOR THE YEAR	\$ -	\$ (959)	\$ 21,729,674	\$ (77,991)

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

CASH AND CASH EQUIVALENTS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Item	Description			Amount
Cash in banks	Time deposits			\$ 21,907,169
	Checking deposits and demand deposits			<u>26,407,963</u>
				<u>48,315,132</u>
		Foreign currencies		
	<u>Currency</u>	<u>(dollar)</u>	<u>Exchange rate</u>	
Due from banks	USD	41,767,636	30.7330	1,283,645
	JPY	1,058,446,231	0.2784	294,671
	CNY	44,915,318	4.4756	201,023
	GBP	839,808	38.8900	32,660
	Others (Note 1)			<u>2,110,907</u>
				<u>3,922,906</u>
Short-term transactions instruments	Interest rate: 0.42%-0.65%; Last maturity date: March 2019			3,366,859
Others (Note 2)				<u>4,002,526</u>
				<u>\$ 59,607,423</u>

Note 1: The amount of each currency in others does not exceed 5% of the amount balance.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
							Unit Price	Gross Amount		
Financial assets mandatorily classified as at										
FVTPL										
	Shares					\$118,766,709		\$108,988,496	\$ -	
	Bank debentures					52,581,871		53,166,795	-	
	Operating securities							51,128,316	-	
	Mutual funds					46,673,535		44,986,204	-	
	Others (Note 1)							<u>67,404,620</u>	<u>(144,358)</u>	Note 2
								<u>325,674,431</u>	<u>(144,358)</u>	
Financial assets designated as at FVTPL										
	Government bonds					21,093,280		20,515,907	-	
	Others (Note 2)							<u>28,740,696</u>	-	
								<u>49,256,603</u>	-	
								<u>\$374,931,034</u>	<u>\$ (144,358)</u>	

Note 1: The amount of each product in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 51.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Asset	Description	Shares	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Acquisition Cost	Allowance for Impairment Loss	Fair Value		Note
								Unit Price	Gross Amount	
Government bonds	Expires before 2010					\$180,024,107	\$ 5,755,123		\$185,779,230	Note 2
Corporate bonds	Expires before 2057					123,923,848	(5,376,143)		118,547,705	
Bank debentures	Expires before 2048					108,843,450	(5,108,996)		103,734,454	
Negotiable certificates of deposit	Expires before 2020					48,710,000	(11,415)		48,698,585	Note 2
Others (Note 1)						<u>28,353,842</u>	<u>222,118</u>		<u>28,575,960</u>	
						<u>\$489,855,247</u>	<u>\$ (4,519,313)</u>		<u>\$485,335,934</u>	

Note 1: The amount of each item in others does not exceed 5% of the account balance.

Note 2: For the information on pledged as collateral for the Group, please refer to Note 51.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****SECURITIES PURCHASED UNDER RESALE AGREEMENTS****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Item	Face Value	Carrying Amount	Note
Corporate bonds	\$ 15,628,494	\$ 15,196,326	
Commercial papers	10,255,000	10,244,264	
Bank debentures	7,195,605	6,689,953	
Government bonds	6,588,554	6,589,991	
Negotiable certificates of deposit	<u>1,050,000</u>	<u>1,050,000</u>	
	<u>\$ 40,717,653</u>	<u>\$ 39,770,534</u>	

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

**ACCOUNTS RECEIVABLE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount	Allowance for Impairment Loss	Net Value	Note
Receivables on margin loans, refinancing margin and refinancing deposits receivable	\$ 21,181,502	\$ (1,871)	\$ 21,179,631	
Receivable accounts for settlement	18,167,610	(202)	18,167,408	
Interest receivable	16,287,188	(13,392)	16,273,796	
Accounts receivable factoring without recourse	8,180,472	(113,744)	8,066,728	
Accounts receivable - forfeiting	8,122,872	(103,224)	8,019,648	
Trading securities receivable	8,031,155	(1,223)	8,029,932	
Settlement price	6,308,741	-	6,308,741	
Others	<u>14,526,748</u>	<u>(1,473,253)</u>	<u>13,053,495</u>	
	<u>\$ 100,806,288</u>	<u>\$ (1,706,909)</u>	<u>\$ 99,099,379</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

REINSURANCE ASSETS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
1. Claims recoverable from reinsurers			
	Individual health insurance	\$ 234,711	
	Individual life insurance	159,635	
	Group insurance	33,013	
	Investment-linked insurance	22,598	
	Individual accident insurance	<u>6,892</u>	
		<u>\$ 456,849</u>	
2. Due from reinsurers and ceding companies			
	Reinsurance Group of America, Incorporated	<u>\$ 175</u>	
3. Reinsurance reserve assets			
	Ceded unearned premium reserve	\$ 50,125	
	Ceded reserve for claims	<u>27,204</u>	
		<u>\$ 77,329</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

DEBT INVESTMENT MEASURED AT AMORTIZED COST

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Title	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Allowance for Impairment Loss	Unamortized Premium (Discount)	Carrying Amount	Note
Bank debentures	Expires before 2110			\$1,524,215,029	0.00-9.05	\$ (53,814)	\$(969,555,788)	\$ 554,605,427	
Corporate bonds	Expires before 2058			268,426,627	0.00-6.95	(33,570)	(2,879,604)	265,513,453	
Government bonds	Expires before 2110			94,657,774	1.13-7.75	(5,959,587)	2,818,341	91,516,528	
Others	Expires before 2054			60,305,656	2.50-5.00	(2,445)	(1,402,340)	58,900,871	
							<u>\$(971,019,391)</u>	<u>\$ 970,536,279</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD
 FOR THE YEAR ENDED DECEMBER 31, 2018
 (In Thousands of New Taiwan Dollars, Unless Specified Otherwise)

Investees	Balance, January 1, 2018		Additions in Investment		Decrease in Investment		Balance, December 31, 2018			Market Value or Net Assets Value		Collateral	Note
	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	Amount	Shares (In Thousands)	%	Amount	Unit Price (NT\$)	Total Amount		
CDIB & Partners Investment Holding Corporation	367,200	\$ 6,099,875	-	\$ -	-	\$ 735,133	367,200	34	\$ 5,364,742	14.61	\$ 5,364,742		
CDIB Capital Asia Partners L.P.	-	3,582,136	-	4,866	-	-	-	-	3,587,002		3,587,002		
KGI Securities (Thailand) Public Company Limited	696,614	2,192,355	-	441,078	-	217,255	696,614	35	2,416,178	4.02	2,803,009		
CDIB Private Equity (Fujian) Enterprise (Limited Partnership)	-	1,674,714	-	-	-	26,405	-	-	1,648,309		1,648,309		
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	-	1,369,820	-	51,676	-	-	-	-	1,421,496		1,421,496		
CDIB Capital Healthcare Ventures Limited	74,998	760,617	-	-	-	10,935	74,998	43	749,682	10.00	749,682		
CDIB Capital Creative Industries Limited	69,495	649,034	-	47,205	-	-	69,495	46	696,239	10.02	696,239		
Others (Note 4)		<u>160,495</u>		<u>58,783</u>		<u>-</u>			<u>219,278</u>		<u>219,278</u>		
		<u>\$ 16,489,046</u>		<u>\$ 603,608</u>		<u>\$ 989,728</u>			<u>\$ 16,102,926</u>		<u>\$ 16,489,757</u>		

Note 1: Beginning balance includes adjustments of IFRS 9.

Note 2: The increase in the current year includes capital increase, investment income accounted for using equity method, capital surplus, unrealized gain on financial transactions, and effects of changes on consolidated subsidiaries.

Note 3: The decrease in the current year includes dissolution and liquidation, investment loss accounted for using equity method, capital surplus, unrealized loss on financial transactions, the distribution of cash dividends, and effects of changes on consolidated subsidiaries.

Note 4: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

OTHER FINANCIAL ASSETS
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Description	Amount	Note
Separate-account insurance products		\$ 63,501,665	
Guarantee deposits received on futures contracts			
Cash in banks		12,750,200	
Overseas guarantee deposits received on future contracts		4,080,905	
Settlement of futures clearing agency		1,996,295	
Settlement of other futures dealer		1,668,667	
Others (Note 1)		114	
		<u>20,496,181</u>	
Time deposits not qualifying as cash equivalents		4,864,875	
Others (Note 2)		<u>2,499,809</u>	
		<u>\$ 91,362,530</u>	

Note 1: The amount of each product in others does not exceed 5% of the amount balance.

Note 2: The amount of each item in others does not exceed 5% of the account balance.

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

COMMERCIAL PAPER PAYABLE

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount			Collateral Item	Carrying Value
				Issue Amount	Unamortized Discounts	Carrying Amount		
CDFH								
Commercial paper payable	Non-guaranteed	2019/02/21	0.79	\$ 1,400,000	\$ (84)	\$ 1,399,916	Non-collateral	\$ -
Commercial paper payable	Non-guaranteed	2019/01/22	0.75	1,400,000	(35)	1,399,965	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/21	0.75	1,100,000	(26)	1,099,974	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/22	0.73	1,000,000	(61)	999,939	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/20	0.79	1,000,000	(59)	999,941	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/15	0.69	1,000,000	(72)	999,928	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/03/08	0.67	1,000,000	(286)	999,714	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/14	0.65	1,000,000	(190)	999,810	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/02/19	0.62	1,000,000	(212)	999,788	Non-collateral	-
				<u>9,900,000</u>	<u>(1,025)</u>	<u>9,898,975</u>		
China Development Asset Management Corp.								
Commercial paper payable	China Bills Finance Corporation	2019/01/18	0.94	400,000	(113)	399,887	Non-collateral	-
Commercial paper payable	Ta Ching Finance Corporation	2019/02/20	1.07	200,000	(293)	199,707	Non-collateral	-
Commercial paper payable	Far Eastern International Bank	2019/01/18	0.98	100,000	(83)	99,917	Non-collateral	-
Commercial paper payable	Taiwan Finance Corporation	2019/01/21	0.96	100,000	(53)	99,947	Non-collateral	-
				<u>800,000</u>	<u>(542)</u>	<u>799,458</u>		
KGI Bank and its subsidiaries								
Commercial paper payable	Non-guaranteed	2019/01/03	1.14	300,000	(7)	299,993	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/18	1.02-1.05	300,000	(3)	299,997	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/14	1.27	200,000	(45)	199,955	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/08	1.07	200,000	(5)	199,995	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/18	1.06-1.07	200,000	(18)	199,982	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/16	1.06	150,000	(24)	149,976	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/03/25	1.33	100,000	(83)	99,917	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/09	1.06	100,000	(10)	99,990	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/18	1.04	100,000	(10)	99,990	Non-collateral	-
Commercial paper payable	Ta Ching Finance Corporation	2019/01/22	1.09	55,000	(11)	54,989	Non-collateral	-
Commercial paper payable	China Bills Finance Corporation	2019/03/04	1.09	50,000	(49)	49,951	Non-collateral	-
Commercial paper payable	Taiwan Finance Corporation	2019/01/07	1.08	30,000	(2)	29,998	Non-collateral	-
Commercial paper payable	Mega Bills Finance Corporation	2019/01/22	1.08	30,000	(6)	29,994	Non-collateral	-
Commercial paper payable	International Bills Finance Corporation	2019/03/04	1.09	15,000	(11)	14,989	Non-collateral	-
				<u>1,830,000</u>	<u>(284)</u>	<u>1,829,716</u>		
KGI Bank and its subsidiaries								
Commercial paper payable	Shanghai Commercial Bank	2019/03/19	0.68-0.73	670,000	(560)	669,440	Non-collateral	-
Commercial paper payable	Sunny Bank	2019/02/14	0.68-0.70	600,000	(320)	599,680	Non-collateral	-
Commercial paper payable	Taiwan Business Bank	2019/02/26	0.68-0.76	540,000	(376)	539,624	Non-collateral	-
Commercial paper payable	International Bills Finance Corporation	2019/02/13	0.60-0.66	300,000	(118)	299,882	Non-collateral	-

(Continued)

Item	Guarantee Agency	Contract Maturity Date	Interest Rate (%)	Amount			Collateral Item	Collateral Value
				Issue Amount	Unamortized Discounts	Carrying Amount		
Commercial paper payable	Taishin International Bank	2019/01/28	0.60	\$ 220,000	\$ (102)	\$ 219,898	Non-collateral	-
Commercial paper payable	Non-guaranteed	2019/01/10	2.38-2.59	119,859	(621)	119,238	Non-collateral	-
Commercial paper payable	Mega Bills Finance Corporation	2019/02/20	0.71	10,000	(9)	9,991	Non-collateral	-
				<u>2,459,859</u>	<u>(2,106)</u>	<u>2,457,753</u>		
				<u>\$ 14,989,859</u>	<u>\$ (3,957)</u>	<u>\$ 14,985,902</u>		

Note: The amount of each item in others does not exceed 5% of the account balance.

(Concluded)

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

DECEMBER 31, 2018

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Financial Liabilities	Description	Share	Fair Value (Dollars)	Gross Amount	Interest Rate (%)	Fair Value		Changes in Fair Value Attributed to Changes in Credit Risk	Note
						Unit Price	Gross Amount		
Financial liabilities held for trading									
	Option and futures contracts						\$ 22,123,276	\$ (131)	
	Interest rate swap contracts						16,967,047	(158)	
	Currency swap and forward exchange contracts						8,882,350	(2,390)	
	Borrowed securities payable						4,339,043	-	
	Others (Note)						<u>3,272,989</u>	<u>(231)</u>	
							<u>55,584,705</u>	<u>(2,910)</u>	
Financial liabilities designated as at FVTPL									
Bank debentures payable									
	15KGIB1	Principal due on maturity; maturity date: 2045/03/24	106	1,000,000	US\$ 106,000,000	0.00	3,009,704	-	
	P16KGIB1	Principal due on maturity; maturity date: 2046/05/03	110	1,000,000	US\$ 110,000,000	0.00	3,045,149	-	
	P16KGIB2	Principal due on maturity; maturity date: 2046/05/27	110	1,000,000	US\$ 110,000,000	0.00	3,036,692	-	
	P16KGIB3	Principal due on maturity; maturity date: 2046/11/08	80	1,000,000	US\$ 80,000,000	0.00	2,052,673	-	
	P17KGIB1	Principal due on maturity; maturity date: 2047/01/23	200	1,000,000	US\$ 200,000,000	0.00	5,689,143	-	
	P18KGIB1	Principal due on maturity; maturity date: 2048/01/30	200	1,000,000	US\$ 200,000,000	0.00	5,681,903	-	
	P18KGIB2	Principal due on maturity; maturity date: 2048/02/27	160	1,000,000	US\$ 160,000,000	0.00	4,616,211	-	
Structured products									
	Others						3,155,241	-	
							<u>1,915,304</u>	-	
							<u>32,202,020</u>	-	
							<u>\$ 87,786,725</u>	<u>\$ (2,910)</u>	

Note: The amount of each product in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****NOTES AND BONDS ISSUED UNDER REPURCHASE AGREEMENTS****DECEMBER 31, 2018****(In Thousands of New Taiwan Dollars)**

Title	Face Value	Carrying Amount	Note
Corporate bonds	\$ 61,666,052	\$ 58,385,910	
Bank debentures	39,178,063	36,276,317	
Government bonds	29,929,885	30,237,248	
Commercial paper	<u>580,000</u>	<u>579,425</u>	
	<u>\$ 131,354,000</u>	<u>\$ 125,478,900</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

PROVISION FOR THE YEAR ENDED DECEMBER 31, 2018 (In Thousands of New Taiwan Dollars)

Item	Beginning Balance	Changes	Other Changes	Ending Balance	Note
Insurance liabilities					
Reserve for life insurance liabilities	\$ 1,263,844,149	\$ 215,489,129	\$ 33,782,269	\$ 1,513,115,547	Note 1
Premium deficiency reserve	9,164,460	(1,688,610)	28,295	7,504,145	Note 2
Special reserve	6,253,066	242,865	(131,334)	6,364,597	Notes 3 and 4
Unearned premium reserve	3,384,890	433,699	36,202	3,854,791	Note 5
Reserve for claims	1,544,777	133,489	8,476	1,686,742	Note 6
Other reserve	-	(466,188)	20,468,562	20,002,374	Note 7
Foreign exchange valuation reserve	2,703,763	465,568	-	3,169,331	
Other (Note 8)	<u>1,547,323</u>	<u>60,089</u>	<u>-</u>	<u>1,607,412</u>	
	<u>\$ 1,288,442,428</u>	<u>\$ 214,670,041</u>	<u>\$ 54,192,470</u>	<u>\$ 1,557,304,939</u>	

Note 1: Other changes include \$28,517,954 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, \$5,104,645 thousands of losses on foreign exchanges, and \$159,670 thousands of reserve for life insurance - payables for the insured.

Note 2: Other changes include \$1 thousand of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, and \$28,294 thousands of losses on foreign exchanges.

Note 3: Beginning balance equals \$6,259,742 thousands, due to 2017 ending balance applying to IFRS 9 adjustment, reducing 6,676 thousand dollars.

Note 4: Other changes include gain on equity instruments dividend policy measured at FVTOCI transferred to unappropriated earnings and reduce the amount of special reserve.

Note 5: Other changes include \$36,201 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, and \$1 thousand of losses on foreign exchanges.

Note 6: Other changes include \$9,046 thousands of traditional insurance policies generated from Allianz Life Insurance on May 18, 2018, and \$570 thousands of gains on foreign exchanges.

Note 7: The amount is generated from the acquisition of the traditional insurance policies from Allianz Taiwan Life on 18 May 2018.

Note 8: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

**SHARE OF THE PROFIT (LOSS) OF ASSOCIATED AND JOINT VENTURES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Investees	Amount	Note
Share of the profit (loss) of associated and joint ventures		
CDIB & Partners Investment Holding corporation	\$ (491,972)	
KGI Securities (Thailand) Public Company Limited	353,980	
CDIB Capital Asia Partners L.P.	(297,955)	
CDIB Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	84,388	
CDIB Capital Creative Industries Limited	47,204	
Other (Note)	<u>(5,693)</u>	
	(310,048)	
Others	<u>4,309</u>	
	<u>\$ (305,739)</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

**ALLOWANCE FOR BAD DEBTS AND LOSSES ON COMMITMENT AND GUARANTEES
FOR THE YEAR ENDED DECEMBER 31, 2018**

(In Thousands of New Taiwan Dollars)

Item	Amount	Note
Reversal of allowance for bad debts - accounts receivable	\$ 154,178	
Allowance for bad debts - discounts and loans	(63,277)	
Allowance for bad debts - guarantee liabilities	(38,425)	
Reversal of allowance for bad debts -loan commitments	14,328	
Allowance for bad debts - overdue loans	(12,029)	
Others	<u>(100,536)</u>	
	<u>\$ (45,761)</u>	

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES**

**NET CHANGE IN INSURANCE LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount	Note
Reserve for life insurance liabilities	\$(215,489,129)	
Premium deficiency reserve	1,688,610	
Special reserve	(242,865)	
Reserve for claims	(118,769)	
Other reserve	<u>466,188</u>	
	<u>\$(213,695,965)</u>	

CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND SUBSIDIARIES

EMPLOYEE BENEFITS EXPENSE
DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)

Item	Employee Benefits	Net Income and Gains Other Than Interest Income	Other Selling and Administrative Expense	Total	Note
Salaries and wages	\$ 12,695,578	\$ 3,775,024	\$ -	\$ 16,470,602	
Employee insurance	1,018,292	-	-	1,018,292	
Pension	667,832	-	-	667,832	
Remuneration of directors and supervisors	206,588	-	-	206,588	
Other employee benefits	<u>705,644</u>	<u>-</u>	<u>-</u>	<u>705,644</u>	
	<u>\$ 15,293,934</u>	<u>\$ 3,775,024</u>	<u>\$ -</u>	<u>\$ 19,068,958</u>	

Note:

- As of December 31, 2018 and 2017, the number of employees in the Group was 12,597 and 13,240, including 31 and 35 directors who are not concurrently serving as employees, respectively.
- During 2018, the average of employee benefits was \$1,501 thousand.
- During 2018, the average of salaries and wages was \$1,311 thousand.

**CHINA DEVELOPMENT FINANCIAL HOLDING CORPORATION AND
SUBSIDIARIES****DEPRECIATION AND AMORTIZATION
FOR THE YEAR ENDED DECEMBER 31, 2018
(In Thousands of New Taiwan Dollars)**

Item	Amount	Note
Intangible assets	\$ 1,349,919	
Building and facilities	440,437	
Computer equipment	286,985	
Leasehold improvements	111,348	
Other equipment	111,139	
Others (Note)	<u>117,410</u>	
	<u>\$ 2,417,238</u>	

Note: The amount of each item in others does not exceed 5% of the account balance.

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\$ thousands

Item	Year		Difference	
	2018.12.31	2017.12.31	Amount	%
Cash and cash equivalents, Due from the central bank and call loans to financial institutions	86,038,806	97,636,786	(11,597,980)	(12)
Financial assets at fair value through profit or loss	374,931,034	125,949,607	248,981,427	198
Available-for-sale financial assets	0	558,889,116	(558,889,116)	(100)
Financial assets at fair value through other comprehensive income	485,335,934	0	485,335,934	NA
Debt investments measured at amortized cost	970,536,279	0	970,536,279	NA
Securities purchased under resell agreements	39,770,534	55,150,889	(15,380,355)	(28)
Receivables, net	99,099,379	100,219,420	(1,120,041)	(1)
Current tax assets	1,168,303	745,603	422,700	57
Discount and loans, net	369,131,396	325,147,363	43,984,033	14
Reinsurance assets, net	534,353	302,104	232,249	77
Held-to-maturity financial assets, net	0	198,886,022	(198,886,022)	(100)
Investments accounted for using the equity method, net	16,102,926	16,375,012	(272,086)	(2)
Restricted assets	43,927,569	40,973,737	2,953,832	7
Other financial assets	91,362,530	752,610,493	(661,247,963)	(88)
Investment property, net	25,432,420	25,450,094	(17,674)	(0)
Property and equipment, net	31,717,297	30,880,691	836,606	3
Intangible assets, net	21,171,147	22,169,720	(998,573)	(5)
Deferred tax assets	12,652,560	9,081,862	3,570,698	39
Other assets, net	48,902,361	32,055,871	16,846,490	53
Total assets	2,717,814,828	2,392,524,390	325,290,438	14
Deposits from the central bank and financial institutions	22,434,914	28,867,956	(6,433,042)	(22)
Financial liabilities at fair value through profit or loss	87,786,725	55,729,704	32,057,021	58
Notes and bonds issued under repurchase agreements	125,478,900	100,177,627	25,301,273	25
Commercial paper payable, net	14,985,902	20,549,392	(5,563,490)	(27)
Payables	89,641,244	85,630,607	4,010,637	5
Current tax liabilities	967,872	5,443,513	(4,475,641)	(82)
Deposits and remittances	398,286,010	362,729,069	35,556,941	10

Item	Year		Difference	
	2018.12.31	2017.12.31	Amount	%
Bonds payable	31,150,000	30,000,000	1,150,000	4
Other borrowings	18,818,061	25,704,261	(6,886,200)	(27)
Provisions	1,557,304,939	1,288,449,104	268,855,835	21
Other financial liabilities	111,539,399	109,126,375	2,413,024	2
Deferred tax liabilities	7,275,275	9,391,454	(2,116,179)	(23)
Other liabilities	28,582,681	21,501,190	7,081,491	33
Total liabilities	2,494,251,922	2,143,300,252	350,951,670	16
Equity attributable to owners of parent				
Common stock	149,633,560	149,768,196	(134,636)	(0)
Capital surplus	1,630,992	1,173,719	457,273	39
Retained earnings	22,095,706	20,870,156	1,225,550	6
Other equity	(10,522,131)	73,567	(10,595,698)	(14,403)
Treasury shares	(3,605,444)	(4,205,566)	600,122	(14)
Non-controlling interests	64,330,223	81,544,066	(17,213,843)	(21)
Total equity	223,562,906	249,224,138	(25,661,232)	(10)

Analysis of changes in financial status:

1. The increase of financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income and debt investments measured at amortized cost; as well as the decrease of available-for-sale financial assets, held-to-maturity financial assets, net and other financial assets were mainly due to the reclassification of above-mentioned items under IFRS9 adopted on January 1, 2018.
2. The decrease of securities purchased under resell agreements and commercial paper payable, net and other borrowings were mainly due to better use of working capital.
3. The increase of current tax assets was mainly due to the increase of income tax refund receivable.
4. The increase of reinsurance assets, net was mainly due to the increase of claims recoverable from reinsurers.
5. The increase of deferred tax assets was mainly due to the decrease of valuation of financial instruments.
6. The increase of other assets, net was mainly due to the increase of security borrowing margins and guarantee deposits paid.
7. The decrease of deposits from the central bank and financial institutions was mainly due to the decrease of call loans from financial institutions.
8. The increase of financial liabilities at fair value through profit or loss was mainly due to the increase of option and futures contracts, bank debentures payable and interest rate swap contracts.
9. The increase of notes and bonds issued under repurchase agreements was mainly due to better use of working capital.
10. The decrease of current tax liabilities was mainly due to the decrease of income tax payable.
11. The increase of provisions was mainly due to the increase of insurance liabilities of China Life Insurance Co., Ltd.
12. The decrease of deferred tax liabilities was mainly due to the decrease of valuation of financial instruments.
13. The increase of other liabilities was mainly due to the increase of deposits received.
14. The increase of capital surplus was mainly due to parent's appropriation of cash dividends to subsidiaries.
15. The decrease of other equity and non-controlling interests were mainly due to the decrease of unrealized gain (loss) on financial assets measured at fair value through other comprehensive income and other comprehensive income reclassified using the overlay approach.

7.2 Analysis of Financial Performance

Unit: NT\$ thousands

Item	Year	2018	2017	Difference	
				Amount	%
Interest profit, net		56,582,328	22,070,412	34,511,916	156
Noninterest profits and gains, net					
Service fee and commission, net		(1,375,497)	6,775,862	(8,151,359)	(120)
Net income from insurance operations		184,725,121	39,368,179	145,356,942	369
Gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net		(26,109,031)	9,448,553	(35,557,584)	(376)
Realized gain on available-for-sale financial assets, net		0	7,413,380	(7,413,380)	(100)
Realized gain (loss) on financial assets measured at fair value through other comprehensive income		2,543,975	0	2,543,975	NA
Gain (loss) on disposal of financial assets measured at amortized cost		(850,917)	0	(850,917)	NA
Foreign exchange gain (loss), net		17,302,371	(6,963,086)	24,265,457	348
Impairment loss on assets, net		(31,478)	(1,194,707)	1,163,229	(97)
Share of the profit (loss) of associates and joint ventures		(305,739)	1,836,537	(2,142,276)	(117)
Gain (loss) on reclassification using the overlay approach		15,784,002	0	15,784,002	NA
Gain on financial assets measured at cost, net		0	3,025,225	(3,025,225)	(100)
Consulting service revenue		1,289,448	1,150,248	139,200	12
Others		2,795,294	2,483,048	312,246	13
Total net revenues		252,349,877	85,413,651	166,936,226	195
Allowance for bad debts and losses on commitment and guarantees, net		(45,761)	(613,750)	567,989	(93)
Net change in reserve for insurance liabilities		(213,695,965)	(48,277,392)	(165,418,573)	343
Operating expenses		(25,166,272)	(22,002,711)	(3,163,561)	14
Net profit before income tax		13,441,879	14,519,798	(1,077,919)	(7)
Income tax expense		(627,239)	(2,154,331)	1,527,092	(71)
Net profit for the year		12,814,640	12,365,467	449,173	4

Analysis of changes in financial performance:

1. The increase of interest profit, net, service fee and commission, net, net income from insurance operations, foreign exchange gain (loss), net and net change in reserve for insurance liabilities of 2018, were mainly due to the consolidation of China Life Insurance, being a subsidiary for insurance, in September 2017.
2. The decrease of gain (loss) on financial assets or liabilities measured at fair value through profit or loss, net, realized gain on available-for-sale financial assets, net and gain on financial assets measured at cost, net ; as well as the increase of gain (loss) on reclassification using the overlay approach, realized gain (loss) on financial assets measured at fair value through other comprehensive income and gain (loss) on disposal of financial assets measured at amortized cost were mainly due to IFRS9 adoption on January 1, 2018.
3. The decrease of impairment loss on assets, net and allowance for bad debts and losses on commitment and guarantees, net were mainly due to the decrease of allowance.
4. The decrease of share of the profit of associates and joint ventures was mainly due to the decrease of investment income and disposal gain of 2018.
5. The decrease of income tax expense was mainly due to the decrease of deferred tax expense.

7.3 Analysis of Cash Flow

7.3.1 Remedy for Cash Deficit and Liquidity Analysis

Item \ Year	2018	2017	Variance (%)
Cash Flow Ratio (%)	34.85	20.94	13.91
Cash flow adequacy ratio (%)	17.47	1.10	16.37
Cash Flow Content Ratio (%)	102.82	249.82	(147)
Analysis of financial ratio change: The decrease of cash flow content ratio was mainly due to the increase of cash flows generated from investing activities of 2018.			

7.3.2 Improvement plan of Illiquidity

Not applicable.

7.3.3 Cash Flow Analysis for the Coming Year

Unit: NT\$ thousands

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		
4,570,426	7,349,586	(8,735,842)	3,184,170	—	—
Cash flow analysis for the current year: 1. Operating activities: Net cash flow mainly generated from the dividend received from subsidiaries. 2. Investing activities: Net cash flow mainly used in investing in China Life Insurance.					

7.4 Major Capital Expenditure Items

None

7.5 Investment policies in the last year; describe any causes of profit or loss, improvement plans, and investment plans for the next year

7.5.1 Investment policy in the most recent year

The Company made no significant changes to its investment policy in the last year. It has been supporting the government's strategies while establishing itself as the most distinguished financial group among the world's Chinese-speaking population. The Company's investments have been aimed toward achieving long-term growth and stable returns.

7.5.2 Causes of profit and improvement plans

In 2018, due to US interest rate hikes and the Sino-US trade conflict, global financial markets saw increased volatility. Taiwan, affected by global economic change, saw GDP growth decelerate from 3.08% in 2017 to 2.6% in 2018. In the capital markets, the Taiex stayed above the 10,000 point mark during the first three quarters of 2018, but nosedived in the fourth quarter when the Sino-US trade war heated up, US treasury yields rose, and geopolitical conflicts emerged. The Taiex closed at 9,727 points in 2018, for an annual correction of 8.6%. TWSE and TPEx combined daily turnover averaged NT\$160bn last year, up about 20% YoY.

In September 2017, CDF completed the acquisition of a 25.33% stake in China Life, which represented the Company's fourth business growth engine of life insurance, along with commercial banking, securities brokerage, and venture capital/ private equity. In 2018, CDF benefited from stable earnings contribution from the life insurance business. However, due to global market fluctuations that dampened financial investment performance, coupled with the revised trend of the capital market in Q4, which adversely impacted the investment valuation, and as a result, affected the overall profitability of the 2018.

Looking forward to 2019, it is expected that global economic growth will slow down and the US will maintain steady growth. Taiwan's economy is expected to maintain stability under the support of the government's continued implementation of various policies, but it must not neglect the impact of global financial market volatility and political and economic risks. In the face of fragile financial conditions, CDF's commercial banking unit will develop digital solutions to increase sources of clients and optimize service platforms to improve user experience. Also, in addition to keeping risks and operating cost under control, KGI Bank will resort to raising fee income to boost ROA. Regarding the securities business, it will carry out the transformation of the traditional brokerage business at home and abroad, establish a financial innovation technology platform, deepen risk management and control according to regional and business attributes, actively strengthen product innovation design and distribution/ sales capabilities, resort to Asia-Pacific regional platform synergies to boost overseas earnings, and continue to promote inter-group exchanges and cooperative

sales. In terms of venture capital/ private equity, in addition to continuing with asset activation, it will focus on fund-raising and intensifying investment management, as well as providing customized private equity fund investment advisory services for institutional investors, so as to further expand fund advisory business. The implementation of subsidiaries' various strategies will help the Company to enhance cross-departmental cooperation, product development and sales capabilities. This shall further deepen customer relationships and competitive advantages to increase long-term stable profitability.

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 has assembled the Risk Management Committee to monitor risk exposure and ensured 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.

◎ **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.

◎ **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.

◎ **CDIB Capital Group**

"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.

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 the 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 risk types.

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, 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 targets financial product positions possessed by subsidiaries on FVTPL and FVOCI bases and covers details such as market risk values, stress test results, and risk quota utilization levels, as well as occurrences 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) 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 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 back testing 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.

(2) 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 (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.

In order to manage concentration risk, KGI Bank assesses the changes in the external environment and the bearable risks of losses, and formulates credit limits such as national risks, industrial risks, group risks and corporate risks. The bank has been actively developing its quantitative risk assessment model based on different characteristics of various assets to evaluate customers' default risks and for several other uses such as customer selection, risk-based pricing and limit management. The model incorporates the use of both internal and external credit ratings to establish the 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. 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

The operational risk management organizational structure is composed of the board of directors, the risk management committee/operation risk management committee and three lines of defense. The first line of defense, made up of all operating units of KGI Bank, is responsible for verifying that the daily business activities/operations are in line with the Bank's operational risk management and internal control regulations; the second line of defense, made up of Risk Management Division, is responsible for coordinating the establishment of operational risk management structures by all units of the Bank and importing operational risk identification, assessment and control mechanisms. The third line of defense, which is manned by the Audit Division, is responsible for reviewing the establishment of operational risk management mechanisms and checking the compliance and implementation of each mechanism.

KGI Bank has established “Operational Risk Management Guidelines” and operational risk management tools related to the implementation of operational risk identification, assessment and control matters, on which KGI Bank will conduct identification, assessment, and control of operational risks, mainly through three management tools – operational risk self-assessment, operational risk event notification, and key risk indicator control – that have been introduced to the entire bank. Among them, the self-assessment of operation risk needs to quantify the degree of potential loss and the probability of occurrence of each risk factor, so as to understand the degree of operational risk of each unit and the completeness of the control mechanism; the operational risk events need to be categorized, according to seven event types and eight major businesses, into a loss database for statistical analysis; key risk indicators are quantified through monitoring and warning thresholds. The results will regularly be reported to the KGI Bank Risk Management Committee/Operational Risk Management Committee and the parent company’s Risk Management Committee.

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.

(3) 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 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. If any unit of KGI Securities chances upon a major risk event during business execution, it shall proceed with the handling according to CDF's provisions related to major risk event notification.

(4) 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.

Regarding the control and management of funds raised externally, the investment balances of such funds as Creative Industries, Healthcare Ventures, Asia Partners, Southern China (Kunshan), Eastern China (Fujian), Ali, Innovation Accelerator, Capital Growth, and GO Fund, are regularly reviewed for compliance with the respective fund contracts, which have specific limitations for single stock investment, existing stock investment, investment phases, invested industries, and invested regions.

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.

7.6.3 Financial impacts and responsive measures in the event of changes in local and foreign regulations

1. Formulated “Regulations Governing the Implementation of the Common Standard on Reporting and Due Diligence for Financial Institutions” (announced on November 16, 2017)
 - The Company has established “Guidelines for the Implementation of Joint Declaration and Due Diligence Management for Financial Institutions” and notified the subsidiaries to set relevant regulations in accordance with regulations.
2. Revised “Principles for Reinvested Asset Management Companies for Financial Holding Companies (Banks)” (announced on December 29, 2017)
 - CDF followed the revised Principles to oversee the operations of asset management subsidiaries.
3. Revised “Regulations Governing Qualification Requirements for the Founder or Responsible Persons of Financial Holding Companies and Concurrent Serving Restrictions and Matters for Compliance by the Responsible Persons of a Financial Holding Company” (announced on February 5, 2018)
 - CDF has revised the “Guidelines for Employees Working Part-time in Reinvested Businesses and Subsidiaries” for observance.
4. Revised “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” (announced March 29, 2018 and August 16, 2018)
 - CDF followed the revised “Regulations Governing the Use of Proxies for Attendance at Shareholder Meetings of Public Companies” and conducted the proxy affairs accordingly.
5. Revised “Implementation Rules of Internal Audit and Internal Control System of Financial Holding Companies and Banking Industries” (announced on March 31, 2018)
 - CDF has stipulated the “Plan for on-job Training of Legal Compliance Supervisors,” which was passed by the Board of Directors in May 2018; in addition, CDF has stipulated and revised the “Regulations Governing the Handling of Whistleblowing Cases” which was passed by the Board of Directors in April and July 2018; CDF has newly set up an Information Security Department, which will be in charge of the information security affairs of the Company.
6. Revised the “Company Act” (announced on August 1, 2018)
 - CDF has used the revisions to examine and adjust relevant internal regulations and on December 19, 2018 hosted a keynote speech on “Modernization of Taiwan’s Legal System – Using Company Act revision in 2018 as an Example.” The contents of the speech will be transformed into online courses for online learning available to all CDF employees.
7. Revised the “Regulations Governing the Preparation of Financial Reports by Financial

Holding Companies” (announced on September 11, 2018)

➤ CDF has revised its Accounting System and the revision was passed by the Board of Directors in December 2018.

8. Revised the “Regulations Governing the Acquisition and Disposal of Assets by Public Companies” (announced November 26, 2018)

➤ CDF has revised the “Procedures for the Acquisition and Disposal of Assets” which will be submitted for review at the Shareholders’ Meeting in June 2019.

9. Revised the “Regulations Governing the Investing Activities of a Financial Holding Company” (announced November 28, 2018)

➤ The Company followed the revised “Regulations Governing the Investing Activities of a Financial Holding Company” to conduct relevant investment affairs.

7.6.4 Financial impacts and responsive measures in the event of technological or industrial changes

1. Promote channel and digital transformation, enhance product mix, and integrate group resources to optimize cross-selling performance

China Life will continue to strengthen digital transformation and data analysis; enhance recruiting efficiency and training effectiveness for new employees; utilize digital marketing tools to enhance organizational caliber; spearhead the integration of group resources to optimize cross-selling results; extend FinTech applications in risk management, after-sales service, marketing and recruitment; and collectively develop a digital platform.

KGI Securities is fully upgrading its networking hardware and service platforms, vigorously extending digital financial services, further expanding WM’s AUM, and broadening the scope of customer services by diversifying as well as upgrading its product offerings.

2. Upgrade FinTech applications to expand customer base

Given how new financial instruments have evolved over time, customized Total Solutions will be offered while new financial products will continue to be developed to satisfy the diverse and nuanced needs of our institutional customers for hedging instruments. KGI Bank utilizes the digital platform to strengthen customer adhesion and loyalty. Based on infrastructure compatibility, the bank is developing Open Banking services to connect customers across the group and accelerate client add-ins. In Taiwan’s first collaborative project between the telecom and financial industries on utilizing mobile communications technology to seek breakthroughs in digital identity authentication and connect a broader

service audience, KGI Bank helped consumers earn their rights to data portability through innovations in data and information security through technology, making it the first domestic bank to deliver an approved regulatory sandbox project experimenting in financial technology innovations and contributing to the acceleration of Taiwan's digital-only banking.

3. Adjust investment focus and diversify risks

Given the dwindling profitability in the tech OEM space, CDIB Capital Group is also shifting its tech-oriented investment strategy by increasing its exposure to digital content, bio-technology, healthcare, consumption, the creative industry, green energy, digital finance, blockchain and more, placing research interest and investment focus on these new themes. We will also engage selective China and emerging market themes given the economic rise in these areas. The existing direct investment business is being transformed into an asset management-based model as it continues to grow AM business and expand fund AUM of fund portfolios to reduce and diversify risks.

4. Commitment to sustainability, corporate governance responsibilities, and innovative financial-inclusion initiatives

Given the ongoing deregulations in cross-strait commerce, the Company aims to integrate resources and advantages across its insurance, securities, commercial banking and venture capital subsidiaries. Driven by the core value of sustainable development, CDF continues to strengthen corporate governance, advance green finance initiatives, fulfill its responsibilities toward communities, and provide quality and inclusive financial services through vigorous promotion for innovative programs in its service model.

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

As a diversified financial holding company with business arms across life insurance, commercial banking, securities and venture capital/private equity, each with their own business models, risks associated with individual subsidiaries within the Company's portfolio are offset or diversified in terms of product category, target, region, and period. Having this business structure will help counter impacts in the event of a global recession and escalatory risks of particular segments. To constantly stay up to date on risk appetite, the Company has set quota caps to limit engagement in each country, sector, conglomerate and client, and implements a stop loss control mechanism across products to further address business concentration risks.

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 Litigious and Non-Litigious Matters:

Major litigious, non-litigious and administrative disputes are listed below. Such disputes: (1) involve the company and/or any company director, any company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any company or companies controlled by the company; and (2) have been concluded by means of a final and unappealable judgment, or are still under litigation. Where such a dispute could materially affect shareholders' equity or the prices of the company's securities, the annual report shall disclose the facts of the dispute, amount of money at stake in the dispute, the date of litigation commencement, the main parties to the dispute, and the status of the dispute as of the date of publication of the annual report.

◎ **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 later appealed to the Supreme Court which reversed and remanded the case to the High Court for a new trial on October 31, 2018.

◎ **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 shares of JHSC and a sum of NT\$ 73,946,000 plus statutory interest was made against Yang and KGI Securities. The case was again remanded to Taiwan High Court for the sixth time by the Supreme Court on February 1, 2018.

◎ **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.

◎ **CDIB Capital Management 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

In response to escalatory risks associated with cyber security, the Company voluntarily joined the Financial Information Sharing and Analysis Center (F-ISAC) in 2018 to improve internal data security protections by the sharing and assessment of information security threat intelligence. Through the adoption of relevant procedures for handling material information, employees and supervisors periodically receive reminders on appropriate disclosure of material information as required by law, in addition to relevant legal information. For more detailed information, please refer to 5.7.3 Emergency backup and security measures.

7.7 Risk Management and Response Mechanism

In accordance with relevant regulations of the competent authority, CDF has adopted the Procedures for Critical Contingency Response and supervises each subsidiary to establish safety maintenance and disaster-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

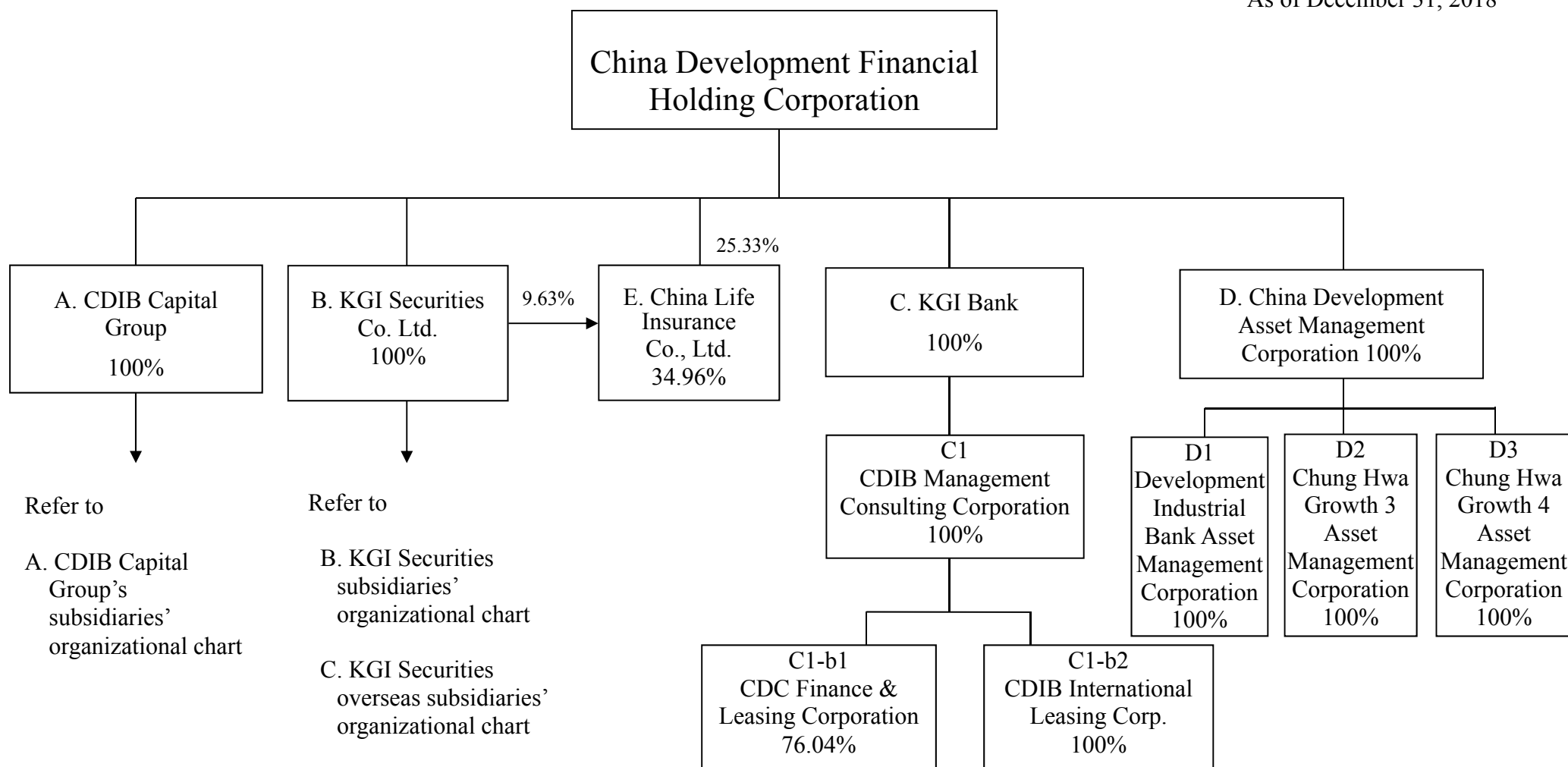
None

VIII. Special Disclosure

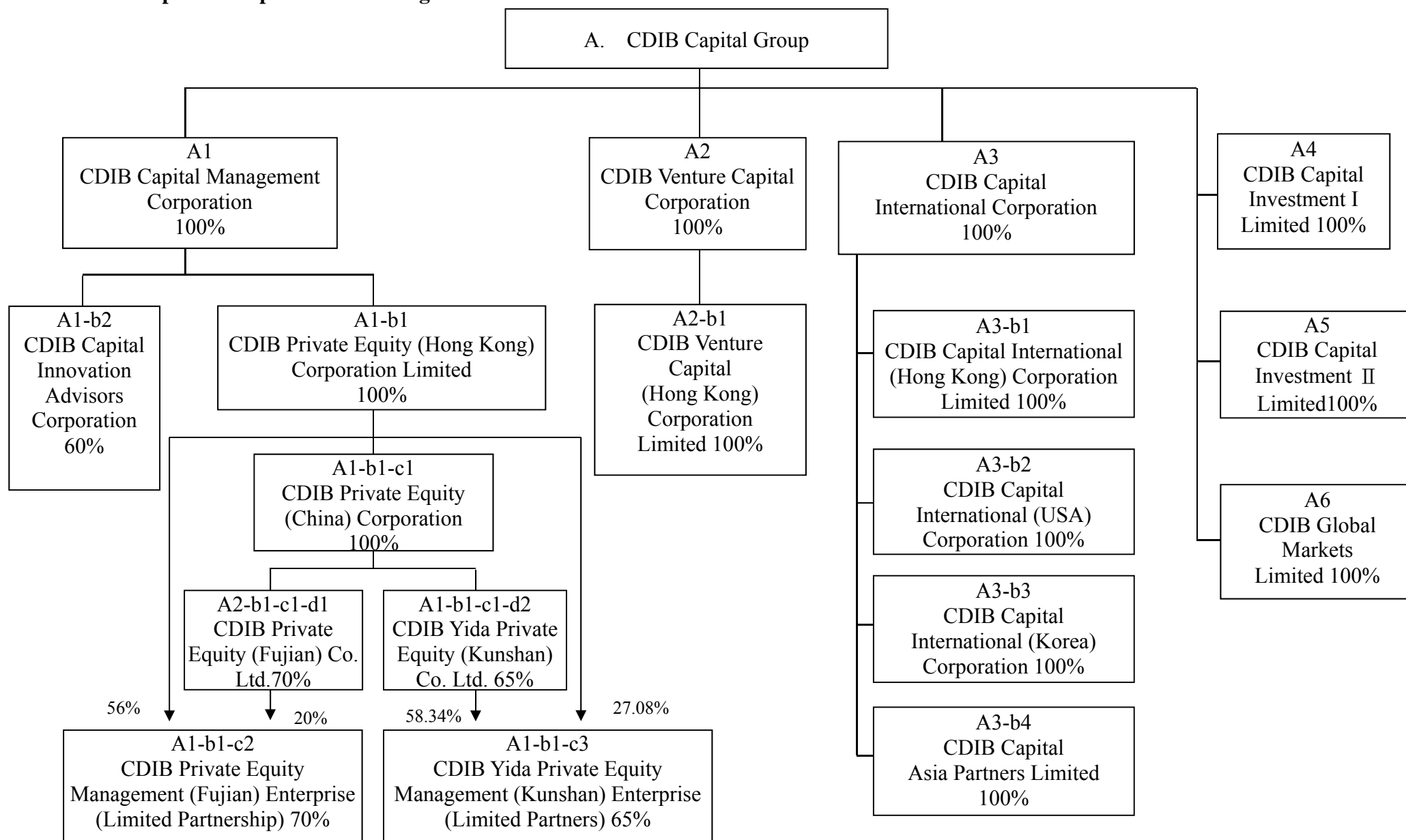
8.1 Summary of Affiliated Companies

8.1.1 Organizational Chart

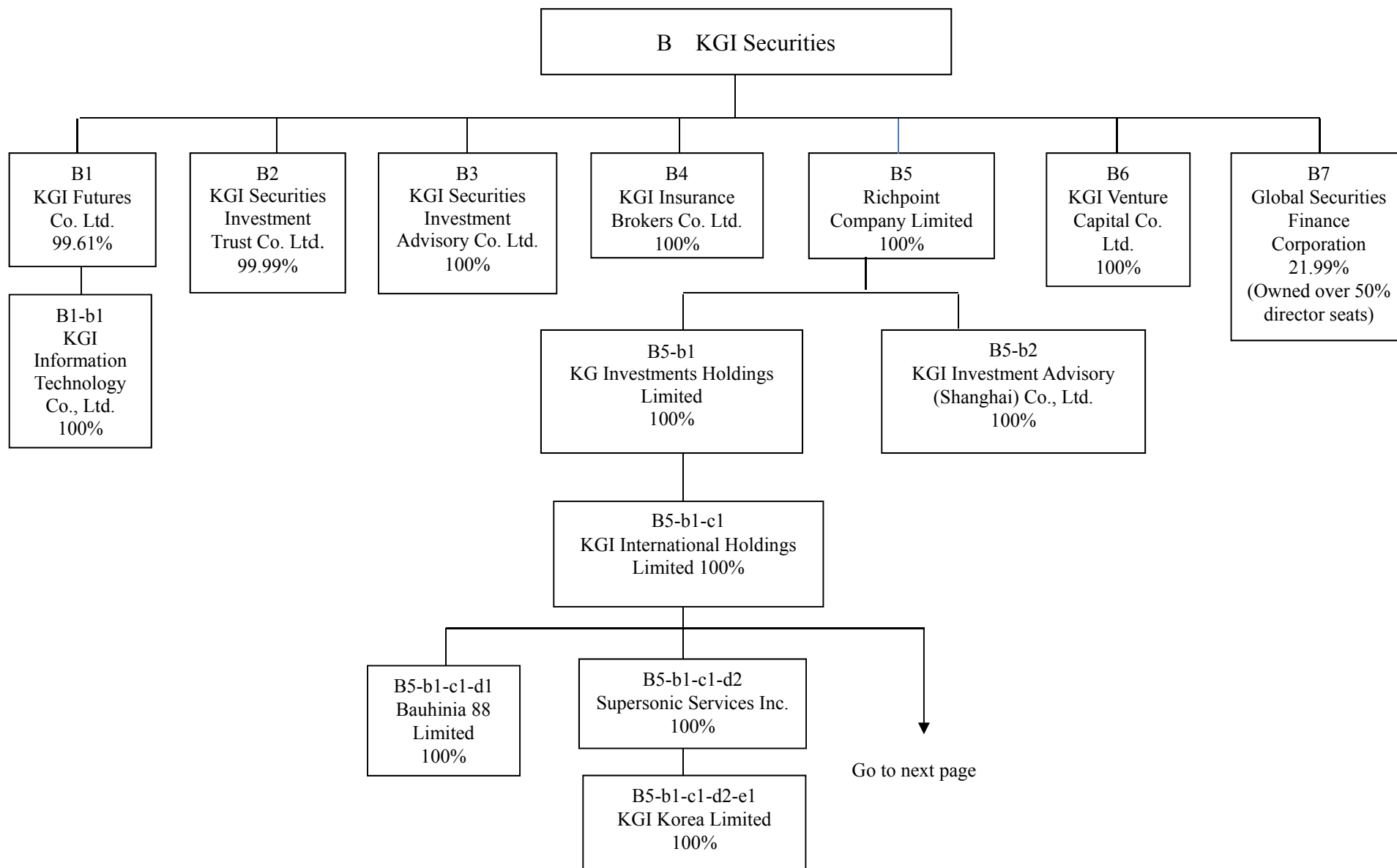
As of December 31, 2018



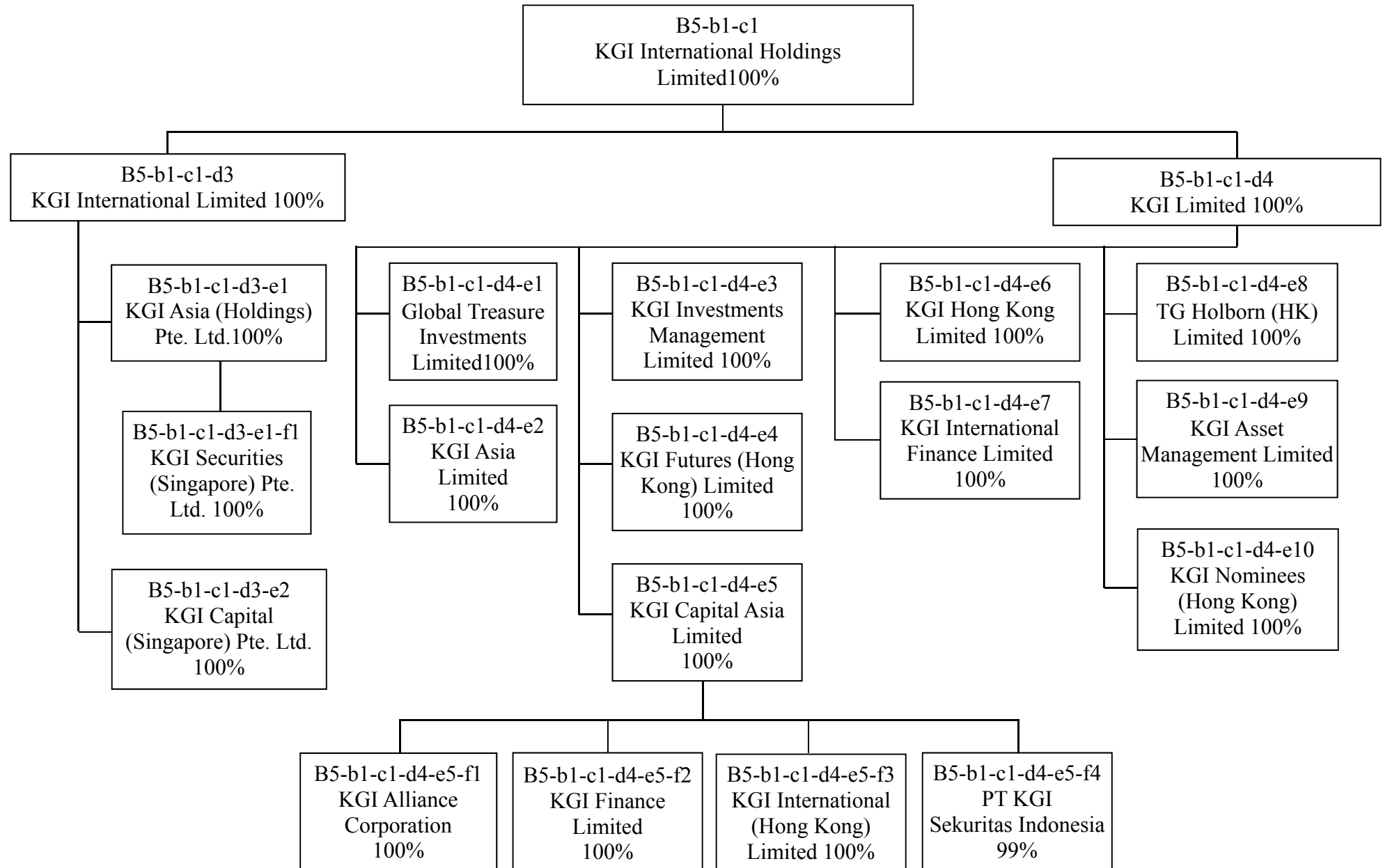
A. CDIB Capital Group subsidiaries' organizational chart



B. KGI Securities subsidiaries' organizational chart



C.KGI Securities overseas subsidiaries' organizational chart



8.1.2 Backgrounds of affiliated enterprises

◎ China Development Financial Holding Corporation

December 31, 2018

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	32,418,433	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	40,135,823	Life Insurance	

◎ CDIB Capital Group

December 31, 2018

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	
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	

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products	Remark
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	
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	

◎ **KGI Securities**

December 31, 2018

Unit : NTS'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
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. (Note)	1998.11.24	Singapore	USD 5,738	Future
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

Index	Name of Company	Established Date	Address	Paid in Capital	Main Business or Products
B5-b1-c1-d4-e2	KGI Asia Limited	1996.10.01	Hong Kong	USD 95,000	Securities
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

Note: KGI Capital (Singapore) Pte. Ltd. is currently not in operation.

◎ **KGI Bank**

December 31, 2018
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, 2018
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, 2018

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 Lionel de Saint Exupery Sherie Chiu Melanie Nan Jamie Huang 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 Falco Mi Chin-Lung Tseng Shirley Wang Julian Yen Len-Kuo Hu Cheng-Erh Lin James Tai William Fang	3,241,843,251	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	Tien-Sung Lee Kiki Shih LC Sun Lawrence Liu Cheng-Hung Lin (note)	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	1,016,752,000 532,180 145,394	25.33 0.01 0.00

Note: He took office on February 1, 2019.

◎ CDIB Capital Group

December 31, 2018

Index	Name of Company	Title / Represented Institution	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
A1	CDIB Management Consulting 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 Marisol Wang Kathy Young	None	100
A2-b1-c1-d1	CDIB Private Equity (Fujian) Co., Ltd.	Director Supervisor President	Shin Chen Daw-Yi Hsu Kathy Young Hsu-Hui Huang 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 Chin-Po Yu 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	Lawrence Liu Shin Chen Chun-Huei Ho Sherie Chiu Eddy Chang Kathy Young Frances Tsai Marisol Wang	1,022,790,915	100
		Supervisor / CDIB Capital Group President	Kathy Young		
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	Director	Shin Chen Chun-Huei Ho Jane Lai Eddy Chang Kathy Young Lawrence Liu Frances Tsai Michael Chang Kathy Young	870,000,000	100
		President			
A3	CDIB Capital International Corporation	Director	Sherie Chiu Melanie Nan Eddie Wang Frances Tsai Jenny Chiang Lionel de Saint Exupery	4,700,000	100
		President	Lionel de Saint Exupery		
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	Director	Sherie Chiu Melanie Nan Eddie Wang Frances Tsai Jenny Chiang Lionel de Saint Exupery	15,400,000	100
		President	Lionel de Saint Exupery		
A3-b2	CDIB Capital International (USA) Corporation	Director	Melanie Nan Eddy Chang Christy Lin Sandra Yao Lisa Guo Lionel de Saint Exupery	8,000,000	100
		President	Lionel de Saint Exupery		

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
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

Note : All representatives do not have any personal shareholding.

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December 31, 2018

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B1	KGI Futures Co. Ltd.	Director Supervisor President	Falco Mi Shao-Ching Hung 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	James Chen Yin-Ting Huang Yao-Min Chou Shao-Ching Hung James Chen	5,000,000	100
B2	KGI Securities Investment Trust Co. Ltd.	Director Supervisor President	Albert Ding Ann Chang Mei-Ling Wu Mei-Hui Lin Hung Richard Kao	30,000,000	100
B3	KGI Securities Investment Advisory Co. Ltd.	Director / KGI Securities Supervisor / KGI Securities President	Yen-Min Chu Ying-Chang Wu Bruce 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-d2-e1	KGI Korea Limited	Director	Kwong Man Bun	10,000	100
B5-b1-c1-d3	KGI International Limited	Director	Wong Hoe Choon Reddy Teo Cheng Hoe Jenny Huang	81,511,716	100
B5-b1-c1-d3-e1	KGI Asia (Holdings) Pte. Ltd.	Director	Wong Hoe Choon Reddy Ooi Bee Leng Teo Cheng Hoe	75,749,305	100

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B5-b1-c1-d3-e1-f1	KGI Securities (Singapore) Pte. Ltd	Director	Falco Mi Teo Cheng Hoe Wong Hoe Choon Reddy Julian Yen Ong Seng Ken Ng Hwee Beng	137,527,908	100
B5-b1-c1-d3-e2	KGI Capital (Singapore) Pte. Ltd (note)	Director	Wong Hoe Choon Reddy Ooi Bee Leng Teo Cheng Hoe	7,000,000	100
B5-b1-c1-d4	KGI Limited	Director	Jenny Huang Wong Hoe Choon Reddy Lin Patrick C	308,341,129	100
B5-b1-c1-d4-e1	Global Treasure Investments Limited	Director	Wong Hoe Choon Reddy	2	100
B5-b1-c1-d4-e3	KGI Asia Limited	Director	Chu Kuan Hsun Jenny Huang Kwong Man Bun Wong Hoe Choon Reddy Lin Patrick C Lee Mei Ching Alva	95,000,000	100
B5-b1-c1-d4-e3	KGI Investments Management Limited	Director	Chan Hin Geung Mark Chu Kuan Hsun Wong Hoe Choon Reddy Jenny Huang Lee Mei Ching Alva	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 Hoe Choon Reddy	45,000,000	100
B5-b1-c1-d4-e5	KGI Capital Asia Limited	Director	Jenny Huang Kwong Man Bun Lee Siu Lun Wong Hoe Choon Reddy Fan Ching Yee	117,962,769	100
B5-b1-c1-d4-e5-f1	KGI Alliance Corporation	Director	Julian Yen Jenny Huang Teo Cheng Hoe	100,000	100
B5-b1-c1-d4-e5-f2	KGI Finance Limited	Director	Jenny Huang Wong Hoe Choon Reddy Chan Hin Geung Mark	42,913,985	100
B5-b1-c1-d4-e5-f3	KGI International (Hong Kong) Limited	Director	Jenny Huang Wong Hoe Choon Reddy Lin Patrick C	100,000,000	100
B5-b1-c1-d4-e5-f4	PT. KGI Sekuritas Indonesia	Director	Antony Kristanto Robby Winindo Low Chung Kiat Albert Ding Pun Kin Wa Hery Adriawan Zainal	99,000	99

Index	Name of Company	Title	Name or Representative	Share Holding	
				No. of Shares	Ratio (%)
B5-b1-c1-d4-e6	KGI Hong Kong Limited	Director	Jenny Huang Wong Hoe Choon Reddy Mok Wai Yu Peggy	15,000	100
B5-b1-c1-d4-e7	KGI International Finance Limited	Director	Jenny Huang Wong Hoe Choon Reddy Choi Hoi Chung Jason	10,000,000	100
B5-b1-c1-d4-e8	TG Holborn(HK) Limited	Director	Chan Hin Geung Mark	170,670	100
B5-b1-c1-d4-e9	KGI Asset Management Limited	Director	Chan Hin Geung Mark Wong Hoe Choon Reddy Julian Yen Chu Kuan Hsun Lee Mei Ching Alva	25,000	100
B5-b1-c1-d4-e10	KGI Nominees (Hong Kong) Limited	Director	Chu Kuan Hsun Wong Hoe Choon Reddy Chan Hin Geung Mark	3	100
B5-b2	KGI Investment Advisory (Shanghai) Co. Ltd.	Director Supervisor	William Fang Jocelyn Huang Shao-Ching Hung 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 Yao-Min Chou Shao-Ching Hung 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 Chiou Kuo-Pin Kao Chi-Yu Li Mu-Hsien Chen Chao-Chiu Lin Yung-Sheng Kao	87,958,558 14,437,259 39,927,471	21.99 3.61 9.98

Note: KGI Capital (Singapore) Pte. Ltd. is currently not in operation.

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December 31, 2018

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 Winnie Huang Chih-Chin Wang Wen-Yan Hsu Kiki Shih Hans Tzou Sheng-Yu Wu	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 Winnie Huang 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 / CDIB Management Consulting Corporation President	Ke-Jun Wu Andy Lin Chih-Chin Wang Wen-Yan Hsu Jun-Wen Xiao Kiki Shih Winnie Huang Sheng-Yu Wu	none	100

◎ **China Development Asset Management Corporation**

December 31, 2018

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	Tien-Sung Lee Adrienne Chiou Eddy Chang Marisol 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	Tien-Sung Lee Adrienne 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	Tien-Sung Lee Adrienne Chiou Eddy Chang	19,000,000	100

8.1.5 Performance of affiliated enterprises:

◎ China Development Financial Holding Corporation

Date : December 31, 2018

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	49,589,390	1,903,300	47,686,090	2,637,060	2,228,771	2,311,401	1.13
B	KGI Securities Co., Ltd.	32,418,432	179,392,527	120,973,791	58,418,736	9,690,226	973,080	3,764,825	1.16
C	KGI Bank	46,061,623	679,176,201	620,801,726	58,374,475	8,795,201*	8,795,201*	2,145,454	0.47
D	China Development Asset Management Corporation	2,000,000	3,191,693	832,775	2,358,918	76,934	14,580	35,202	0.18
E	China Life Insurance Co., Ltd	40,135,823	1,711,355,336	1,638,260,952	73,094,384	338,495,113	7,956,352	10,177,987	2.54

Note*:It is "Net revenue".

◎ CDIB Capital Group

Date : December 31, 2018

Unit: NT\$ thousands

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A1	CDIB Capital Management Corporation	330,939	799,620	154,865	644,755	275,779	101,565	87,501	2.64
A1-b1	CDIB Private Equity (Hong Kong) Corporation Limited	203,656	299,298	405	298,893	29,007	28,166	28,227	—
A1-b1-c1	CDIB Private Equity (China) Corporation	204,263	252,336	23,036	229,300	62,290	25,773	28,399	—
A2-b1-c1-d1	CDIB Private Equity (Fujian) Co., Ltd.	44,756	148,420	50,106	98,314	86,009	23,752	22,877	—
A1-b1-c1-d2	CDIB Yida Private Equity (Kunshan) Co., Ltd.	31,329	109,770	35,952	73,818	65,980	17,743	15,053	—
A1-b1-c2	CDIB Private Equity Management (Fujian) Enterprise (Limited Partnership)	53,707	55,901	247	55,654	328	(247)	(87)	—
A1-b1-c3	CPEC Yida Private Equity (Kunshan) Enterprise (Limited Partnership)	53,707	55,430	181	55,249	2,782	2,415	2,505	—
A1-b2	CDIB Capital Innovation Advisors Corporation	20,000	34,790	8,409	26,381	30,714	7,692	6,192	3.10
A2	CDIB Venture Capital Corporation	10,227,909	9,684,722	56,381	9,628,341	320,431	228,435	200,988	0.2
A2-b1	CDIB Venture Capital (Hong Kong) Corporation Limited	3,413,880	3,352,873	498	3,352,375	92,836	92,168	97,703	—

Reference	Name	Capital stock	Total assets	Total liabilities	Net Worth	Operating revenue	Profit from operations	Net Income	Earnings Per Share (in dollar)
A3	CDIB Capital International Corporation	144,445	948,645	334,330	614,315	563,150	(4,127)	3,386	—
A3-b1	CDIB Capital International (Hong Kong) Corporation Limited	60,430	313,700	79,680	234,020	270,116	26,768	24,988	—
A3-b2	CDIB Capital International (USA) Corporation	25	94,211	35,053	59,158	80,450	6,643	5,899	—
A3-b3	CDIB Capital International (Korea) Corporation	254,460	218,621	36,949	181,672	46,969	2,659	4,245	—
A3-b4	CDIB Capital Asia Partners Limited	0	138	2,427	(2,289)	0	(464)	(407)	—
A4	CDIB Capital Investment I Limited	4,081,342	7,885,723	10,056	7,875,667	51,261	(64,635)	4,602	—
A5	CDIB Capital Investment II Limited	1,328,985	1,613,031	103,060	1,509,971	(371,886)	(402,736)	(390,647)	—
A6	CDIB Global Markets Limited	5,386,931	9,142,602	596	9,142,006	1,227,501	1,041,094	1,111,348	—

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Date : December 31, 2018

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)
B1	KGI Futures Co. Ltd.	860,800	25,585,121	22,169,024	3,416,097	2,210,770	276,300	595,976	6.92
B1-b1	KGI Information Technology Co., Ltd.	50,000	48,572	112	48,460	0	(552)	(632)	(0.13)
B2	KGI Securities Investment Trust Co. Ltd.	300,000	421,522	58,105	363,417	233,764	(66,419)	(55,312)	(1.85)
B3	KGI Securities Investment Advisory Co. Ltd.	50,000	129,310	67,673	61,637	166,884	7,009	6,370	1.27
B4	KGI Insurance Brokers Co. Ltd.	5,000	248,002	126,359	121,643	536,398	138,797	111,643	223.29
B5	Richpoint Company Limited	4,519,090	14,522,175	1,372,236	13,149,939	0	(76,624)	833,067	—
B5-b1	KG Investments Holdings Limited	4,820,901	17,306,336	4,223,452	13,082,884	(8)	(47,631)	864,089	—
B5-b1-c1	KGI International Holdings Limited	6,430,819	17,397,398	612,509	16,784,889	(3,196)	(33,084)	901,491	—
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	307	2,244	0	2,244	0	0	0	—
B5-b1-c1-d3	KGI International Limited	2,505,108	2,235,641	84,669	2,150,972	17,887	17,887	17,887	—

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-d3-e1	KGI Asia (Holdings) Pte.Ltd.	2,327,994	5,265,485	3,428,758	1,836,727	(14,137)	(66,967)	144,937	—
B5-b1-c1-d3-e1-f1	KGI Securities (Singapore) Pte. Ltd.	3,093,005	17,551,217	15,075,643	2,475,574	1,031,707	(171,613)	22,742	—
B5-b1-c1-d3-e2	KGI Capital (Singapore) Pte. Ltd. (Note)	157,430	112,482	184	112,298	0	(154)	(154)	—
B5-b1-c1-d4	KGI Limited	9,476,244	11,090,403	2,498,931	8,591,472	430	400	400	—
B5-b1-c1-d4-e1	Global Treasure Investments Limited	0	0	0	0	0	0	0	—
B5-b1-c1-d4-e2	KGI Asia Limited	2,919,635	45,365,135	33,818,747	11,546,388	2,531,907	2,228,603	1,515,168	—
B5-b1-c1-d4-e3	KGI Investments Management Limited	103,005	25,231	3,626	21,605	92,875	46,007	(28,305)	—
B5-b1-c1-d4-e4	KGI Futures (Hong Kong) Limited	1,382,985	6,344,828	4,100,704	2,244,124	290,673	271,864	82,057	—
B5-b1-c1-d4-e5	KGI Capital Asia Limited	3,625,357	3,640,048	861	3,639,187	84,915	84,915	(5,440)	—
B5-b1-c1-d4-e5-f1	KGI Alliance Corporation	3,073	478,328	443,016	35,312	9,558	9,527	9,527	—
B5-b1-c1-d4-e5-f2	KGI Finance Limited	1,318,876	1,220,807	256,344	964,463	46,499	46,253	42,903	—
B5-b1-c1-d4-e5-f3	KGI International (Hong Kong) Limited	3,073,300	19,717,094	17,240,291	2,476,803	47,298	7,991	(420,827)	—
B5-b1-c1-d4-e5-f4	PT KGI Sekuritas Indonesia	229,391	1,016,648	780,895	235,753	121,365	32,270	20,776	—
B5-b1-c1-d4-e6	KGI Hong Kong Limited	461	227,362	714,634	(487,272)	(13,154)	(2,649,707)	47,390	—
B5-b1-c1-d4-e7	KGI International Finance Limited	307,330	1,808,268	1,506,439	301,829	11,156	(5,470)	105,967	—
B5-b1-c1-d4-e8	TG Holborn (HK) Limited	671	12,877	0	12,877	10	(31)	(31)	—
B5-b1-c1-d4-e9	KGI Asset Management Limited	19,620	19,147	0	19,147	92	92	92	—
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	122,932	38,153	764	37,389	4,548	(10,476)	(10,451)	—
B6	KGI Venture Capital Co. Ltd.	700,000	869,663	14,909	854,754	(9,921)	(17,943)	4,357	0.06
B7	Global Securities Finance Corporation	4,000,000	7,302,921	3,021,622	4,281,299	220,388	67,687	79,563	0.20

Note: KGI Capital (Singapore) Pte. Ltd. is currently not in operation.

◎ **KGI Commercial Bank Co., Ltd.**

Date : December 31, 2018

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	871,172	5,952	865,220	54,198	49,810	50,091	0.33
C1-b1	CDC FINANCE & LEASING Corp.	767,048	4,153,814	3,294,518	859,296	301,920	16,926	74,249	0.97
C1-b2	CDIB International Leasing Corp.	840,292	784,654	614,464	170,190	43,001	(67,568)	(2,260)	—

◎ **China Development Asset Management Corporation**

Date : December 31, 2018

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	94,474	13,376	81,098	0	(2,902)	(27,938)	(13.97)
D2	Chung Hwa Growth 3 Asset Management Corp.	2,260,000	2,572,833	74,112	2,498,721	73,625	49,048	52,321	0.23
D3	Chung Hwa Growth 4 Asset Management Corp.	190,000	201,907	4,602	197,305	7,016	5,755	7,339	0.39

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		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
KGIS	32,418,432	—	100%	2018	—	54,885,000 shares NT\$570,393,000	—	246,900,796 shares NT\$2,399,876,000	—
				As of the date of publication of this report	—	15,492,000 shares NT\$155,900,000	—	231,408,796 shares NT\$2,383,511,000	—
China Life Insurance Co., Ltd	40,135,823	—	25.33%	2018	—	—	—	562,468,259 shares NT\$5,467,191,000	—
				As of the date of publication of this report	—	—	—	562,468,259 shares NT\$5,793,423,000	—

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